

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Broadmeadows – Thursday 19 September 2024

#### MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

Evan Mulholland

Sonja Terpstra

#### PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

**WITNESSES**

Livia Bonazzi, Chief Executive Officer, and

Michael Chesworth, Director, People and Corporate Performance (*via videoconference*), Murrindindi Shire Council.

**The ACTING CHAIR (Evan Mulholland):** Welcome to the Legislative Council Economy and Infrastructure Committee's Inquiry into Local Government Funding and Services. I will start by introducing myself. My name is Evan Mulholland, Member for Northern Metropolitan Region.

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

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

**Tom McINTOSH:** Tom McIntosh, Eastern Victoria Region.

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

**David ETTERS HANK:** Good morning. David Ettershank, Western Metropolitan Region.

**John BERGER:** John Berger, Southern Metropolitan Region.

**Sonja TERPSTRA:** Sonja Terpstra, Member for North-Eastern Metropolitan Region.

**The ACTING CHAIR:** I would like to welcome Livia Bonazzi, the CEO of Murrindindi Shire Council, and Michael Chesworth, who I believe we have online.

I will remind you that all evidence 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 the 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 following the hearing, and transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your name and any organisation you are appearing on behalf.

**Livia BONAZZI:** My name is Livia Bonazzi, and I am a part of the Murrindindi Shire Council.

**Michael CHESWORTH:** Michael Chesworth, Director of People and Corporate Performance, Murrindindi Shire Council.

**The ACTING CHAIR:** Thank you, both, for appearing before us. I will get you to start with an opening statement of a maximum of around 10 minutes. I just remind you to speak into the microphone so we can hear you. Thank you.

**Livia BONAZZI:** Thank you, honourable committee members. Thank you for the opportunity to speak on behalf of Murrindindi Shire Council. Our submission to this inquiry outlines a number of systemic flaws in the way that rural councils like ours are funded, flaws that disproportionately disadvantage us and constrain our ability to meet our obligations under the *Local Government Act* and other legislation. But most importantly, they limit our ability to meet our community needs. We make the case for urgent changes and reforms to the way local government is funded and supported, and I trust that you will concur with us that Murrindindi Shire Council has an even greater need than most other councils for extra financial support. Apparently some people also refer to Murrindindi as the Cinderella of Victorian councils.

Just to provide a little bit of a snapshot, Murrindindi spans across 3900 square kilometres. We have got about 15,500 in population and we cover the townships of Eildon, Alexandra, Yea, Marysville and Kinglake. We

have an issue with ageing population. More than a quarter of our population is aged 65 and above, and by 2034 that will double, to 52 per cent. That will increase service demand. We suffer from isolation, with poor or non-existent public transport, and digital connectivity just worsens our access. We have very high costs to serve. We only have 12 residents per kilometre of local roads, compared to 287 residents in metropolitan areas. Our costs are increasing as well. Materials, contractors and insurance have gone up 30 to 40 per cent in the last two years, and also in cost shift we have experienced increases. The landfill cost has doubled in the last four years, and our out-of-pocket expenses for four of our services have doubled due to cost shifting in the last four years.

We pride ourselves in having very lean operations. Council already does its bit – that is from an organisational perspective. We are very efficient, and you can check that through the benchmarking available on the Know Your Council website. We have very frugal services. Our community also does its bit by enduring lower levels of service than the rest of Victoria, and that is reflected in low community satisfaction and degrading community satisfaction for our services. The ratepayers do their bit. They pay higher rates than the average for small shires – \$100 more – so any further increase or any variation to the rate cap would be seen as unfair and unpalatable. We do not have many options for further revenue. We do not have parking fees – that is not feasible – and also we have insufficient grant funding.

We make a case for further support to sustain financial viability and avoid eroding essential services. I refer you to two important reports that support our position. One is the Grattan Institute report *Potholes and Pitfalls: How to Fix Local Roads*, which looked closely at the issue of councils facing financial instability and the ability to maintain local roads. More recently, in July, the SGS report commissioned by ALGA, *Financial Sustainability in Australian Local Government*, shows that a \$7 billion boost to national gross domestic product can be achieved from improving financial sustainability in local government. It also suggests that local government is highly efficient in the provision of services and infrastructure, although there is a case for local government continuing to provide some of those services.

We have proposed 11 recommendations for your consideration. A few align with some of the other submissions and what you would have already heard, so I would like to focus on recommendations 4 to 8, which take potentially a different angle. I am happy to answer any questions across the lot.

Recommendation 4 is to amend the rate cap guidelines to allow the increase of total rates revenue pool in line with capital improvements made to properties. This is to lift the current restriction, which only permits rates to increase up to the rate cap set by government or through subdivisions. We call this a ‘hidden’ rate cut. Contrary to common perception and logic, the current government policy prevents councils from increasing their total rates revenue in line with property improvements unless the lots are subdivided. This is even if there is growth in the number of rateable properties, such as multi-unit developments. Councils cannot capture additional revenue from new developments or property upgrades. Even though these properties generate higher rates, the overall rates revenue is capped and any increase must be offset by reducing other ratepayers’ contributions, often by imperceptible amounts so they do not even notice. This rule is confusing to the public, who naturally expect the council’s revenue to grow as new properties are built or improvements are made. This proposed change would not increase the burden to other ratepayers but it would help councils have the necessary funds to support increased demand for services and infrastructure. Removing this unnecessary but painful cap aligns with community expectations and would improve financial sustainability, especially in fast-growing areas.

Recommendation 5 is to review the methodology used by the Victorian grants commission in how they allocate their Commonwealth financial assistance grants. That is to recognise the limited income-generating options of small rural councils and their higher cost base due to lower population density. At the recent MAV state council, in August, more than 90 per cent of councils supported Murrindindi’s motion calling for a review of the grants commission’s methodology for allocating these grants. The current model has cost adjustors, but it does not adequately account for the specific challenges faced by small rural councils, such as limited revenue-generating options, higher costs due to low population density, increased demand on local infrastructure from natural disasters, heavy transport, tourism and costly requirements due to the cultural heritage management plans – we have got much more undisturbed land, and that creates more costs than in higher urban centres. This proposed review is not about increasing the total grant funding. This is not about increasing the size of the funding pie. We also argue for that, but this particular proposal is about how the pie is split. This is about ensuring that existing funding is distributed evenly and more equitably. Even larger metropolitan councils, which stand to lose as they might receive less under this improved model, acknowledge the need for a more balanced approach. Murrindindi council, for example, receives significantly less per capita in grant allocation

compared to other small rural councils. In the year 2022–23 our allocation was less than half of the average for similar councils and even less than the overall average for Victoria. Let that sink in.

This contradicts the Victorian grants commission's stated aim of providing greater subsidies to smaller, more financially vulnerable councils like ours. We have shown that the current formula and cost adjusters produce inequitable outcomes, undermining the financial viability of some councils, like Murrindindi, that require additional support to maintain services and infrastructure. A targeted review of the allocation model would help to correct these disparities, ensuring that the most disadvantaged councils are appropriately supported. This is an urgent and necessary adjustment to achieve fairness and sustainability in the distribution of funds.

We have suggested in our submission that in the absence of a perfect model for the allocation of the federal assistance grants, the government should consider making corrections targeted at the handful of councils at the margin of the grants distribution curve to compensate those councils most disadvantaged by the current system. That covers the recurrent grants, and the next couple of recommendations relate to competitive grant funding.

Number 6 is to establish a more equitable funding program that prioritises the renewal and maintenance of basic infrastructure over the construction of the new, high-profile assets. While urban areas with stronger political clout receive grants for flashy, high-cost projects like \$100 million leisure centres and galleries, rural councils struggle to fund basic infrastructure renewals. Like other small councils in our area, we have old swimming pools at the end of their asset lives. These are the very basic 25-metre open pools, possibly with a shade cloth, that provide much relief during hot summers. They require renewal possibly costing \$3 million or \$4 million, money that we do not have and money that is not available in the grants program. This inequity highlights the need for a funding program that prioritises the renewal and maintenance of essential infrastructure. Small rural councils require sufficient support to maintain critical services and ensure the sustainability of their communities.

Number 7 is to design grant allocation guidelines that consider the unique challenges of smaller and rural councils like Murrindindi, such as limited resources, maintaining extensive infrastructure and lifting the burden of the application processes from our councils rather than forcing small councils to compete for tiny grant amounts – this is a very costly and inefficient process. We have established also that this process does not channel funds where they are needed. Small councils should just be provided with more untied grants funding. Make us accountable – we are happy to have metrics on the basis that we improve the performance, like the road conditions or social and wellbeing measures and community satisfaction. There must be some accountability, but the process is not very efficient.

Recommendation 8 is to establish an independent body tasked with evaluating and publicly reporting on the integrity of state and federal grant funding allocations. This is also a way to restore trust in government institutions, an issue that is plaguing our society. As our analysis has shown, Murrindindi shire is represented in the state lower house by only one member of Parliament, and in the federal House of Representatives also by a single member of Parliament. Compare this with other LGAs that have 10 members in each level, state and federal, a total of 20 all championing their cause. This imbalance in political representation of local government areas results in undesirable outcomes due to the allocation of critical funding being in large part determined on advocacy of the local MPs, their political connections and influence, rather than real need or equity. The issue here is not just scarce government funding but inappropriate distribution of the funding pool. Therefore a major part of the solution to the financial sustainability of local government must consider how the grant pool of funding is allocated to ensure the more needy LGAs receive their fair share as well as securing an overall increase in the total grant funding pool through the Commonwealth. The focus should shift from political influence to actual need, ensuring that funding is allocated more fairly and that historically underfunded councils like Murrindindi receive a fair share, potentially through significant lump sums and catch-up grants in the spirit of restorative justice.

In conclusion, honourable members, we are not asking for handouts, we are asking for fairness. The current funding models are outdated, inequitable and unsuited to the realities that we face in rural Victoria. Murrindindi Shire Council is not viable, let alone allowed to thrive, under these conditions. We are not alone – the changes that we seek will not only support our community today but will build a more sustainable future for all rural councils. I hope that you will take our recommendations to heart and work with us to ensure a fairer, more sustainable future local government in Victoria.

**The DEPUTY CHAIR:** Thank you, Livia. I apologise for my delay in attending today; I have just had a personal matter. Thank you for your submission. It is a very detailed and thoughtful submission. I am going to ask you about two things very quickly and then move to others. One is the road maintenance issue. There used to be a program, the country roads and bridges program, that provided \$1 million a year to councils, which was a regular, predictable amount of money and could be used on council roads. Is that a useful sort of program that would provide that regular, predictable source of revenue, targeted obviously at one particular task?

**Livia BONAZZI:** Yes, that is a very helpful program. It gives consistency, predictability, so we can plan ahead. I would argue that perhaps \$1 million is not enough for a council like Murrindindi –

**The DEPUTY CHAIR:** That was 10 years ago.

**Livia BONAZZI:** Yes. We have 1250 kilometres of road.

**The DEPUTY CHAIR:** That is the first one. The second one is building insurance, which I think is the first time we have heard this put out. Let me just try and understand what you said in your submission. The council provides building insurance cover for many building assets under the ownership of the Crown via the environment department, DECCA. Council has no other role in the management or operations of these assets, which include public halls, sporting events and so forth, but the building insurance is carried by the council. Through VMIA or through different insurers?

**Livia BONAZZI:** Through council's insurance, yes.

**The DEPUTY CHAIR:** Right. And your argument is that the state government should play a bigger role in providing that insurance given it is on state land?

**Livia BONAZZI:** That is our argument, yes. These are not council assets, and the state government does not also plan for renewal of those assets. When they come to the end of their lives, communities rely on council to support them through applications and so does the insurance, especially because we are in a very vulnerable municipality –

**The DEPUTY CHAIR:** Fire and flood-wise.

**Livia BONAZZI:** Fire and floods, yes.

**The DEPUTY CHAIR:** Do you pay a higher premium on those because of that?

**Livia BONAZZI:** Yes, we pay higher premiums, and insurance costs have gone up 30 to 40 per cent.

**The DEPUTY CHAIR:** And there could be some fairer equalisation of some of those insurance costs, perhaps through the VMIA?

**Livia BONAZZI:** Yes.

**The DEPUTY CHAIR:** Thank you. Tom.

**Tom McINTOSH:** Thank you, Chair. That is an interesting point to pick up on, you have just raised insurance costs going up 30 to 40 per cent. I cover a lot of regional and rural shires and councils and the day-to-day impact of winds, of storms, of hail, of floods that we have been experiencing recently – I think insurance costs were up 16.5 per cent last year, so 30 to 40 per cent you are mentioning there. In your forward budgets or in recent budgets that impact of weather events and climate-related weather events – the previous council talked about \$4 million to \$5 million in additional costs per year. Has your shire done some work or some thinking about the impacts on yourselves? Even if it is not a dollar amount, how much these impacts are starting to have on you?

**Livia BONAZZI:** Yes. Under the *Climate Change Act* we have an obligation to look at the impact on our assets, on our services, and we are trying to, in conjunction with the community, look at adaptation and other ways of countering, but absolutely the cost is borne through higher incidence of disasters. Unless they reach the threshold of the government declaring a natural disaster, council is out of pocket. For example, in February 2022 we had fires cost us \$80,000 to \$100,000. It was big for our area, but it was not a national disaster, so we

were not eligible to claim disaster recovery funds. The community are also feeling that through their insurance going up and not being able to insure buildings and sheds and outbuildings as well.

**Tom McINTOSH:** When you are doing that forward planning the council would see what we have seen in the past and know about a delay on action, but we are just baking in further costs to council and to residents over the years through those events. Is that something that you would be mindful of?

**Livia BONAZZI:** We are feeling it both through council and through our communities.

**Tom McINTOSH:** Yes, okay. Thank you. Chair.

**The DEPUTY CHAIR:** Sarah.

**Sarah MANSFIELD:** Thank you. Thank you for your presentation today. I was interested in something you said in your closing remarks about council potentially not being viable if the current situation is allowed to continue. Can you expand on what you mean by not viable?

**Livia BONAZZI:** Council is currently running at a deficit. This is an underlying deficit. If you strip out the capital grants, because the capital expenditure ends up in the balance sheet, we are running at a 9, 10, 11 per cent deficit. That is not sustainable and that is the trend that we need to arrest. Through the 10-year financial plan and also through deliberative conversations with our community we have looked at different ways of reigning in costs. So we are reducing costs, but costs are escalating. Even if we run efficiently or reduce levels of service, that is still not enough. As I said, the community are already paying more than their fair share in rates. We are already enduring lower services. We are trying to sharpen our pencil through having very efficient services. Operations and our cost to serve are actually very, very low. The only solution is increased grant funding.

**Sarah MANSFIELD:** What are going to be the practical outcomes of a continued situation where you are running a deficit? What is the community going to experience potentially in terms of changes to services or impacts on infrastructure?

**Livia BONAZZI:** Already the community is experiencing lower service on roads, so our local roads do not have the money to intervene at the optimal level. We do not have a lot of facilities, we do not have a lot of buildings, but even they are coming to the end of their lives. It is not imminent, but we are talking in the medium to long term about potentially catastrophic failure and not being able to intervene at the optimal level in the life cycle of an asset. It costs us more in maintenance. It is a self-fulfilling prophecy, and it is bad economics. If we have the money to renew the assets when they are at the optimal point, the overall community cost is lower. So that is one aspect. Potentially the safety of the roads, bridges, culverts – there is more susceptibility to disasters if the assets are not in good condition. On overall services, the council has already pulled out of the aged care services because that was a funding model which was not sustainable. Our community is now experiencing a suboptimal outcome because we observe that the private sector cherry-picks the most cost-convenient – the least costly – clients to serve, and usually government and local government are the places of last resort. We also have to pick up the pieces. The community is coming to council for advocacy and showing us how people are dying waiting for home care services. There is a failure in the system, and these things will drive a wedge and erode the social fabric of our community. Already they are underserved, and they are just observing fewer and fewer services and less and less support.

**Sarah MANSFIELD:** Thank you.

**Evan MULHOLLAND:** I will go.

**The DEPUTY CHAIR:** Yes, you go.

**Evan MULHOLLAND:** Thank you, Deputy Chair; and thanks for coming in today. I want to touch on the point about maintaining roads, particularly given the amount of kilometres you mentioned you cover in your entire council, which is a problem we are hearing across the state. What is the current funding shortfall for maintaining roads and essential infrastructure in the shire?

**Livia BONAZZI:** We have calculated that we have a shortfall of about \$8 million a year to bridge the funding gap in our renewals. That would allow us to bring the assets back to a reasonable condition, certainly not gold plating, and we have also observed an \$8 million shortfall in operational grants.

**Evan MULHOLLAND:** I want to ask about your financial assistance grants in particular and how they are administered. We have heard a lot about funds obviously transferred from the federal government to the state government, and when they are usually distributed to councils we have actually heard reports that state governments are holding on to them to the end of financial year to make their books look better, but that is having a real financial impact on councils at a critical time. Has that occurred in your council, and do you think there are better ways that both state and federal governments could go about that funding?

**Livia BONAZZI:** This is a question about the timing of when the grants are paid, if I understand your question correctly. This year the federal assistance grants were paid into our books in July, so in the new financial year. I can argue that from a cash flow perspective a week or two does not really make a lot of difference. It did make for fancy headlines in local papers saying council is now running at a deficit. We are already running a deficit anyway. I think it is appropriate that the federal assistance grants are paid in the year that they are to be spent. Because they are untied grants, they cannot be accrued, so they need to be recognised as income in the year that they are paid. All councils want is some predictability and some stability. It could be that in some years you get two lots of funding and then in one year you do not get any, so that just creates some uncertainty and confusion in the community in a way. But as long as we have a regular yearly allocation that increases through CPI or increases a little bit more for small councils like us, that should be fine.

**Evan MULHOLLAND:** No worries. Thank you.

**The DEPUTY CHAIR:** Beverley.

**Bev McARTHUR:** Thank you, Deputy Chair. Thank you, Livia. You mentioned cultural heritage management plans. Are you involved in one of those at Murrindindi?

**Livia BONAZZI:** Yes. Council had to replace a bridge because it was at the end of its life. The new alignment of the bridge, it was argued, was on undisturbed land so we needed to put in cultural heritage plans. The interpretation of undisturbed land seems to have changed throughout the years since 2006 when the Act came into place. Five, 10 years ago it was not so much of an issue. Now we hear that developers are walking out of developments because the cost of the cultural heritage plan is too high. Other councils as well are experiencing that, and it does not seem to be achieving the outcomes that are desired.

**Bev McARTHUR:** How much does it cost your council in a project, say, or in cumulative projects?

**Livia BONAZZI:** It depends on the scale of the project. We might have put an allocation of \$15,000, \$20,000 for the cultural heritage plan. It could be \$100,000, but with Mitchell Shire Council we hear it is just getting to the hundreds of thousands. Again, we do not have a lot of projects, but if we were, that price tag would totally go out. But we are experiencing concerns especially with housing developments that cannot proceed because of the cost. Ironically our own traditional owners have encountered exactly the same issue with their land. With their knowledge of what was culturally important, even they could not proceed with some social housing projects that they wanted to develop, because of the cost involved and the hurdles.

**Bev McARTHUR:** Where is this money going?

**Livia BONAZZI:** It certainly does not go to the traditional owners, and that is also an issue that potentially drives a wedge. This is one of the rare opportunities where council, developers, traditional owners and the community are all aligned in a desire to have more streamlined or better definitions of what undisturbed land actually means and having the traditional owners at the table, because they are certainly not getting the value. I do not know. I assume it is archaeologists or consultants. Certainly the money does not go back to the community.

**Bev McARTHUR:** You mentioned the outdated, inequitable, unsustainable funding of local government, which I totally agree with, and the unjust nature of how rates are collected, for example. If you have got fewer ratepayers, your rate in the dollar will be higher than those metropolitan councils where they have got many more ratepayers. They do not have the high rates in the dollar, and you do not have the ability to collect parking

fines, pet registrations or extra things. Yet you have got 1250 kilometres of roads; Stonnington might have 125 kilometres. Is this whole way we fund local government the problem? The property taxing system seems to be a most unjust way of funding local government. Should we not look at different forms of funding for local government?

**Livia BONAZZI:** Of course. I think anybody is open to revisiting what the structure is. Some would argue that the rating system might need some finessing but it is an appropriate way – it is a tax on the property.

**Bev McARTHUR:** Why should your ratepayers pay more than the ratepayers in Stonnington, say?

**Livia BONAZZI:** They pay more based on the value of the house, absolutely. Murrindindi is becoming the retirement village of Melbourne, and we have a lot of people moving into the shire from metropolitan LGAs, where they are used to having lower rates and higher levels of service. Absolutely that is an inequity. It is true that it is more costly to serve rural councils, but this is where I believe that the system is designed to compensate that through the federal assistance grants and through state and federal funding. That is where the compensation should come in. I would suggest that we can tinker around the rating system. If Murrindindi were awarded its fair share of federal assistance grants, we would have had \$10 million extra a year last year. If we got exactly the average per capita of all of the other rural councils, we would be sustainable in operating system. If we got our fair share of capital grants, that could cover renewal – we would not have a renewal gap, we would be sustainable. The pie has to increase to make the whole of local government sustainable across Australia, but we argue that within Victoria it is how we share the pie that can actually make or break our councils.

**Bev McARTHUR:** But should your ratepayers pay a greater rate in the dollar than metropolitan ratepayers, for example?

**Livia BONAZZI:** Ideally not.

**Bev McARTHUR:** Shouldn't they all pay the same?

**Livia BONAZZI:** Yes, ideally we would have the same rate in the dollar, but that would create even more reliance on grant funding for councils to be sustainable.

**The DEPUTY CHAIR:** Mr Ettershank.

**David ETTERS HANK:** Thank you, Mr Davis. Thank you for your submission; it was really interesting. A question for you; there are a couple of things. As Ms Mansfield suggested, your words that council 'is not viable' were kind of jarring. Looking at one of the specific terms of reference for this inquiry, it deals with adequately delivering on core service delivery objectives. Can you just elaborate on the degree to which, if the council is not viable –

**Livia BONAZZI:** Sorry, the council?

**David ETTERS HANK:** is it failing to deliver on those core service obligations?

**Livia BONAZZI:** Allow me to qualify: council is not broke. It is not going out of business tomorrow, but we are looking at the medium and long term. When we look at the 10-year horizon, we cannot continue to sustain operating deficits. We have obligations under different Acts and responsibilities that we are not suitably funded to discharge. We are allowing assets to deteriorate beyond what they should be. We are reducing the level of services. Compared to other councils, our swimming pools are only open during the summer. We do not have all-year-round services. Recreational services are lower than in other councils overall – our libraries cannot stay open as long. Those are services that are not necessarily being provided.

But due to the increased cost escalation and due to the cost shifting and increased costs of compliance, our staff really go above and beyond the call of duty. They have to wear multiple hats. They work much harder. They are certainly not in it for the glory or for the money. We lose a lot of good staff – they jump ship to the private sector for much more money or to the larger councils, who can pay them more for fewer hours and fewer headaches. The cost of materials and services, as you said, with local government has gone up higher than CPI, and yet the rate cap – that is squeezing, and that is taking money away from services and from operations that are already very lean. That is why we are saying it is not viable and it is not sustainable.



Our strategy includes whether we can get alternative sources of revenue. We are looking at projects such as carbon capture from forestry and potentially pyrolysis to create and sell biochar to try and sweat our assets and leverage whatever we have. But that is not going to make a big difference. The shortfall is so high that unless we have a fair share of grant funding, council will not sustain its finances. We have also partnered up with other councils to share services, to share the digital transformation project. We are part of a consortium of four councils, and that is delivering efficiencies and potentially automation. But we find that automation is not necessarily reducing the costs. It is either reducing the risk exposure of us not discharging our legal obligations, because we just do not have the resources or the funds, or it is an opportunity cost to avoid extra staff. Our shire is growing. We have grown 6 per cent in the last five years, so we have more people to serve, but we have not expanded our head count.

**David ETTERS HANK:** Thanks. This might be a silly question, but why do you think you have not received, as I think you described it, 'a fair share' of state and federal grants? Is there a reason for that?

**Livia BONAZZI:** I am not sure if it is a causal relationship or if it is just a correlation, but I put in my submission that we do not have the same level of political representation as other councils have. When this grant funding is channelled through LGAs, through councils, it is a one-to-one relationship, so we do not have the same champions. Our local members of Parliament work very hard. Our federal member of Parliament covers an area of 29,000 kilometres. And there are 12 of us, so we get one-twelfth of the attention. The state parliamentarian also works very hard, but how can they really represent us equitably? The money should not be channelled through political influence but through a proper needs base.

From the federal assistance grants we have identified that the system and the formulas that the Victorian grants commission adopts in theory are designed to look after small councils like us. In practice they are not necessarily working that way. They are cost adjusted with 12 formulas that should account for the fact that we have a more sparse population, that we have more roads, that we have high incidence of heavy trucks damaging our roads, we have a lot of tourism – a very low yield in tourism because they all come for nature, they leave their rubbish, they complain about the potholes and they do not leave any money because they bring their eskies full of food. Yet we are there picking up the pieces.

Those adjusters are not effective, and we have been engaging with the grants commission. There is understandably a reluctance to change the system wholesale, because it will create shocks, winners and losers. We understand that that potentially is not viable. That is why our recommendation is to do an analysis, to identify that there is a gap and for government to actually put in some adjusters or some compensation to identify those councils that are quite vulnerable financially, that are missing out and possibly deserve some extra boost.

**David ETTERS HANK:** Thank you.

**The DEPUTY CHAIR:** Sonja.

**Sonja TERPSTRA:** Thanks, Deputy Chair. Thanks, Livia, for your very comprehensive submission. I have got two issues, and I guess I will start with the first one because it follows on from the line of questioning and your contribution you were just making in relation to state grants. I guess you are more critical of the grants system and you feel that your council does not get its fair share. When you apply for grants and you are not successful in getting a grant, do you then and try engage with the government department that administers those grants to find out and get some feedback on why you have not been successful? For example, it could be that you are applying for funding under the wrong stream or the particular grant you are applying for does not cover that. Does council routinely look for feedback as to why you are not successful?

**Livia BONAZZI:** Thank you for the question. Yes, absolutely. Our track record is actually pretty good in receiving the grants that we apply for. With a lot of the grants we are either not eligible or there is a requirement for a co-contribution that we certainly cannot afford. In a lot of cases you need a proper business case. There are areas where we do not even compete because we do not have the cash flow to support the co-contribution. What we need is, really, renewal. A lot of the grants are designed for new assets. They are great for ribbon-cutting opportunities, they are feel-good projects, but we just want bread and butter. We just need bread and butter. So if there were –

**Sonja TERPSTRA:** Sure, but my question for you was about what feedback you are getting. Your answer was that you are either not eligible to get funding under that – is that correct? – or that you need to give a co-contribution and you could not do that. So they were really the areas that the feedback was provided to you as to why you were not successful, correct?

**Livia BONAZZI:** That is correct. We definitely get feedback every time that we apply for grant funding that we are not successful, and we try to –

**Sonja TERPSTRA:** Sure, but did you also say that you found that you do get funding from grant opportunities as well? So you do have some success. Is that what I heard you say?

**Livia BONAZZI:** Yes, that is right. So for service delivery –

**Sonja TERPSTRA:** Great, thank you. Just on another question, this is about workforce challenges, and we are finding this is particularly an issue in regard to rural and regional councils. What sorts of skills gaps have you identified, if any, in your particular area, and what efforts has the council looked at or tried to look at or perhaps identified that you could perhaps engage with people and encourage them to come and work at your council? There are two parts to that question, just so I am clear. One is: are you experiencing workforce challenges in attracting people and what, if any, skills gaps have you identified? And how are you trying to bridge those gaps?

**Livia BONAZZI:** We definitely have identified skills gaps. Those skills gaps come both from us being unable to recruit into the roles or us having developed those skills in house and then they are moving out, resigning from council to pursue higher paying opportunities. The skills that we are seeking and that we have had issues recruiting for include asset management, engineers, asset engineers, building surveyors and strategic planners. We have now managed to secure a strategic planner. We find that we need to pay way above the banding in order to attract those skills, but sometimes it is also difficult to retain them once they are employed with council – they get experience and then they move away. We have looked at cadets and providing avenues for students. We have looked at retraining current employees, providing long-term viability and career opportunities. Also, we have partnered up with what we call the Murrindindi Health Network, with the CEOs of the local hospitals, nursing homes and aged care and disability facilities, to try and consolidate. We have got a platform, a consolidated website, to recruit some of the workers not just in the health system but across the whole range to make sure that they have got viable jobs within the region. Even if they are just part-time roles, that through the combination of the different rostering they have full-time roles across the different organisations so they can viably live within the shire.

**Sonja TERPSTRA:** Sure, and I guess that –

**The DEPUTY CHAIR:** Thank you.

**Sonja TERPSTRA:** Sorry, Deputy Chair, I have still got some questions. I guess the point is that when you are operating in a market in terms of wages and conditions there is a need to compete to attract people, and it sounds like you have been attempting to do that. You have talked a lot about planners and things like that, but what about IT skills? Are there any particular skills that you could encourage people to work for you remotely and things like that? Have there been any attempts to look at how remote employment might facilitate some of those skills gaps?

**Livia BONAZZI:** Specifically in relation to IT, as I outlined earlier, we have combined efforts with another three rural councils to deploy digital transformation so that we actually leverage the skills locally. We find actually remote working works against us because people living in the shire make more money remote working elsewhere rather than the other way around. We definitely have a flexible working policy. We do encourage remote working. Certainly that is not a barrier, but it has actually worked against our organisation.

**Sonja TERPSTRA:** Do you then recruit beyond Victoria? For example, if you have got a particular skill deficit that you have been recruiting for and you just cannot attract, do you then look at recruiting people from interstate and making reasonable adjustments to the role so that they could perhaps work for you in another location?

**Livia BONAZZI:** Yes. We have just recruited a rates officer who is going to relocate from Darwin, and we have a community services officer who actually comes from New South Wales. We are as flexible as possible.

**Sonja TERPSTRA:** But you are requiring them to relocate to Victoria rather than allowing them to work remotely from Darwin? Is that what you are saying?

**Livia BONAZZI:** No, we do not. We had an integrity officer who was actually working from Brisbane. We did not require that person to attend the office.

**Sonja TERPSTRA:** Great. Thank you.

**The DEPUTY CHAIR:** Thank you, Gaelle, and I am conscious John is still on my mat.

**Gaelle BROAD:** Thank you very much. It is a very comprehensive submission, and we appreciate your time. On grants, you mentioned earlier that unless you have a fair share of grant funding your council will not be sustainable. And I note your report talks about it. It says:

This imbalance in political representation of LGAs results in undesirable outcomes due to the allocation of critical funding being in large part determined on advocacy by the local MPs, their political connections and influence, rather than real need or equity. The VAGO report on Total Government Grants for Victoria indicates that LGAs represented by Labor MPs tend to receive more grants.

The table you provided does show that representation is very low for Murrindindi, just two MPs, and your grant amount is significantly less, but your population has increased by 6 per cent. Whereas other councils have populations that appear to be dropping, but they are receiving a lot more and have in some cases 16 MPs represented. There are obviously issues in the grants system, and you have spoken a bit to that today, but is there a need? How desperate is that need, and what is the breaking point for councils? Is there a need to expand – more untied grants, I guess – to give you that flexibility? I am just interested in your comments.

**Livia BONAZZI:** Ideally, yes, we would have more untied grants both for operational as well as for capital renewal. As I outlined before, if we have got a shortfall of about \$8 million or \$10 million – and of course as costs go higher and the rate cap is below the cost escalation, that gap grows even bigger. If we stripped away the inefficiencies of applying for grants and just had untied grants, that would go a long way.

**Gaelle BROAD:** Yes, we have heard about some councils employing grant writers. You know, with a competitive grant process, how hard is it for rural councils to compete?

**Livia BONAZZI:** Obviously it is very hard. We have a part-time grants officer who also manages the sponsorships and grants that we give to communities and helps community members apply for grants. We certainly do not have a team, which means it is the directors and managers that have to then get to draft those applications.

**Gaelle BROAD:** Can you talk a bit about the cost shifting? You mentioned libraries and maternal health services. What does that look like when it comes to budgets? And if you could comment on maternal health services, do you think that is something local councils should be delivering or is it something a different level of government should deliver?

**Livia BONAZZI:** Well, potentially that is a political question. We watched with interest when adjoining councils tried to extricate themselves from, let us say, their school crossing supervisory service. They had to do a backflip because the community had spoken. Under the *Local Government Act*, section 55, we are obliged to engage with the community and have deliberative engagement – and the community speaks. If we do not apply what the community has said and remove the service, that erodes confidence and trust and that is just not viable. As I said, in the last four years across those four services, the out-of-pocket amount for council has doubled and so has the amount in landfill levy. It is hundreds of thousands of dollars – \$700,000 – that we are out of pocket.

**Gaelle BROAD:** Are you able to provide a bit of a breakdown and further detail?

**The DEPUTY CHAIR:** The time series?

**Gaelle BROAD:** And just with the fire services levy, we know that jumped significantly this year, in July, and that goes out on council notices. What do you feel about local councils collecting or communicating those things? Is it a difficult process?

**Livia BONAZZI:** It is a very difficult process because the community does not discern what is council revenue raising versus revenue raising on behalf of the council. It is also an extra cost to council when we have to chase debt, because we actually have to chase debt on behalf of the government. So it is a hard story, and those fees have gone up higher than our own council rates and yet our staff are left to deal with the complaints and the queries.

**Gaelle BROAD:** And your submission also points out the:

... well-documented failure to provide appropriate indexation of fees and charges prescribed under State legislation ...

Can you expand or explain that further?

**Livia BONAZZI:** For example, for planning permits, there are statutory fees we cannot go above. And some of the planning applications are pretty complex: they cost more to process than what we can charge. That is not a cost-reflective statutory charge. With all of the other fees and charges, every year we do benchmarking, and we make sure that we do recover costs, or we at least contain the costs on those. Those are the charges that are stipulated by the state government. We also think that the fines for non-compliance and for illegal native vegetation are lower than the actual permit application, the cost of applying. So there are perverse outcomes – a quirkiness that potentially needs to be looked at.

**Gaelle BROAD:** Thank you.

**The DEPUTY CHAIR:** John.

**John BERGER:** Thank you, Deputy Chair. Thank you both for your appearance at today's hearing. In your submission you highlight the impacts of climate change and natural disasters, and in particular the Black Saturday bushfires and flood events. What are the impacts of climate change that your council has experienced, and secondly, could you have been better supported to recover from these events?

**Livia BONAZZI:** We have experienced many more frequent and more severe disasters. Just in the last two years, since the October 2022 floods, we have managed six claims with the disaster recovery fund. Those claims are very costly to process. You have to have very detailed evidence of the condition of the assets before the disaster and after. We have been in a situation where we had just repaired culverts and roads from a previous flood event. Within a week they were destroyed again. The disaster recovery only allows us to put back what was there. We cannot upgrade the asset, even if we know that it is not durable and it is not going to withstand the next flood event. Apart from all of the administrative burden and costs, we feel that it is not a good use of taxpayers money unless we build back better.

**John BERGER:** Okay. Thanks, Chair.

**The DEPUTY CHAIR:** Thank you. Livia, can I thank you very much. There are a few questions on notice, as it were, and we look forward to working with you to get those. We are thankful for your contribution and your thoughtful submission. Thank you very much.

**Livia BONAZZI:** Thank you very much for your time.

**The DEPUTY CHAIR:** Thank you. Do we have our next council ready? We might just take 4 minutes. We will be back at 12:06 pm.

**Witnesses withdrew.**