

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2018–19

Melbourne — 18 May 2018

Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Ms Fiona Patten

Witnesses

Ms Marlene Kairouz, Minister for Local Government,

Mr Terry Garwood, Deputy Secretary, Local Infrastructure,

Dr Graeme Emonson, Executive Director, Local Government Victoria, and

Mr Xavier Hinckson, Executive Director, Finance and Planning, Department of Environment, Land, Water and Planning.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2018–19 Budget Estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Local Government, the Honourable Marlene Kairouz, MP; Mr Terry Garwood, Deputy Secretary, Local Infrastructure; Mr Graeme Emonson, Executive Director, Local Government Victoria; and Mr Xavier Hinckson, Executive Director, Finance and Planning, Department of Environment, Land, Water and Planning.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Ms KAIROUZ — Thank you, Chair. Local government in Victoria comprises 79 councils, representing over 6.2 million people. Councils deliver services in health, planning and infrastructure, community development, waste and environmental management, and human and community services. Councils are a significant contributor to the Victorian economy, employing over 50 000 people. The government is continuing to implement its local government reform agenda, focusing on three areas for action: improving integrity in governance, strengthening capacity and performance, and providing a platform for local government to deliver for communities.

This includes the implementation of a Fair Go Rates system; investment to improve the response to growth pressures faced by interface councils; and delivery of a modern, new local government act. It also includes improvements to the integrity, capacity, performance, sustainability and value delivered by local government for Victorian families. It seeks a modern co-productive relationship between the state government and councils to achieve better outcomes which benefit all Victorians.

We have reached the final stages of the development of new legislation to support the local government sector, with an exposure draft of the proposed bill released for consultation in December 2017. This is the culmination of three years of very strong engagement with the sector and other stakeholders to design a system of local government for the next generation. I will work to introduce legislation to the Parliament shortly. We also commenced our rural councils transformation program, and we continue to deliver the Growing Suburbs Fund. We are set to build on these achievements with significant additional investment in the 2018–19 budget.

I would look to briefly highlight the tremendous success that is our Know Your Council website, which allows the public to view their council's performance across a range of service areas. Since its launch in 2015 there have been 2.1 million page views and 536 000 unique users. The website has experienced a 245 per cent growth in visits. The website was recognised by the Australian Productivity Commission, which encouraged other state and territory governments to draw on Victoria's example.

The graph shows the increased investment in local government as part of the 2018–19 budget. As you can see, it is a significant increase from the previous year. The 2018–19 state budget will provide an additional \$50 million to continue the Growing Suburbs Fund to support the infrastructure needs of interface communities. This is in addition to the \$25 million committed for 2018–19 at the previous state budget, increasing the total funding to a record \$75 million. We know that this funding makes a difference and we are working hard to bring forward investment in the types of products that make a lasting difference for communities. The additional funds are expected to enable about 40 extra community infrastructure projects to be funded across Melbourne’s interface areas. My department will work closely with interface councils to ensure that the projects brought forward for consideration in the coming funding round deliver the best possible outcomes for outer suburban families. Since its establishment in 2015 the Growing Suburbs Fund has supported 116 projects, representing a total infrastructure investment of \$362.1 million, and created more than 3900 local jobs.

The state budget will also allocate an additional \$20 million for the rural councils transformation program. Rural and regional councils are important contributors to the livability and productivity of their communities. Large and small shire councils generally have much lower populations spread across larger areas compared to other councils. As a result, these councils face higher service delivery costs and greater pressures to fill services and infrastructure gaps. In the last budget, \$1 million was provided to identify the barriers to sustainability and to propose options to deliver long-term financial and operational sustainability for rural and regional councils. The project has identified the challenges and obstacles to the sustainability of Victoria’s rural councils and proposed 16 initiatives across three themes: state and local government relations, operational transformation and stronger local governance.

The funding provided as part of the 2018 budget will support the creation and implementation of new regional service delivery models, creating financial efficiencies for local government whilst providing more integrated and coordinated services for communities. I look forward to continuing to work with the local government sector and relevant state agencies to strengthen Victorian councils as they contribute to a connected, sustainable and prosperous Victoria. Thank you.

The CHAIR — Thank you, Minister. We have got government questions until 11.28 a.m. I will start with Ms Ward please.

Ms WARD — Minister, I would like to bring you back to your comments about the Growing Suburbs Fund where you mentioned that the funding makes a difference. Could you please talk the committee through how this funding is making a difference in local communities?

Ms KAIROUZ — Thank you, Ms Ward, for your question. I would be happy to. The 2018–19 state budget provided an additional \$50 million to continue the Growing Suburbs Fund to support the infrastructure needs of interface communities. This is in addition to the \$25 million committed for 2018–19 at the previous state budget, increasing the total funding for 2018–19 to a record \$75 million. Local infrastructure provides a platform to deliver a broad range of services and programs to communities, from maternal and child health care and sporting opportunities to supporting seniors through active ageing programs. We know that this funding makes a real difference for councils and we are working very hard to bring forward council investment in the types of projects that directly support local communities in Melbourne’s outer suburbs. So providing an additional \$50 million in funding for the Growing Suburbs Fund in the 2018–19 budget is expected to enable about 40 additional, much-needed community infrastructure projects to be funded across Melbourne’s interface areas. My department will work closely with interface councils to ensure that the projects that are brought forward for consideration in the forthcoming 2018 funding round deliver the best possible outcomes for outer suburban families.

Since its establishment in 2015, the Growing Suburbs Fund has supported 116 projects, representing a total infrastructure investment of \$362.1 million, and has created 3900 local jobs, as I mentioned in my presentation. Of these, 44 projects have been completed to date and interface communities can now access the services and the facilities that make a big difference in their day-to-day lives. Of the 72 projects still to be completed, 32 have now commenced construction. The remaining 40 projects, which have predominantly been funded in the 2017 funding round, are due to commence construction before the end of this year. My department will continue monitoring the projects under construction to ensure the investment in critical community infrastructure delivers positive outcomes for outer suburban families in a timely way.

Ms WARD — Thank you, Minister. I note that you said 44 projects have been completed, and there has been a huge investment in my community in Nillumbik from the Growing Suburbs Fund — over \$16 million. Sadly, we have only had one of those projects completed so far, but I am sure Nillumbik will get there in the end. Nillumbik did have a proposal earlier this year that they would sell land of which the community was very fond to fund some key infrastructure projects. Can you please outline for us, reconfirm the money that Nillumbik has received from the Growing Suburbs Fund, and could you give us an indication of what work your department has done to help Nillumbik get its act together?

Ms KAIROUZ — Thank you very much for your question. In the 2018–19 budget the government announced an additional \$50 million investment in the Growing Suburbs Fund. This brings the total of Victorian government investment to \$200 million over four years across the 10 interface councils, with \$75 million being invested in 2018–19 alone. The Growing Suburbs Fund is supporting a mix of infrastructure projects that have a direct benefit to communities, including community health, wellbeing and social interaction, early education, sport, recreation and leisure, environmental and climate change, resilience and place making, civic amenity and community connectivity.

Nillumbik shire has received a total of \$16.2 million under the Growing Suburbs Fund to date, with this figure representing the fourth largest amount of the 10 interface councils. In the 2017 round of funding Nillumbik received \$7.7 million, which was the second largest amount of the 10 councils. A total of 10 projects have now been funded in Nillumbik, of which one, the Eltham Community Reception Centre, has been completed. I have asked my department to continue to work closely with Nillumbik shire to ensure the benefits to the community of the projects that have been funded under the Growing Suburbs Fund are maximised. I have also asked my department to work closely with Nillumbik to improve the quality of their applications coming forward under the Growing Suburbs Fund.

Ms WARD — Thank you. It is not only me that appreciates it; I am sure the whole Nillumbik community does. Just to confirm, Minister, you said 40 projects are due to commence construction and only one project out of Nillumbik's 10 has been completed. Could you take it on notice and get back to us on how many of those 40 belong to Nillumbik that are due to commence construction, because it would seem to me that it would be close to 25 per cent of that 40? So if you could take that on notice and get back to us, that would be terrific.

Ms KAIROUZ — I would be happy to

Mr DIMOPOULOS — Minister, you mentioned in the presentation something that again interests me in terms of public participation, and that is the Know Your Council website, the resource. They were pretty astounding figures in terms of the usage. I cannot remember exactly what you said — there were 2 million I think hits, or an extraordinary number. You can hear my passion for demographic data!

Ms KAIROUZ — as a former councillor.

Mr DIMOPOULOS — Yes. All of those addresses and names. Does the department have any more information about what people search for on the Know Your Council website? Any data about who they are, because that helps inform public policy in terms of what most areas of interest are for ratepayers?

Ms KAIROUZ — Sure. I will be able to answer that. The website is attracting a relatively young audience, with over 30 per cent of users aged between 25 and 34. Users are clicking through a number of pages and are remaining on the site for over 2 minutes, which suggests that users are engaging well with the content. Audiences have come from a range of demographics. Around 69 per cent of users are based in the Melbourne region and 13 per cent of users have visited the site more than once. The age range of users most interested in the site was 25 to 34, and that is 32 per cent, followed by 24 per cent in the 35-to-44 age bracket and a further 17 per cent of users in the 45-to-54 age bracket. Those showing the least interest in the site were those 65 years of age and over, making up almost 7 per cent of users, followed by 9 per cent in the 18-to-24 age bracket, with those in the 55-to-64 age bracket making up the remaining 12 per cent of the users of the site. The gender of users is fairly balanced, with 53 per cent of users identifying as female compared to 47 per cent of users identifying as male.

Users most commonly seek to find their council, view summary reports of their council's profile, compare their council and understand how the local government sector operates to guide councils. The most popularly viewed

indicators are statutory planning, which is no surprise, as well as animal management, financial performance, governance and management and waste collection.

Mr DIMOPOULOS — It is fascinating. So 24 to 35-year-olds are the biggest single user group. I would not have expected that; I thought it would be in the 30s, 40s or 50s.

Ms KAIROUZ — No, they are engaging really well with the website.

Mr DIMOPOULOS — A follow-up question on that, Minister or the department. So it is a rich data source not just now but for the future, an ongoing data source. Is there a formal feedback loop to councils or an informal feedback loop to councils? You gave us the macro data, but then I imagine you would have in the background somewhere about Monash or Glen Eira in my community, for example. Would you be able to — not now — give that data to councils? Is there a process for that?

Ms KAIROUZ — The Know Your Council website displays data from the local government performance reporting framework. This website was launched in 2015 and has now three years of performance data. Data for each reporting year is published annually in November. The local government performance reporting framework was established to ensure councils have the information to support strategic decision-making and continuous improvement, that communities have information about council performance and productivity, regulators have information to monitor compliance with relevant reporting requirements and state and federal governments are better informed to make decisions to ensure an effective, efficient and sustainable system of local government.

The framework and the website also allows comparison of each council's performance to that of similar councils and provides information detailing how councils work —

The CHAIR — Order! We might come back to that. The Deputy Chair until 11.39 a.m.

Mr MORRIS — Firstly, Minister, can I say that I am delighted how successful the website has been. I had carriage in government of developing that project and worked with it all the way through until the election in November 2014. I just want to congratulate Local Government Victoria first of all on the way they supported the development of the site, because it was very much a customer and public-focused site, but certainly on the way it has taken shape in exactly the way it was intended to take shape under the previous government. I think it is a credit to Local Government Victoria, so I did want to acknowledge that.

Can I ask you about rate capping? Budget paper 3, page 221, is just the output. We know that at the back of BP3 there is a local government summary. That summary for 2015–16 identifies total local government spending at \$7.3 billion. The corresponding section for 18–19 identifies local government total spending at \$8.1 billion, so a 10.95 per cent increase, almost 11 per cent increase. But in the same period the All groups CPI index for Melbourne has gone from 106.4 in March 15 to 113.3 in March 18, which is only a 6.9 per cent increase. So CPI is up 6.9 per cent but local government income is up almost 11 per cent in that period. Given that the media release from 5 May 2014 indicated that councils would have to cap their rates at CPI and justify any further increases, I am just wondering how that sits with the evidence that local government spending has increased at almost twice the rate of inflation.

Ms KAIROUZ — I might ask Mr Hinckson to answer that question.

Mr HINCKSON — The table that you are referring to at the back of BP3, page 369, Mr Morris, includes all of the total funding sources, which includes commonwealth funding as well —

Mr MORRIS — I am talking about the note which is in every BP3 that talks about local government spending. I will actually be asking about that table a little later on if time permits, but I am talking about local government spending and how an 11 per cent increase in spending in three years jibes with a commitment to link it to CPI, which is almost half that.

Mr HINCKSON — My understanding — I might need to check the reference again — is that that spending would include all of the funding that government is providing to local government to deal with some of the transformation initiatives as well. So, for instance, where we have assistance packages and so on —

Mr MORRIS — That is correct. In fact that funding has basically been stable or has gone down.

Mr HINCKSON — I believe there are a few new initiatives that are actually in the budget papers.

Mr MORRIS — Yes, and when they are in the budget papers they are not necessarily fully funded either. But we will come to that.

Minister, you told Victorian councils that you would cap rates — or your predecessor did. The media release set the capped rates at CPI. Council spending has increased at almost twice that rate. You also said you would amend the Local Government Act to require that draft budgets are submitted to the Essential Services Commission before they are adopted. That has not occurred either. Why not?

Ms KAIROUZ — Thank you very much for your question. Work is certainly underway on amending the Local Government Act, as you are well and truly aware. We put out an exposure draft in December last year and had three months of consultation. We are in the process —

Mr MORRIS — I know you are only very early into the response, but the question was about a policy commitment that the ALP made in May 2014 to amend the Local Government Act to require that draft budgets are submitted to the Essential Services Commission before they are adopted. We are four years on, and that has not happened. I am wondering why.

Ms KAIROUZ — We are in the process of reviewing the Local Government Act and —

Mr MORRIS — You have done all the amendments that relate to rate capping. This was in the context of rate capping, and it was a requirement that the Essential Services Commission review every council budget.

Ms KAIROUZ — That is correct, and that has not changed.

Mr MORRIS — It has not occurred, either, with respect. I am just wondering why, four years on —

Ms KAIROUZ — The Essential Services Commission gives the minister advice — gave me advice — in terms of determining what the rate cap should be, and I take advice from the Essential Services Commission.

Mr MORRIS — I am happy to table the media release on a ‘fair go for ratepayers’. The sentence is:

Labor will amend the Local Government Act to require that draft budgets are submitted to the ...

Essential Services Commission —

before they are adopted.

Ms KAIROUZ — Correct. We have reviewed the Local Government Act, we have put out an exposure draft and the local government bill should be introduced into the Parliament fairly shortly.

Mr MORRIS — We will move on to BP 3, page 369, with regard now to the table of funding to local government. In the 15–16 budget it was proposed that \$873.863 million be paid to local government. That translated to a revised budget of 670.159 million — so \$200 million short in that year. The following year the figures were 898.1 million and a revised budget up of 1.1 billion, and that additional funding was largely through DTF — some \$75 million — because of exceptional circumstances payments. At least that is the explanation.

In 17–18 the figure was a budget of \$1 billion, or a fraction over, and actual payments of 733.689 million. Minister, over the three years, if we add the three budgets together, they indicate that the government proposed to make payments to local government of \$2.773 billion. The revised budgets for those three years come to \$2.414 billion, which is a shortfall, even allowing for the exceptional circumstances payments of virtually \$360 million. Given the variance in those three budgets and effectively the short-changing of local government by \$360 million, recognising that you were not the minister for those three years, what reassurances can you give local government that the pattern established by your predecessor will not be continued in this budget?

Ms KAIROUZ — Thank you, Mr Morris, for your question. Before I hand over to Mr Hinckson, it is important to note that grants and transfers to local government are estimated to be worth \$1.295 billion in 2018–19. This is an increase of \$293 million, or 29.3 per cent —

Mr MORRIS — If they eventuate, which is precisely my point.

Ms KAIROUZ — compared to the previous year's estimate of just over \$1 billion. The budget includes a number of significant initiatives which will assist councils in providing improved infrastructure and vital services to their communities — for example, \$100 million over two years to provide grants to rural and regional councils to improve their local roads, additional funding for a range of programs in sports and recreation —

Mr MORRIS — Again, with respect, Minister, the question was around given that the difference between what was promised in the budget and what was actually delivered in terms of the revised budget is \$360 million less over the three years, how can local government be assured that whatever figure you promise this year is actually going to be delivered?

Ms KAIROUZ — I might hand over to Mr Hinckson.

Mr HINCKSON — Thank you, Minister. I think you might have alluded partially to the answer, Mr Morris, during your question. The most significant change across the two years is actually the re-phasing of commonwealth grants. As you are aware, the Victorian budget is published before the commonwealth budget, so there is always an estimate included of the amount we are going to receive from the commonwealth government for local grants, and that is in budget paper 5, on page 155: 'Grants for on-passing'. The commonwealth at late notice, which actually has occurred again this year, has actually brought forward funding from a forward year into the budget in question that you are asking about, so that is the main reason. Those grants are worth about —

Mr MORRIS — So just say that again, because I read the notes on that and it seemed to say something totally contrary to the figures. So just walk us through that again.

Mr HINCKSON — Yes, except the figures still reflect the latest information at the time the budget is published, and so —

Mr MORRIS — I understand that. I have been doing this for quite some time now. The note with regard to commonwealth funding seemed to indicate the funding had been brought forward and had gone into the year earlier, which would make the situation a whole lot better, surely.

Mr HINCKSON — Yes, except it has happened again, and so even for the 18–19 budget, again the commonwealth has changed the phasing of the funding after the budget has been published, so again the figures that are published will have a change of about 220 million.

Mr MORRIS — So the money has come in early, is that what you are saying?

Mr HINCKSON — Yes, that is right, but again, it changes the distribution in the papers.

Mr MORRIS — But that is precisely my point. The money has come in early, but we — not me; the government — have still not paid the \$360 million to local government that they said they were going to. If the money had been deferred by the commonwealth, then it would make sense.

Mr HINCKSON — I am extremely confident, but we can of course check that and confirm it to you. We can do that as an on-notice kind of response, but —

Mr MORRIS — The point is that the budget papers over three years indicate a shortfall of \$360 million on what was promised in the budget year. Those are the facts.

Mr HINCKSON — My view would be that about \$750 million is the correct base funding; the \$1 billion includes two years of commonwealth payments effectively, and so that is why you always have a movement from year to year.

Mr MORRIS — Yes, which apparently makes it worse. That is why I am raising the query.

Mr HINCKSON — We can provide the actual payments for the years —

Mr MORRIS — The budget promised 1.001 billion for 17–18, and 733 is in the revised budget, which is a shortfall of \$268 million.

Mr HINCKSON — I think the most likely explanation for that is that it is the rephrasing of commonwealth dollars. We can provide a reconciliation of that.

Mr MORRIS — But they have come in, not gone out.

Mr HINCKSON — Yes, but when —

Mr MORRIS — Which would make it worse, not better.

The CHAIR — Order! I have just realised we are coming into Ms Pennicuik's time, so we have got Ms Pennicuik until 11.45. I was actually fascinated by the conversation. I got distracted.

Ms PENNICUIK — Thank you, Chair. I was looking at the clock quizzically there. I thought we had gone over.

Just in terms of your Know Your Council website, I know that some of the data released with regard to that in the 2016–17 year amongst other things reported that the amount of waste diverted from landfill to organics and recycling facilities increased by 3.7 per cent, which is a pretty modest amount, but of course that was prior to the problems we have now with not being able to send waste to China — well, whether that is a problem or whether we should have been doing it ourselves in the first place is a moot point. In the budget there is an allocation of \$14.5 million to be provided to councils and the recycling industry to ensure that curbside collection of household recyclables continues. Can you tell me how much of that will be directed to councils? Because it says the recycling industry and councils.

Ms KAIROUZ — Thank you very much for your question. You are correct. Victoria is experiencing change across its recycling industry as a result of China stopping the import of low-quality recyclables, including paper and plastics. In February this year we committed to a \$13 million assistance package to help councils and industry respond to the shifts in the global recycling markets. We have also established a recycling industry task force to develop a strategic plan for the recycling industry. All of the 79 councils have applied for grant funding from this assistance package, which includes a \$12 million temporary relief program to councils to cover a portion of price rises directly associated with curbside recycling services. This funding was offered to all councils on a non-comparative basis at a fixed flat rate of \$60 per tonne of collected recyclable materials for the period spanning 1 March 2018 to 30 June 2018. This funding will provide all councils and their contractors time to develop long-term solutions, including renegotiating contracts. Councils will be required to meet any price increases in recycling costs from 1 July this year.

As this is a matter for the minister for the environment, she has established a recycling industry task force to develop a strategic plan for the recycling industry, and of course local government is represented on that task force. The executive director of my department along with the CEO of the Municipal Association of Victoria sit on that task force, representing local government. The task force will report back to us in due course, and we wait to see any report back from the task force.

Ms PENNICUIK — Thank you, Minister. Will this amount of funding guarantee the continuation of curbside recycling by local councils and that it will actually be recycled?

Ms KAIROUZ — I might ask Dr Emonson to answer that question.

Ms PENNICUIK — Because it has been reported that there are stockpiles of recyclables accumulating, and also with regard to that, do we know of any councils that have diverted recycling materials to landfill or are doing that?

The CHAIR — One minute.

Ms PENNICUIK — It should be 2 minutes.

Dr EMONSON — Thank you, Minister. Thank you for the question. The allocation of \$12 million for local governments to meet additional costs for the period 1 March to 30 June 2018 was based on estimates of the

quantity of recyclable material. The estimate based on \$60 per tonne does equate to just on \$12 million. The temporary relief funding program for councils will essentially, largely offset the cost for councils to continue the recycling system through to 30 June. Post 30 June —

Ms PENNICUIK — I hate to interrupt, because I know the Chair is going to cut me off, but my question was: is this going to mean that recycled products will actually be recycled, that we will not see this accumulation of recycling products in stockpiles?

Dr EMONSON — The temporary relief funding, the \$12 million, has ensured that councils will be able to renegotiate contracts with collectors and processors to ensure that kerbside recyclable material continues to be collected and therefore processed as recycling material. We are not aware that any councils at this point in time have moved away from their recycling contracts, so to our knowledge all existing contracts or modified contracts have been either effected by councils or they are in the process of doing so before 30 June.

Ms PENNICUIK — Sorry —

The CHAIR — Order! I have given you 43 seconds. We will have government questions until 11.55 a.m.

Ms WARD — Minister, can I turn your attention to rural and regional councils, please? If I can get you to have a look at budget paper 3, page 59, I see there that there has been \$20 million allocated to rural and regional councils — the transformation program — for 2018–19. Can you please give us more details about this program?

Ms KAIROUZ — Thank you, Ms Ward, I would be happy to provide you with details. Rural and regional councils are important contributors to the livability and the productivity of their communities. The large and small shire councils have lower populations spread across larger areas compared to other councils, and as a result these councils face relatively higher service delivery costs and greater pressures from their local communities to fill services and infrastructure gaps.

The 2017–18 budget acknowledged the challenges facing rural councils with the allocation of \$1 million to a rural and regional sustainability reform program. This program aimed to identify the barriers to sustainability and to propose options to deliver long-term financial and operational sustainability for rural and regional councils. KPMG was commissioned to undertake this work, which was completed under the guidance of a steering committee comprising representation from Rural Councils Victoria, Regional Cities Victoria, the Municipal Association of Victoria, Local Government Professionals, the Victorian Local Governance Association, DTF, DPC and Regional Development Victoria.

Flowing from this report, the 2018–19 state budget allocated \$20 million to progress regional service delivery and shared services in rural and regional Victoria on a scale that has not been available previously. This major investment will support the creation and the implementation of new regional service delivery models that will create financial efficiencies for local government whilst providing more integrated and coordinated services for communities.

Ms WARD — With some of the initiatives, could you please talk us through what some of the initiatives are, but also how they were developed?

Ms KAIROUZ — Sure. On the initiatives under the program, there are 16 for consideration across three themes. One is addressing state and local government arrangements, operational transformation and strengthening local government. The 18–19 budget allocated \$20 million to progress one of the major operational transformation initiatives, and this is the regional service delivery initiative. That will support collaboration and shared services in regional and rural Victoria on a scale that has not been previously available. These were developed by KPMG, under the guidance of a steering committee that I mentioned earlier which built on an extensive round of consultations across the state with rural and regional councils, mayors, CEOs and community and business representatives. These initiatives were focused on addressing the objectives of the program; for example, to propose options to deliver long-term financial and operational sustainability for rural and regional councils.

Ms WARD — Terrific, thank you.

Mr DIMOPOULOS — Minister, I just want to take you back to the part of the presentation where you talked about Fair Go Rates. I was a bit confused by Mr Morris's questions. The Fair Go Rates system is well and truly in place?

Ms KAIROUZ — Sure is.

Mr DIMOPOULOS — So that is something that is already there. That is my experience in my community and my councils.

Ms KAIROUZ — Correct.

Mr DIMOPOULOS — Can you give us a sense of how it has panned out across Victoria, because I want to clear the record in a sense?

Ms KAIROUZ — Sure. Prior to the establishment of the Fair Go Rates system Victorian council rates rose by approximately 6 per cent on average every year over the previous decade. In the face of such unsustainable increases and to alleviate the cost-of-living pressures arising from the escalating local council rates, the Andrews government implemented a cap on the amount that the rates could rise each year. Under the Fair Go Rates system rate rises were capped from the 2016–17 financial year, and since the implementation of our Fair Go Rates system rate rises have been limited to the consumer price index.

Rate rises were capped at 2.5 per cent in 2016–17 and 2 per cent in 2017–18, and the maximum percentage that rates can rise for the 2018–19 year was set by me in December 2017 at 2.25 per cent. This was in line with the CPI forecast by the Department of Treasury and Finance, and this applies to all local governments across Victoria.

The system affords councils that have exceptional circumstances and community support the ability to obtain approval from the Essential Services Commission to increase rates above the cap. Only one council, and that is Monash City Council, has made an application to the Essential Services Commission for a rate variation in 2018–19.

Mr DIMOPOULOS — Pretty successful in that case as there are 79 councils.

Ms KAIROUZ — Indeed it is.

Mr DIMOPOULOS — Minister, just a further question on that. I know a lot of the debate back then when it was announced as a commitment of this government, then in opposition, was that you would see a decline in service delivery amongst councils and infrastructure because they would have less revenue. That was part of the argument on the other side. Has there been data collected? Has there been a decline in service delivery or infrastructure investment because of the rate capping — because of the Fair Go Rates system?

Ms KAIROUZ — No. Firstly, the Fair Go Rates system was introduced to ease the cost-of-living pressures arising from local council rates. As I explained in my previous answer, prior to the establishment of the Fair Go Rates system, council rates rose by approximately 6 per cent on average every year in the previous decade. The Fair Go Rates system gives ratepayers greater surety about what their rates will look like into the future, ensures greater value for money and encourages councils to listen and engage with the needs of their local communities. And Victorian families can be assured that their rates will only increase with CPI increases. The Fair Go Rates system is only in its third year, so conclusions can only be tentative as to whether there will be a decline in services and infrastructure. Nevertheless, sector-wide analysis undertaken indicates no significant impact on local government services or essential infrastructure, and the key impacts identified so far show that rate rises are now limited and that local governments are finding ways to be more efficient with their resources.

Mr DIMOPOULOS — Thank you, Minister. Just an entirely different question, I had the pleasure of attending an event with your predecessor at Monash libraries in relation to this program I am going to ask you about in 50 seconds. Page 222 of budget paper 3, the Living Libraries program — library service grants — and you have got the milestones there at 100 per cent of grant payments made within 21 days of completion of agreed milestones. That is pretty extraordinary. I just wanted to get your quick wrap-up of how that program is —

Ms KAIROUZ — Sure. We certainly recognise the important role that libraries play in communities across Victoria. They are much-loved facilities. They make an enormous contribution to strengthening and enriching the lives of Victorians, and they support a culture that values reading, learning and social connection. So as well as offering an impressive collection of books, our public libraries also provide access to digital technologies and the internet. They awaken a love of reading amongst the very, very young, they support new connections through book clubs and they certainly host a wide range of literary events.

Mr MORRIS — Minister, this is perhaps to you or perhaps to Dr Emonson. Just coming back quickly to recycling and recognising that it is not a direct issue as far as the local government portfolio is concerned, I am just interested in the issue of who is going to pay after 1 July and how that money is going to be obtained, recognising that the task force has to report and so on, but what is the policy position? Is it expected that councils will fund services for recycling, including the additional costs, after 1 July from their own resources, or is there the opportunity for a waste management charge outside of the rate cap? Or how is that money going to be found?

Ms KAIROUZ — I might commence, and then I will hand it over to Dr Emonson. Waste charges are not included in the rate cap. We only have eight councils that do not currently levy a separate waste charge to ratepayers, and they are Monash, Melbourne, Maribyrnong, Banyule, Port Phillip, Whitehorse, Whittlesea and Yarra city councils. Councils can choose to pass the increased cost of waste collection onto the community through increased waste charges or rates; however, as we have seen in the recent Ombudsman's report into Wodonga City Council, waste charge collection fees cannot be higher than the cost of providing that service, and councils should not spend the funds raised from waste charges on other projects. So any waste charge collections should be just spent on that. But I will ask Dr Emonson to supplement that, if he would.

Dr EMONSON — Thank you, Minister, and thank you for the question. The temporary relief funding program — the \$12 million that was alluded to as part of an earlier question — was and is aimed at assisting councils to meet any additional costs flowing through the recycling system up to 30 June.

Mr MORRIS — Yes, it is the period after 30 June that I am more interested in.

Dr EMONSON — It is recognised that councils set their budgets annually, including their service charges, and therefore the opportunity for councils to reset charges before 30 June obviously did not exist. So the proposal is that for the period post 1 July as councils are obviously aware of this issue, they are currently renegotiating, where necessary, contracts with their service collectors and processors and they will factor that into either their budgets and general rates where they do not have a separate service charge, or where they have a service charge post 1 July, those increased costs would be reflected in the service charge.

Mr MORRIS — Okay. Obviously for the eight that do not have a separate charge then rates have to absorb it — well, they could introduce a charge if they chose to — but for those that do have a charge now, are they able to recover fully whatever additional costs they may have via an increased charge?

Dr EMONSON — The setting of the council's budget and its balance between service charges, other charges and rates obviously is a matter for council to determine, but the legislation does provide the opportunity for councils to have a waste services charge, and councils could choose to recover the costs associated with waste through a separate waste services charge.

Mr MORRIS — So the entire charge could potentially be passed onto ratepayers?

Dr EMONSON — Again, that is entirely a matter for the council.

Mr MORRIS — No, the current requirements, current policy settings, will permit that to occur should councils so choose. Is that what —

Dr EMONSON — Waste services charges sit outside the rate cap, so if councils choose as part of their overall budget process to offset the costs of waste collection through a service charge, they certainly are able to do so.

Mr MORRIS — Okay. That is good. Well, I will not say it is good, but it is an answer, so thank you for the answer. In BP3, page 221, I have just a couple of quick questions about administrators and monitors. Minister, in the Central Goldfields shire, the administrators are being paid by the ratepayers, I assume.

Ms KAIROUZ — Yes.

Mr MORRIS — What is the annual cost of the administrators over and above what the mayor and councillors were costing?

Ms KAIROUZ — Thank you very much for your question. The remuneration set at Central Goldfields shire reflects the same amount for previous council administrators.

Mr MORRIS — But do we know what the dollar figure is over and above what the mayor and councillors were costing?

Ms KAIROUZ — If I can provide that information, I will. I will take that on notice.

Mr MORRIS — Can you tell me which councils currently have monitors appointed to them.

Ms KAIROUZ — We have got municipal monitors at Ararat, Janet Dore; two at Geelong city council, Jude Munro and Peter Dorling; and one at Frankston, Prue Digby.

Mr MORRIS — And not one at Whittlesea, even though I understand a request has been made?

Ms KAIROUZ — No.

Mr D. O'BRIEN — Minister, are you about to appoint a monitor at South Gippsland? There have been media reports as such.

Ms WARD — That relates to the budget papers, how?

Ms SHING — You are just asking about speculation here. Again, if it is not a public announcement, I am not sure how that relates.

Ms WARD — I did not know newspapers were part of the budget process.

Mr D. O'BRIEN — It relates to the budget papers because if there is a monitor appointed, it will cost the taxpayer.

Mr MORRIS — The way committees work is if the minister can answer the question, she will, and if she cannot, she will say so.

The CHAIR — Order! I am happy for the question to stand, but the minister may be constrained by what she can say on these matters.

Ms KAIROUZ — Thank you for your question, Mr O'Brien, and thank you for your concern regarding South Gippsland council. As the Minister for Local Government I expect at all times councillors will adhere to principles of good governance and community consultation. I will not comment any further at this stage in relation to South Gippsland council.

Mr MORRIS — Can I ask you in relation to Geelong — and of course that is a very different situation to Ararat and Frankston. I know both of those monitors and they are good people, so I am not impugning their integrity in any way, but a new council has been democratically elected. There has been no evidence that there is any difficulty within that council at all, yet you have gone on record as saying in November last year that the monitors will continue to help restore the services and good governance the people of Geelong deserve. Minister, why do you believe that the elected council could not provide restored services and good governance without the presence of monitors?

Ms KAIROUZ — Thank you for your question. I am pleased that democracy has been returned at Greater Geelong City Council after a period of administration. The 18-month period of administration was required after the council was dismissed in 2016 following a failure by the council to provide good governance to the City of Greater Geelong. The new council, reflecting a mix of experienced and new councillors, was elected in October last year and it comprises a total of 11 councillors that were elected from four wards and a mayor and deputy mayor elected by and from amongst the councillors. The electoral structure was recommended by a 100-member Geelong citizens jury, a groundbreaking initiative —

Mr MORRIS — With respect, time is short. I am aware of all of that as well, as I am sure all members around the table are. I asked you why you had decided that Geelong was an exceptional case when there were no demonstrated problems. It was a freshly elected council, and you chose to put monitors in, at no doubt some expense to the ratepayers there as well, given that there was no evidence that there was any problem at all.

Ms WARD — The minister is talking you through that, Mr Morris.

Ms KAIROUZ — The two municipal monitors that I have mentioned have been appointed to assist the council in its transition from appointed administrators to elected representatives and to monitor the —

Mr MORRIS — Why would this council need assistance?

Ms KAIROUZ — They needed monitoring to continue to monitor the continued implementation of the Geelong commission of inquiry recommendations and to support the council to embed good governance practices across the organisation.

Mr MORRIS — Why would you not trust the councillors to do that and then step in if there was a failure?

Ms KAIROUZ — The monitors are reporting back to me on the council's progress to address the recommendations from the commission of inquiry and of governance on the council.

Mr MORRIS — At the expense of the people of Geelong.

Ms KAIROUZ — What was that?

Mr MORRIS — At the expense of the people of Geelong. They are there to look over the shoulders of the elected representatives.

Ms WARD — The people of Geelong also deserve to be well governed, Mr Morris.

Mr MORRIS — They are there to look over the shoulders of the elected representatives. It is a situation that has not existed anywhere else in the history of the state, as far as I am aware.

Ms KAIROUZ — The people of Geelong well and truly know about these two monitors.

Mr MORRIS — They certainly do, and they do not like them.

Ms KAIROUZ — I have not had any indication from the people of Geelong that they do not want those monitors there.

Mr MORRIS — Clearly we are getting feedback from different people.

Ms KAIROUZ — The monitors are doing their job and reporting back to me, and I am pleased to hear that the council is travelling very well.

The CHAIR — Order! Ms Pennicuik until 12.10 p.m.

Ms PENNICUIK — Thank you, Chair. If I could move to a slightly different issue. Budget paper 3, page 59, this is with regard to 'Preparing the Barwon region for climate change and improving access to public land', \$4.8 million. The budget papers also note that the department delivers programs to help local councils mitigate risks and adapt to climate change and has also instructed local governments on their key role in dealing with climate change, particularly with regard to the effects of climate change on local infrastructure and changes to flora and fauna and how these effects will be felt across the state. I am wondering why there has not been any additional funding provided to other local governments to deal with this issue.

Ms KAIROUZ — Thank you very much for your question, Ms Pennicuik. First, in relation to your question, it all falls under the responsibility of the minister for environment.

Ms PENNICUIK — Yes, but it affects local government.

Ms KAIROUZ — However, I am pleased to report that \$2.7 million in the Collaborative Councils sustainability fund partnership program supports local governments to reduce costs and improve services to their communities. This program builds on past successes in collaborative procurement through grants from the sustainability fund and support from my department. Groups of councils are trialling increased joint procurement and shared service delivery. They are also trialling investment in more socially, financially and environmentally sustainable technologies, reducing waste and supporting innovation in recycling and energy use. The 21 projects have so far received a total of \$1.22 million to funding initiatives, such as sharing waste management infrastructure, energy reduction via better —

Ms PENNICUIK — Sorry, Minister, I am having a lot of trouble hearing you. It could be because of the noise.

Ms KAIROUZ — That is okay; it is a bit difficult in here. So what I was saying was that 21 projects have so far received a total of \$1.22 million to funding initiatives such as sharing waste management infrastructure, energy reduction via better council fleet management and the conversion of organic waste to energy. The results of the program are evaluated and are shared across the local government sector, supporting the broader adoption of collaborative business practices by councils to reduce costs and improve services, and the program will allocate the remaining funding in 2018–19.

Ms PENNICUIK — Thank you, Minister. I appreciate all of that. I am talking more about the document that the department has issued to local government about how local government has to look at location and construction of infrastructure, looking at things such as changes to climate affecting local flora and fauna and the planting of appropriate vegetation et cetera, and whether the department is assisting councils in working these things out, because they affect local government but also affect the state.

Ms KAIROUZ — Dr Emonson, if you could answer.

Dr EMONSON — Thank you, Minister. Thank you for the question. The work to which you refer is obviously within the DELWP portfolio, sitting within the climate change team. Local Government Victoria's involvement with councils in climate change really is related quite specifically to the funding program that Minister Kairouz has just referred to — the collaborative councils. We do support, obviously, the climate change division of DELWP in working with councils, but the matter really does sit with the climate change division, and Local Government's Victoria involvement, Minister, is very limited and is restricted to supporting the climate change team.

Ms PENNICUIK — Thank you for that answer, but as I have said many times at these estimates, there are very arbitrary lines often drawn between a department's responsibility for one thing and another department's responsibility. It is all under DELWP, which is local government and environment, and they do intersect. So it can be quite frustrating, I think, for members of the committee and members of the public to be limited by those lines of demarcation.

The CHAIR — Order! I would like to thank the witnesses for their attendance: the Minister for Local Government, Mr Garwood, Dr Emonson and Mr Hinckson. The committee will follow up on any questions taken on notice in writing. All written responses should be provided within 10 business days of that request.

Committee adjourned.