

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Broadmeadows – Thursday 19 September 2024

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WITNESSES

Cathy Henderson, Chief Executive Officer,

Jemma Wightman, Chief Financial Officer, and

Sue Vujcevic, Director Business Transformation, Merri-bek City Council.

The CHAIR: I declare open the hearing of the Economy and Infrastructure Committee's Inquiry into Local Government Funding and Services and welcome Merri-bek council to the nearby hall. I note the three presenters today, and if I could perhaps just ask you to do a brief introduction. We have got submissions and so forth, and then we will follow with some questions. Thank you.

Cathy HENDERSON: Thank you, Mr Chair. It is good to be here. We thank the committee for the invitation to be here. I would also note that it is currently the election period for local governments, and there are provisions both in the *Local Government Act* and as provided by the *Local Government Act* in our own governance rules that require that we are pretty circumspect in comments.

The DEPUTY CHAIR: Well, I will just tell you one trick too: that anything that is provided to a parliamentary committee in this way is not reviewable by any court in the land, so you do have privilege, but if you step outside and speak, that will not apply.

Cathy HENDERSON: Thank you very much, Mr Chair. I appreciate that. So I have with me Chief Financial Officer Jemma Wightman and the Director of Business Transformation Sue Vujcevic. Merri-bek City Council is nearby. We are a sort of inner north and northern council. We are home to more than 180,000 people and expecting to grow to about 234,000 people by 2041. Like many other municipalities, when preparing for that growth, financial sustainability is a challenge. I want to recognise that all levels of government are currently experiencing financial challenges and that the Australian community at large is experiencing financial challenges, not least because of the long-term effect of the pandemic and international situations. But councils face particular financial challenges, as set out in our submission to the inquiry.

The changes made by other levels of government which change the balance of which party is paying how much, or which impose additional costs or additional burdens, do make it more difficult for councils to be financially sustainable in order to meet those expanded responsibilities. I am now going to pass to Jemma Wightman, Chief Financial Officer, to outline some specific examples.

Jemma WIGHTMAN: Thank you. Just going through a couple of examples: when the state government announced the clearway management program in July 2020, the changes to the enforcement of clearways impacted the associated infringement revenue that was previously collected by councils. The changes were implemented without consultation, and Merri-bek estimated the lost revenue to be \$2.4 million since this was implemented. Valued community services like the provision of public libraries and school crossing supervisors have suffered reduced funding over the years. In 1975 public libraries were funded 50–50 by state government and local government. In 2022–23 state government funded 20 per cent of the operating costs of our five public libraries, with council contributing the remaining 80 per cent of the costs, approximately \$4.8 million per annum or \$1.7 million more than if the original funding split had remained consistent.

When the school crossing supervisor program was established it had an 80–20 split, with state government paying 80 per cent of the cost. In 2022–23 the state government funded 46 per cent of our cost and Merri-bek funded the remaining 54. Local governments are not obliged to provide school crossings under the *Local Government Act*; however, the number of approved school crossing sites has increased over the years as roads get busier, and not providing this service would have a significant impact to our community. I will now pass over to Sue Vujcevic.

Sue VUJCEVIC: Thank you, Jemma. The state government planning reforms have increased the matters that are now decided by the Minister for Planning rather than councils, with fees for the assessment of these significant projects up to \$62,000 per application lost to councils. Additional reform changes, which make more planning applications eligible for the VicSmart planning process, also attract only 50 per cent of the standard planning application fee. Yet in both these instances council staff are still tasked with completing a full

assessment of the application, receiving half the fee for the VicSmart applications or no fee for proposals before the Minister for Planning to inform advice to the state government on whether council supports or opposes the proposal.

The reduction in state funding over time for services provided by councils results in a financial burden on councils and ultimately ratepayers. Changes in regulation or policy can also result in additional costs to the local government, and here are some examples – Electricity Safety (Electric Line Clearance) Regulations 2020 require councils to prune trees around powerlines in response to bushfire concerns; swimming pool regulations require –

The DEPUTY CHAIR: Do you get a lot of bushfires in Merri-bek? Sorry, I could not resist.

Sue VUJCEVIC: No, but we do have to prune.

The DEPUTY CHAIR: Ignore my interjections.

Sue VUJCEVIC: Thank you. Swimming pool regulations require councils to administer, monitor and enforce registration of pools and spas; and early years reform, which entails redesigning the kindergarten service so all Victorian children can access two years of funded kindergarten, all incur additional expenditure by councils to implement.

We are very grateful for our collaborative Building Blocks Partnerships with state government, which is delivering new facilities for our families, but it nonetheless imposes an additional cost burden on us. Merri-bek council is fully supportive of these services and the positive impact that they have on the community. But these all pose a significant financial cost to councils in a rate-capped environment.

Local government's capacity to respond to these many cost pressures is limited. The options include, for example, reduce investment in other services or investment in the capital works program; advocate for additional funding to help offset the additional cost or reduced revenue; or exit or reduce the service. I will hand back to Cathy now.

Cathy HENDERSON: Just briefly to sum up: when all of these individual decisions that affect our revenue streams – and they all have a rationale behind them – are all added up together over time they have a very significant impact, and we have just highlighted in our submission and today a number of examples of that. That leads to detrimental consequences for the municipality and the community. In our submission I guess the key call to action from Merri-bek council was for state government to consult on changes where they impact on council revenue streams or council expenditure and properly understand the impact they will have going forward. This may surprise you, but we also really applaud grants for funding key infrastructure such as libraries and swimming pools, which are critical and much-loved infrastructure the community really relies on. So the grants opportunities for those are much appreciated but sometimes it can be very difficult to be raising money for libraries and aquatics.

The DEPUTY CHAIR: All right. Thank you for your contribution. It is extremely helpful. I am going to start and I am going to try and concentrate on a couple of areas. One of the areas I want to start on is the issue of the tree pruning. You put some costs there – \$0.5 million to \$0.7 million per annum. As I understand it, the requirements have been imposed entirely by the state government on what are the wires that are privately owned, and that distance has been widened in the municipality, leading to what I would call these savaged trees.

Bev McARTHUR: Butchered.

The DEPUTY CHAIR: Butchered.

Cathy HENDERSON: Mr Davis, we appreciate the risk management approach that the state government has taken in this place. I think we certainly hear many criticisms from the community about the appearance of trees. Urban canopy and the degree to which we have trees covering our municipality is a real challenge in Merri-bek, something which is very dear to our community for a variety of reasons. I do not think it is well known, the financial cost of needing to maintain that pruning as well, but I understand it comes from a risk management approach.

The DEPUTY CHAIR: So who should maintain these?

Cathy HENDERSON: The trees that we prune are council's trees.

The DEPUTY CHAIR: Only council trees?

Cathy HENDERSON: I believe so, yes.

The DEPUTY CHAIR: So you could argue that it is your responsibility, then. It is your tree, as it were.

Bev McARTHUR: Depends how much you love the tree.

Cathy HENDERSON: Yes.

The DEPUTY CHAIR: No, no, I am just trying to understand this.

Cathy HENDERSON: Mr Davis, Merri-bek council does not have a particular position on what policy changes there should be to the pruning regime apart from the fact that we work really hard to try and maintain our tree canopy.

The DEPUTY CHAIR: Yes. Just when it comes to libraries – you talked about libraries too – if you just run back over it: what share of library funding do you provide and what share of library funding does the government provide?

Cathy HENDERSON: We provide 80 per cent of funding to our libraries, our much-loved library service.

The DEPUTY CHAIR: And that has shifted over time significantly, you are saying, from 50–50 in the 1970s to now 80–20?

Cathy HENDERSON: That is right.

The DEPUTY CHAIR: And it is the same story with crossing supervisors as well. When you get to early years reform, councils had a number of changes imposed on them by state government with respect to fees. Did the state government arrangement for early years cover all of the costs?

Cathy HENDERSON: Mr Chair, the issue we were particularly raising in our submission was about infrastructure costs.

The DEPUTY CHAIR: Yes.

Cathy HENDERSON: So the expansion of free kindergarten from four-year-olds to three-year-olds as well has a lot of terrific social impacts, which Merri-bek council does support, but it involves building and extending kindergartens in a big way. We do support and are grateful for the Building Blocks partnership we have with state government, which is scheduled to give us more than \$11 million in coming years for the construction of new kindergarten facilities and the expansion of those existing, but that comes at the cost of us using principally ratepayer money.

The DEPUTY CHAIR: What amount of ratepayer money?

Cathy HENDERSON: It is a \$15.7 million contribution from us. Is that entirely ratepayer?

Jemma WIGHTMAN: Yes.

The DEPUTY CHAIR: And \$11 million from the state government?

Cathy HENDERSON: Yes. Close to it, I think. We can check on that.

The DEPUTY CHAIR: So that sounds to me that you are paying about 60 per cent or something like that of the upgrade costs.

Cathy HENDERSON: Of course they are largely or entirely assets that council owns, but it is one of these arrangements where they are buildings that we might own, supported by and enforced by state government

policy and run by community groups in this case. Unlike some councils, we do not ourselves run our kindergartens. It is not-for-profit organisations that run them in our premises.

The DEPUTY CHAIR: I will not ask you about recurrent costs, then, I will just stick with the capital costs. It seems about 60 per cent or something like that. But you can confirm that ratio that the state government is funding of the capital cost to the cost that you are contributing.

Cathy HENDERSON: Mr Chair, we will confirm that ratio. And just to say we do support the reform to early years in the expansion of kindergarten. It will have very positive social impacts, but it comes at a financial cost.

The DEPUTY CHAIR: It is a classic cost shift, actually, is what is going on. A worthy program has got a classic cost shift, and the state government has not quite owned up to the costs and taken on the burden of the project it has put forward.

Finally, interestingly, the congestion levy: what is the impact of that? That goes back to 2006, and I remember that coming through the Parliament. For the record, I sought to change the word levy to 'tax', which I think is what it is. How much is collected out of your municipality?

Cathy HENDERSON: Madam CFO, do you know the answer to that?

Jemma WIGHTMAN: Yes. It is \$200,000 per annum.

The DEPUTY CHAIR: That is all?

Cathy HENDERSON: Yes. It relates to some car park space in Brunswick, I think.

The DEPUTY CHAIR: No, no, that is your share. How much is collected out of Merri-bek? You do not know that number?

Jemma WIGHTMAN: No. We would have to take that one on notice. Thank you.

The DEPUTY CHAIR: Thank you. Sarah.

Sarah MANSFIELD: Thank you. Thank you for appearing today and for your presentation. I am interested: at the start of your presentation you mentioned a couple of examples where revenue has been lost through state government changes to regulations and legislation. The other thing that can often happen as well is direct cost shifting when there is new legislation or a new regulation or new program. Local government is not sometimes considered, or the costs to local government are not considered with those, but you are then suddenly expected to find funding for those. Do you have any suggestions for how when state government is creating those new laws, policies or whatever it might be, it can better take into account at the outset some of those additional burdens that might arise for local government?

Cathy HENDERSON: Thank you very much for the question. Through the Chair, I think there is a great deal of expertise in local government, and I think when government processes allow for consultation with experts and with senior staff and local government, you can get much better outcomes. We have raised some examples of where new regulations have been introduced, which has required additional investment and expenditure by us, such as, to talk about aquatics again, the new regulations around privately owned swimming pools. I think at times the state government can do a great job at consultation and at other times it could build on previous successes in a different way.

Sarah MANSFIELD: Okay. You mentioned in your submission the impact of climate change on infrastructure. I am curious to know a bit more about what that looks like. We have heard quite a lot from regional and rural councils. Some of the impacts from climate change will be shared, but I think in a dense urban area some of the challenges may be a little bit different. I am wondering if you could expand on what you have provided in your submission about what those impacts might be for the council.

Sue VUJCEVIC: Thank you for that question. Through the Chair, some of the impacts that we are currently looking at include our community infrastructure and facilities and how we might prepare ourselves, for

example, from an adaptation perspective. Those additional costs, for example, of retrofitting buildings are something that we are considering. That is one example.

Sarah MANSFIELD: Heat, I suppose, is one of the obvious considerations. Is that what you mean in terms of retrofitting?

Sue VUJCEVIC: Yes, it is one example, the urban heat island effect, and looking at opportunities, for example, also in how we design or renew our public spaces. Cathy, our CEO, has already mentioned, for example, how tree canopy is really important to us, and increasing tree planting in Merri-bek is another consideration or another example.

Sarah MANSFIELD: In some urban areas stormwater infrastructure is a huge issue, and very expensive. It is often beyond the capacity of a lot of councils to really tackle that particular issue. Is that something that has been identified in Merri-bek at all?

Cathy HENDERSON: Thank you. I think many councils are dealing with challenges to stormwater, and we very much value our constructive relationships with the water authorities at this time. We have for some time been planning out the effect of what changing climate patterns might do and changing infrastructure patterns might do to the pattern of stormwater and flooding from drains and from rivers and creeks. And that is ongoing, very painstaking and difficult work, which is challenging and important, really. And it is part of council's responsibility to make sure that those who live in our municipality have an awareness of what they might be facing in terms of flooding.

Sarah MANSFIELD: You mentioned in your submission that you are already facing additional costs of \$1 million to \$2 million a year from the impacts of climate change. Can you give some examples of where those costs have come from?

Sue VUJCEVIC: Thank you for the question, and through the Chair, as per the previous commentary, some of those additional costs are around retrofitting our buildings to adapt for the future and changing conditions. There are drainage works, for example – our capital works program is a key component that we are considering – right through to even undertaking projects, for example, and through the planning scheme. And updating controls in relation to flooding is another area that we are looking at.

Sarah MANSFIELD: And in that space are there things, again, that the state government could be doing to assist councils with this issue?

Cathy HENDERSON: Thank you for the question, which is a good question, but I do not believe our council has a position that. And I would just say, as I said earlier, we do have a very constructive relationship with water authorities, which is very important in this space.

Sarah MANSFIELD: Towards the end of the submission you outline some general impacts that the financial challenges that councils are facing could have. I am wondering, have you already had to deal with any of these issues to date in terms of considering, say, when it comes to service provision, reducing or ceasing particular services as a result of financial constraints?

Cathy HENDERSON: Most councils will find their communities like continuing to receive the services that they have, and Merri-bek is no exception to that. We have financial sustainability challenges every budget, and we think that that will get harder. We have focused very much on finding efficiencies where we can internally. We will inevitably be looking strategically at what services require strengthening and expanding due to population and other pressures and where that financial pressure then can be relieved. It is difficult, and that will be a question for future councils as well to look at financial sustainability going forward.

Sarah MANSFIELD: Okay. Thank you.

The DEPUTY CHAIR: Tom.

Tom McINTOSH: Thank you, Deputy Chair. I am just interested in how councils are working with other councils. We heard from a number of councils over recent hearings, some of them being regional and rural, and we are hearing today more from our metro. Have you got examples of where you are working on projects with other councils? That might be around IT or other ways that increase efficiency or perhaps cost saving. And I am

probably also interested in your reflections on how MAV as a peak are assisting with that or other ways you think that, if you find that to be beneficial, how you think those works could progress.

Jemma WIGHTMAN: Thank you. Every procurement activity that council undertakes, one of the questions is ‘Could it be a collaborative procurement?’ – so looking at gaining those efficiencies. We have a very strong relationship with the northern councils at I guess every level – CEO, director, CFO and procurement manager – so they catch up on a regular basis to talk upcoming procurement and whether there is that collaborative opportunity coming up.

Tom McINTOSH: And when you do that do you find you get better outcomes or you have cost savings or you have better outcomes in, for example, the user experience and the tech or the apps that you might be able to purchase when you go in and do it collaboratively?

Jemma WIGHTMAN: Yes, I definitely find the cost savings. You have got the higher buying power when you have got a couple of councils going in together, so you see those cost savings coming through.

Tom McINTOSH: Yes. Do you think there is more room for councils to broaden that? Do you think it works? One of the questions I asked the last council was: do you think it is better for it to be self-led within the region, with councils with similar demographics, geographics and that sort of thing, or do you think there is an ability to broaden it and perhaps for MAV to have some leadership in this space?

Jemma WIGHTMAN: I think having both is great. Council takes the MAV opportunities, the MAV Procurement and Procurement Australia opportunities when it can, given that it is that collaborative approach, as well as working with either northern councils or similar councils. I think being able to do both works really well.

Tom McINTOSH: Okay, thanks. I also just wanted to ask – there has been talk around the heat-island effect becoming more severe with climate change. I think we have seen insurance bills go up by about 16-plus per cent this year, and obviously severe weather events hit people at the grocery store off the back of where they hit farmers. First of all, on ratepayers, I suppose council would identify that delayed action on climate change will hit the residents in the hip pocket. I suppose that would be the first question to put to you.

Cathy HENDERSON: Thank you for the question. Will delayed action on climate change by other levels of government affect ratepayers – is that the question?

Tom McINTOSH: Yes. And I should say ‘residents’, because then I would like the second part of the question to be: will it impact your budget also as a council?

Cathy HENDERSON: Merri-bek council has over many, many years taken a position around climate change, and it is certainly a position which sees very strongly agreement with other key international bodies that climate change is going to have a very, very significant impact on the world and on the local community of the time. That certainly brings financial costs with it. At Merri-bek council we are in the process of a cyclical development and review of a climate risk action framework which is about looking at the risks to our services and business that will be posed with increasing temperatures and perhaps increasing storm activity. So, yes, Merri-bek council does certainly have a stance on that.

Tom McINTOSH: Thank you. I have to go. Thank you, Chair, for allowing me to come forward in the speaking list. That will be all from me. Thanks for all your time.

The DEPUTY CHAIR: Evan.

Evan MULHOLLAND: Cool, thanks. Thanks, Cathy. It is great to have you in the north as well. I wanted to talk in particular about the financial sustainability just in regard to the planning reforms, and I note that there is a significant cost – just on what you are speaking about in your submission on page 4 – and reduction in income from planning applications as more and more get taken in by the minister. Can you elaborate on that?

Cathy HENDERSON: Thank you for the question. It is still developing and emerging how this will work. Some of the reforms that were announced as part of the housing statement in 2023 are still yet to be fully realised – what they will look like and how that will look between councils and the state government. Our council submission to the planning reform process certainly sets out very strongly the role that councils should

play, both in setting planning scheme controls for the future of the community but also in helping to assess, with local conditions and local knowledge, what is happening there. That requires resources and expertise, so our costs are partially defrayed by that income, which it appears might entirely or mostly be absorbed by state government going forward. Different councils will be affected differently by that. We think we will be losing a pretty significant amount per year probably, but it is still emerging.

Evan MULHOLLAND: Have problems arisen with the enforcement of clearways since July 2020 when the state government announced the clearways management program?

Cathy HENDERSON: Thank you for that question. I am not aware of any problems that have been reported through.

Evan MULHOLLAND: No worries. I just wanted to ask on another note because it goes to the interaction between council and the state government: Merri-bek council passed a motion particularly on looking at increasing rates for landlords. I think the council might have reported back. Could you give us an update on where the council is that with that proposal?

Cathy HENDERSON: Thanks for that question. Some months ago there was a motion passed at a council meeting – at Merri-bek council – to investigate the possibility of increasing rates where property owners owned two or more properties within Merri-bek, so where property owners owned two or more properties, and for that to be investigated in a preliminary way. That preliminary investigation occurred and council resolved earlier this month that it would not proceed any further – the evidence base that was presented shows that the investigation will not go any further – and so that is finished. Merri-bek council has a uniform system of rates.

Evan MULHOLLAND: Excellent. You partner with a number of other councils in the Northern Councils Alliance and one of the things that you been quite vocal on is that Merri-bek is home to I think the worst performing train line – the Upfield line – in terms of frequency. What would Merri-bek formally like to see from the state government in terms of a contribution to this line?

Cathy HENDERSON: Thank you for that question. Merri-bek council has a very clear position on the Upfield line, which is that the people within Merri-bek and the people north of Merri-bek right up into the regions and into Mitchell shire deserve a service on a par with other parts of Melbourne and other parts of the regions and that if you are looking for growth in those areas, then you need to support it with transport infrastructure. There is an incredible and great opportunity to invest in that rail line through duplicating it and extending it and electrifying it further north. Merri-bek council has that position and the northern councils support that position as well. We would love to see the state government supporting in principle further investigation of the proposal and we would really like to see the federal government investing in a feasibility study. I think it is most likely to be successful if both levels of government are willing to explore that possibility.

Evan MULHOLLAND: Excellent. Thank you.

The DEPUTY CHAIR: Beverley.

Bev McARTHUR: Thank you. You changed your name from Moreland to Merri-bek. How much did that name change cost your ratepayers?

Cathy HENDERSON: Thanks very much for that question. As was widely ventilated at the time, it cost \$250,000 a year for two years, so a total of \$500,000.

Bev McARTHUR: You changed the name to acknowledge past violence and displacement endured by local traditional owners to ensure that there was a step forward in reconciliation and collective healing. Can you tell us the tangible outcomes of that name change?

Cathy HENDERSON: Thank you for that question, which I guess perhaps begs the question of Aboriginal reconciliation. I suppose I would say that what Merri-bek council has found over the years is that the Merri-bek community does overall support Aboriginal reconciliation, and so when the events transpired that the traditional owner community and other community representatives came and requested both of the local council, then Moreland, and of the state government that a name change occur the council at that point looked to previous

commitments that were made following community consultation and looked to consultation with the community and then proposed a name to the state government.

Bev McARTHUR: So just go to the tangible outcomes.

Cathy HENDERSON: Well, Merri-bek council sees the statement of commitment to traditional owners and the commitment to Aboriginal reconciliation as a tangible outcome. And in terms of addressing inequality for First Nations people in Australia, it is the policy position of Merri-bek council that reconciliation is part of addressing that inequality.

Bev McARTHUR: Okay. You have gone to the issue of climate change. I imagine you have got a climate change director or somebody responsible for climate change, have you? In your council in your management team is there somebody responsible for climate change?

Cathy HENDERSON: We have strategies around climate change, and yes, we have a small team that supports that.

Bev McARTHUR: Can you tell us what the temperature increase has been in Merri-bek in the last five years?

Cathy HENDERSON: Thank you for that question. We might take that on notice. The data I guess that people working in climate change work with is the national and international data by climate experts, which shows that probably the climate has changed by a 1.5-degree increase, or if it has not, it is about to.

Bev McARTHUR: Okay. You have told us that you are spending \$5.6 million on pruning trees relevant to powerlines – the distribution of power – a year. Wouldn't you be better off allocating that money, maybe in conjunction with landowners, to undergrounding the power so you actually preserve the tree canopy instead of butchering it?

Cathy HENDERSON: Thank you for that question. I am not aware if undergrounding of power is something that Merri-bek council examined more than five years ago. As you would be aware, it is an extremely expensive undertaking –

Bev McARTHUR: I have been on a council that has done it, actually, in rural communities. It is not that expensive. It can be done out in rural communities, so I imagine wealthy councils in the metropolitan area could do it.

Cathy HENDERSON: It is not something that Merri-bek council has –

Bev McARTHUR: If you are spending \$5.6 million a year on tree pruning, which is really wrecking the trees, wouldn't it be better to look at a way of supporting the energy infrastructure better?

Cathy HENDERSON: I believe that the costs of undergrounding power cables across the full area of Merri-bek would be hugely in excess of \$5.6 million. So no, I do not think that is an equation that we have –

Bev McARTHUR: But you could do it piecemeal, couldn't you?

Cathy HENDERSON: I do not think that is something that we have investigated on that scale.

Bev McARTHUR: Just to go back to what Mr Davis was asking about in relation to kindergarten, can you just confirm that this notion of free kindergarten is a fantasy really, because you are meeting the recurrent expenditure of these facilities.

Cathy HENDERSON: Mrs McArthur, largely no. We meet the infrastructure costs of the facilities for kindergartens that we own.

Bev McARTHUR: So you do not pay for the utilities, the garbage collection, the grounds maintenance, any of that?

Cathy HENDERSON: They are tenanted to not-for-profit organisations run by the community. In terms of the actual overheads distribution, Jemma, are you aware of that, CFO?

Jemma WIGHTMAN: I think each facility would have different arrangements on their utilities, so some would be partially funded by council and some would be fully funded by the not-for-profits. There would be very minor I guess overheads from a building maintenance perspective that council would be incurring. But the biggest cost we are seeing is the infrastructure, the capital investment side.

Bev McARTHUR: That is what you are meeting a large proportion of – you just told us earlier. So the free kindergarten is not free effectively. Ratepayers are picking up the bill.

Cathy HENDERSON: Thank you. Yes, you are absolutely right that infrastructure facilities cost money to build.

Bev McARTHUR: What is the percentage of your budget spent on head office salaries?

Cathy HENDERSON: We will take that question on notice. Thank you.

Bev McARTHUR: Thank you. You can compare it with the rest of your expenditure on the service sector as well in your department. That is all. Thank you, Deputy Chair.

The DEPUTY CHAIR: Gaelle.

Gaelle BROAD: Thank you very much for your contributions today. I am just interested: your submission does talk about libraries and school crossing supervisors and reducing funding. Are there any other areas where you are having to make up for state government shortfalls in funding? Have you had to cut services in other areas at all?

Cathy HENDERSON: We might take that on notice. I think we have highlighted the most significant things. There are a few services and projects and programs where there are shared costs. I guess we have also highlighted how the changes, for instance, to waste provisions – the policy changes by state government, which have been backed up by grants programs as well – have resulted in increased costs to ratepayers because of those changes as well. We support those policy changes but also note that they come at a cost as well.

Gaelle BROAD: You have talked about the planning reforms and the impact that they are having, with local government sort of being bypassed a bit in that process. You mentioned consultation earlier could be improved. I am just interested, because I have heard news reports today about the Brunswick station – three down to two, and I believe council had a different position to retain the three. There were 18 months of engineering and technical investigation into that. Were you consulted during that process? Did you know anything before it was announced today?

Cathy HENDERSON: Thank you for that question. When the Brunswick level crossing project was announced council moved very swiftly with community to work out and identify what the community vision was for those works and for the area surrounding those works. We have a high-level vision document that reflects what the community wants to see that was endorsed in early 2023. We are in an election period at the moment, a caretaker period, so the announcement came today, and it was –

The DEPUTY CHAIR: But the policy position from earlier stands – it is of three stations.

Cathy HENDERSON: Yes. That was the policy position adopted then, of the three stations.

Gaelle BROAD: So do think the timing of that announcement – you know, have you been railroaded? Excuse the pun.

Cathy HENDERSON: Thank you for the question. It is uncomfortable for councils when there are consultation processes happening during an election period, because as we have seen, councils are confined in what they can do. For instance, you cannot publish a statement or a media release that is about a topic that might be an election topic, and potentially this is an election topic in the local government election. So our official position at the moment is to refer back to that policy position that was created after very intense and enthusiastic engagement from the community. In terms of the notice this morning, there was an article published in the *Age*, and within hours of that I had contact from some public servants advising me that the announcement was being made. We will expect to continue –

The DEPUTY CHAIR: Afterwards?

Evan MULHOLLAND: After it was in the *Age*, yes.

Gaelle BROAD: After it was publicly announced, you were advised?

Cathy HENDERSON: That is right.

Gaelle BROAD: Okay. There is a lot of content here, and I guess we could go into it. I was interested in the VEC costs. We have heard from councils about increasing costs with VEC, and you talk about \$0.8 million and enforcement costs of \$0.2 million. Can you talk to that, because you do not really have a choice when it comes to VEC costs. What has been your experience?

Cathy HENDERSON: Thank you for that question. It is entirely compulsory, the spending on the Victorian Electoral Commission, and we do not have any ability to negotiate that. I understand the policy reasons. The running of the election is absolutely the domain of the electoral commission, it is not the domain of a council, and neither should it be. The increase in costs – yes, it impacts our budget, of course it does. It is just one of those things that we have to find money for.

Gaelle BROAD: Do you have an idea or could you provide an idea of how it has increased over time – for the election costs over a 10-year period? Well, I guess it is every four years you do an election.

Cathy HENDERSON: We will take that on notice. Thank you.

Gaelle BROAD: I am interested, your submission talks about swimming pool regulations. Obviously that was a state government change. Can you talk to the impact that has on council? What is it like administering that, because that is an ongoing thing, and how do you enforce it?

Cathy HENDERSON: We might need to take that on notice so we can give you a bit more detail. But yes, councils have a whole role around enforcing regulation, which is actually really critical to the health and safety of the community. Swimming pool regulations is a new area, but food safety, for instance, and council's role in inspecting food premises and enforcing failures in food premises is extremely important. When we talk about services that have to be funded, it is one of the many, many in a broad range of services that local governments have to fund. It is kind of part of the arrangements that that is a local government service.

Gaelle BROAD: Do you have any idea of the impact on your budget of these additional compliance costs when changes come in at the state level?

Cathy HENDERSON: I mean, something like environmental health is embedded in our budget now. In terms of the swimming pool regulations, we did include that.

Gaelle BROAD: I do not think you had a cost on it as such.

Cathy HENDERSON: No, we will get back to you on that cost. Apologies for that. Thank you.

Gaelle BROAD: No, that is fine.

The DEPUTY CHAIR: John.

John BERGER: Thank you, Deputy Chair. Thank you for your appearance today. This probably might be the last question. We have got a few minutes left. I am just interested in some of the impacts that might be on the workforce and attracting people into your organisation. We hear there are some skill shortages across some rural sectors, particularly in engineering. I am just wondering whether you have the same issues in a local setting.

Cathy HENDERSON: Thank you very much for that question. I do believe that skill shortages are an issue across local government generally. Some of the areas where we experience shortages and difficulties with recruiting would include building surveyors. We have had difficulties in the past with engineers. There has been a lot of demand for engineers in recent years in Victoria, but we have actually done pretty well in recruiting engineers and project managers in the last few years, partly through efforts to build great culture in

that team and the wider team. So those would be a couple of the areas that are quite difficult. There is no doubt that that has an impact financially as well in some cases.

John BERGER: It is interesting because across a lot of the rural councils it is engineering which is the one that has the highest skills gap. I am just wondering whether councils are reaching out to TAFEs or into universities to try and source people who are skilled in that area to come and join councils and work for them. Is that something that might be a good recommendation to go into the report?

Cathy HENDERSON: I do not think our council has an official policy position on this, but it would be expected that we would be willing to collaborate with whoever wants to work on this. In terms of engineers, it is probably not our priority area at the moment, but for the sector as a whole I suspect it might be. There is still a very strong pipeline of graduate engineers coming through, whereas I think building surveyors – there is probably an industry crisis there in terms of what is happening with the pipeline of building surveyors.

John BERGER: All right. Thanks, Deputy Chair.

The DEPUTY CHAIR: Further questions? Sarah? No. Evan? I have got one or two more. I will be very quick. First of all, just in terms of the planning issues, I see the state government's new planning targets for numbers of dwellings going from 81,000 dwellings in Merri-bek in 2023 with another 72,000 on top by 2051. That is a huge increase. I was listening to the discussion about heat island effects and climate change as well earlier. Has council modelled what that will do? I mean, you do not have to be a strong believer, as it were, in climate change to believe that if you tear the trees out and you build dense concrete and brick and bitumen, it gets hot.

Cathy HENDERSON: Mr Davis, thank you for that question. In terms of that draft housing target from the state government, as our submission to the reform process sets out, we are still seeking to understand exactly how that was calculated and there has been a consultation process around that with state government. We have previously done our own capacity studies for how much housing capacity there is to build within Merri-bek and our estimates are probably within the thousands of what the state government has come to. A significant cautionary note, however, is that there is a big difference between what potentially could be issued planning permits and built and what the market will support and invest in to build. In the light of considering market considerations and market trends, that draft housing target looks very large indeed. But there is a difference between seeing it as a housing capacity target – 'If the market was interested, could this much housing be built?' – and 'Do you actually think those dwellings will exist by that time?'

The DEPUTY CHAIR: There is also a question about what is desirable and what the quality of life will be if you pack people in and tear the trees out and you have got massive density and concrete and brick.

Cathy HENDERSON: Merri-bek council believes strongly that you need to plan for that density, and infrastructure contributions are a key part of that. We have a program that is called A Park Close to Home where we use open space contributions to purchase land within all areas of our municipality but including denser areas as well to create new parks and new infrastructure. There will be increasing pressure on that, and that is part of our position on the planning reforms as well.

The DEPUTY CHAIR: Just on that, I do not detect that with those targets there was any commensurate support for services, health, education, and open space and tree canopy.

Cathy HENDERSON: I expect that consideration of those matters probably is occurring within government, but it is not entirely clear to me what those considerations are or what the outcome might be.

The DEPUTY CHAIR: Just returning to the planning changes – beginning last year, with more coming through allegedly now – increased use of code assessment sees council process the planning application but not actually have any say. If the boxes are ticked, it just proceeds. You are responsible for providing the permit although you have no option. Am I correct in understanding that?

Cathy HENDERSON: We might need to take that on notice. I think that might be in recently emerging changes. Is that correct?

The DEPUTY CHAIR: Yes, it is.

Cathy HENDERSON: I think we might need to take that on notice, Mr Davis.

The DEPUTY CHAIR: What I want to understand is: does that aggravate this issue of planning fees where you will process it but the fee will not be commensurate? So maybe take that on notice – part of the VicSmart approach or sort of an extension of that. I would be very interested in any work that you have actually done to understand the capacity of the area and what is needed in terms of tree canopy, parks and so forth to stop a heat island effect.

Cathy HENDERSON: Mr Davis, we certainly can send you information on that.

The DEPUTY CHAIR: That would be very helpful. Thank you. Any other questions?

Gaelle BROAD: Yes, I have got one. I am just interested in whether your council has looked at or is using any artificial intelligence programs at the moment. Are you talking with any other councils about it? Have you received any advice on it? I am interested in that.

Cathy HENDERSON: Thank you for that question. Our director will answer.

Sue VUJCEVIC: Thank you. We are at preliminary days in that space and in exploring opportunities. As I said, it is very early. We are talking to our neighbouring councils and northern councils about opportunities arising in this area. I also understand that the state government is preparing or working on potential guidelines for use of AI and that might assist council as well.

Gaelle BROAD: Are you able to provide a copy of the advice that they have given you to date about AI?

Sue VUJCEVIC: I will take that on notice and come back to you. Thank you.

Gaelle BROAD: Thank you very much.

The DEPUTY CHAIR: Can I thank the three of you for your contribution and the things you have taken on notice. It has been very helpful indeed. Thank you very much.

Committee adjourned.