

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2016–17

Melbourne — 18 May 2016

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Witnesses

Ms Natalie Hutchins, Minister for Local Government, and

Dr Graeme Emonson, Executive Director, Local Government Victoria, 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 2016–17 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Local Government, the Honourable Natalie Hutchins, MP, and Dr Graeme Emonson, Executive Director, Local Government Victoria, Department of Environment, Land, Water and Planning.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege. Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Questions from the committee will be asked on a group basis, meaning that specific time has been allocated to members of the government, opposition and crossbench to ask a series of questions in a set amount of time before moving on to the next group. I will advise witnesses who will be asking questions at each segment.

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

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings. 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 HUTCHINS — If I could go straight into the local government reform agenda and what the key platforms are for that: improving integrity and good governance, improving capacity and performance, and delivering for communities. The next slide demonstrates a reform agenda and a statement that I tabled in the Parliament, which most members would be familiar with, which actually goes to the detail of each one of those platforms. That is there as a reference point.

If I could go to the challenges that we are facing in local government, in particular in the stream of integrity and good governance, we are really dealing with an outdated Local Government Act; it is over 25 years old. We have councillor conduct and governance issues, unfortunately, across the state. We have diversity issues in regard to councillors and senior staff, particularly under-representation of women in those areas. We have the need for electoral reform and preparation for this year's council elections and a need for a more meaningful and transparent decision-making process within councils.

In the second tier of building capacity and performance, our challenges go to the heart of the cost-of-living pressures that many ratepayers are facing as a result of local council rates, council capacity to respond to emergency events — whilst I do note there have been some fantastic efforts by some councils across the state, there is still a lot more work to be done — and cuts to the commonwealth financial assistance grants that are having an effect on budgets. There are also the financial sustainability issues around small rural councils, which are a major challenge. Finally, on the delivering for communities platform, the biggest challenge there is responding to the needs of growing communities.

In addressing these challenges, in the area of integrity and good governance we are committed to reviewing the Local Government Act, which is well underway, and a public consultation process with that. We have already passed some amendments through the house on local government improved governance, and there may be more work to do with that through the review of the act. There is the commission of inquiry into the City of Greater Geelong that has also recently occurred.

In terms of building capacity and performance, we were very pleased last year to launch the Know Your Council website and to also mandate a reporting framework for local councils. We have also committed to the

Victorian state-local government agreement. We have strengthened the roles in emergency services and some of the structures across government. We have delivered sustainability business capacity programs and of course formed regional partnerships, which will give a lot more buy-in by local councils in the regional areas.

Finally, in delivering for communities we have established and have underway in its first year of operation the Fair Go rates system, and we have the second year of operation of the Growing Suburbs Fund. In particular the Growing Suburbs Fund provides a further \$50 million in this budget, building upon the commitment of \$50 million in the last budget to target growing suburbs and to really deliver in time family and community facilities in our growing suburbs and really have the opportunity to unlock, dollar for dollar, additional investment contributions to those projects, adding to job creation in local areas.

In terms of the details of our budget initiatives, there is the \$22.4 million over the next four years committed to continuing our support for Victoria's public libraries, in particular 18 million over four years to build new libraries and refurbish and modernise existing libraries, which is known as the Living Libraries Infrastructure Fund, and also 4.4 million to fund the Premier's reading challenge, which is a book fund to service libraries.

There is also the local government support team, which we are referring to as the FAST team, which will actually deliver assistance to our rural councils that need the assistance of qualified and experienced financial and accounting professionals in place when they need it and really respond to the skills gap that has been building in that area.

Finally, just to touch on the Local Government Act review, in 2015 we released a discussion paper, background papers and had a range of forums across the state. We are currently in the process of formulating and releasing a directions paper, which will undertake more consultation, with the aim of next year, 2017, having legislation and an exposure draft bill to bring to Parliament.

That is an overview of local government, and I am happy to take questions.

Ms WARD — Thank you, Minister, and welcome. What I want to ask you about is something that is incredibly important to my community, which is the Interface Growth Fund. We have rapid development happening in the north-east of Melbourne, including on the fringes of my community as well as in the seat of Yan Yean. Last year the government allocated \$3.8 million to the Eltham Leisure Centre YMCA and \$2.5 million to the Eltham Community and Reception Centre, which I know were not only significant investments but also received incredibly well. You talked in your presentation on page 6 about the interface fund. Can you explain why that fund is needed?

Ms HUTCHINS — Yes. Thanks for the question. Certainly there has been a build-up of need as our growing suburbs continue to expand. There is absolutely no doubt about that. Unfortunately there was a real lull in the commitment by the previous government in this area, despite the fact that there were two reports produced by parliamentary committees: one, an inquiry into growing the suburbs — infrastructure and business development; and the second one, an inquiry into livability options of the outer suburbs. Both of those were tabled in 2012–13 and really went to the core of the fact that there are real gaps around the timeliness of the delivery of infrastructure in our growing suburbs, and in particular community centres, park spaces. Unfortunately we have seen many, many estates in our growing suburbs open their doors without the community facilities that are needed to break down issues of isolation and to promote wellbeing in the local communities. That is what this Growing Suburbs Fund goes to the heart of — actually delivering in a timely manner and working with our interface councils to provide them with the support they need to service their local growing families, growing communities and really accelerate the delivery of critical and timely —

Ms WARD — In your presentation you talk about a further \$50 million investment in the interface fund. This is the second time that it has been funded. As I said, \$6.3 million was invested in my community last year. Why is there an ongoing need to continue to fund these projects and to continue to fund the interface fund?

Ms HUTCHINS — So far we have already funded 34 projects, but I can tell you now with the need and the applications from those 10 councils, there was one council in particular that could have spent, with the amount of projects they put forward, the entire 50 million in their municipality. There is an absolute need, and really what these partnerships deliver in these projects is looking at joint funding arrangements either with the commonwealth, the state government or the local governments, or in fact third parties. The Brotherhood of St Laurence has recently partnered on a hub in Epping to deliver community services there. But I know that the

people of Eltham, particularly with the upgrade of the aquatics centre pool, there was quite a large community group that was involved in that process, and that is part of the criteria for selecting these sorts of projects to ensure that there are partnerships as well.

Ms WARD — To have as big a catchment as possible?

Ms HUTCHINS — Absolutely, the biggest catchment as possible. And we look at what the timeliness of the project is, what the need of the community is, what partnerships are forming through this investment and also the dollar for dollar commitments that have been made.

Ms WARD — Are you still wanting future projects in this round to be shovel ready?

Ms HUTCHINS — Absolutely. We are looking for shovel-ready projects. There is no doubt about that. But believe me, with the amount of growth that is going on — of course our outer suburbs are experiencing growth at double the rate of the average here in Victoria — those projects are absolutely endless in terms of being brought forward by local councils.

Ms WARD — Are you wanting them to be shovel ready? Eltham is closing their pool at the end of June in order to start their project. Have you got other projects, though, that have commenced, that are underway?

Ms HUTCHINS — We certainly have. I was really happy just last week to actually attend the first project to be completed, which was the Epping community services hub in Whittlesea, which is the one that is partnered with Whittlesea council and the Brotherhood of St Laurence —

Ms WARD — That is very quick.

Ms HUTCHINS — and 16 other service delivery partners to bring all of those services into one community hub to deliver for that growing suburb.

Mr DIMOPOULOS — Minister, good morning. It is nice to see you and Dr Emonson. Just in relation to your presentation and Know Your Council, I have gone through that system and I think it is excellent. I just want to get a sense from you as to how it has improved the accountability of councils but also any feedback you may have received in your travels from members of the public or other interested parties in relation to that system.

Ms HUTCHINS — Yes. Thanks for your question. I think the Know Your Council website is one of the most useful and well-needed tools that has been produced for the entire sector to use. I have been extremely pleased with the take-up of usage of that. To date we have had 23 000 users of that site and we have had over 180 000 page views of that site. What the system does is bring together for the first time ever in Victoria's history some benchmarks of service delivery across all of the councils in this state, so that people can see how their council is performing and compare it to a like council. We have built in the capacity with that the ability to look at similar councils to the one that you live in so that you are comparing oranges and oranges not oranges and apples, and so that you can get a fair and reasonable insight —

Mr MORRIS — Exactly the way it was designed in the last Parliament.

Ms HUTCHINS — into how the performance of your council and how the reporting of your council is going. With that website I need to acknowledge the fact that my department of local infrastructure, the team there in LGV, were successful on the national stage just a few weeks ago as finalists and then runners-up in receiving the Australian Government ITC award for that project. So Victoria continues to lead the way in the development of support for the local government sector.

Mr DIMOPOULOS — Thank you, Minister. As Mr Morris said, I think it was started under the previous government, but, as with many things, they never finished them so we did.

I just want to get a sense from you in relation to the lead-up to the elections. There will be a whole bunch of information that will be useful to the voting public for the council elections in November. Does the system have to be amended in any way? I cannot remember; does it have councillor names and details on it? Will that have to be altered. I cannot remember if it does, actually.

Ms HUTCHINS — On every page, when you look at it, a council has a link back to that council's website with the details on it. But it has at the core of it 66 indicators so that you can compare services and costs. I think the most important thing about this is that it promotes transparency for ratepayers to be able to have a look at what services their council is delivering in comparison to other councils. It is horses for courses across 79 councils. Some residents have a need for some services and a demand and others for other things. This really spells out both the level of service and also the cost.

Mr DIMOPOULOS — Thank you, Minister. Just taking it to public libraries, again based on your presentation but also BP3, page 70, and I note for the committee that I had the pleasure of your company on Monday at Oakleigh public library where you made a significant announcement of \$22.4 million over four years. I just want to get a sense from you what the context of that is. Sorry, that is an announcement for statewide, not for the Oakleigh library.

Ms HUTCHINS — Yes.

Mr DIMOPOULOS — What is the budget context for the announcement, and how does it compare to the previous year, and what is the aspiration for that to deliver?

Ms HUTCHINS — I think, first up, I would just like to state for the committee that I am proud of our investment in libraries, and I really feel strongly as the Minister for Local Government around the commitment that we continue to support libraries to the fullest. I believe they are an amazing avenue to connect people, be the heart of the community. In fact in the next 12 months we will be looking at ways we can further expand that in connecting with local communities. I know particularly the mobile libraries in rural and regional areas are very good, I guess, connectors for local people.

We have made that commitment of 22.4 million to support the Living Libraries Infrastructure Fund and to support the ongoing commitment to the Premier's Reading Challenge, and that is predominantly to provide books to libraries that match up with that year's challenge so that all children participating can have access to the books that they need to be part of that program.

But just let me emphasise that this is in addition to the government providing 41.5 million annually in recurrent funding to libraries currently. So this is a separate program that has delivered some really good outcomes so far, such as refurbishing libraries, contributing to new builds such the Geelong library and really delivering for local people.

I had the privilege of attending the opening of the Tarneit library, which is now called the Julia Gillard Library. That had only been open a number of weeks — two weeks — and had already had 9527 visitors and 17 000-plus items borrowed in two weeks. So it just shows the demand and the need, particularly in the outer suburbs, for places like libraries.

Mr DIMOPOULOS — I think you said, Minister, when you were at Oakleigh — I cannot remember if it was Geelong — but that there is a library where the entire first floor, or ground floor, is devoted to no books. It is essentially access to electronic information. Is that Geelong?

Ms HUTCHINS — There is a focus on the first floor of that new library on ITC usage. I think there are some kids' books areas there because there is also a cafe at that level, but certainly that is the focus on that level and could be the focus of future libraries to come.

Mr DIMOPOULOS — This fund is open to those kinds of possibilities, then?

Ms HUTCHINS — Absolutely; really exploring how we can better deliver to our local communities through libraries.

Mr DIMOPOULOS — Thank you, Minister, and thank you for coming to Oakleigh. It was fantastic to make that statewide announcement in a library which is 128 years old, I think, from memory.

The CHAIR — Order! The Deputy Chair, until 11.44 a.m.

Mr MORRIS — It might be time for a new one if it is 128 years old!

Good morning, Minister. Good morning, Dr Emonson. If I could ask a question firstly of the executive director. My eyes are not that good; I cannot read the small print. The title I have here is that you are executive director, local infrastructure policy and partnerships, local infrastructure. Does that include responsibility for local government as well?

Dr EMONSON — Yes, it does.

Mr MORRIS — Okay. It is probably the first time in history of the state that we have not had a unit in government that actually has local government in its title. I have it here on screen. With your indulgence, Chair: Graeme, can I just ask you to pass on to the staff concerned with the IT project that has just received the reward, my congratulations too. I had a fair bit to do with that, and I am delighted to see that it has got the respect it deserves.

Minister, budget paper 3, page 209, which is the local government output reference, with regard to the City of Greater Geelong, during the discussions that occurred prior to the final passage of the legislation there were some discussions around the appointment of the permanent commissioners and an agreement, I understand, to consult with the opposition before any appointments were made. I was just wondering when we might see those discussions occur.

Ms HUTCHINS — Sorry. If there — —

Mr MORRIS — I was just wondering when we might see those discussions occur.

Ms HUTCHINS — Yes. Thanks for the question. Obviously Geelong has taken up a big part of my focus over the last few weeks and has been the subject of amendments to that act through the house. Yes, there were discussions around the appointment of administrators, but the government is still in the mode of, I guess, narrowing the field on administrators.

Unfortunately because of the short time frame that was committed in terms of the council being in administration, we want to make sure that we are getting the right people for that time frame to do a pretty tough job of both turning around the governance in the organisation but also being able to be equipped to put a long-term economic plan in place, or to start the ball rolling, to ensure that the council is delivering not only the everyday services but the long-term strategy that is needed. We are still in that process. I am very confident of the interim administrator, Yehudi Blacher, that is in place there now, and he seems to be working extremely well with the senior staff and the current CEO.

Mr MORRIS — So, the time frame?

Ms HUTCHINS — Well, the government is going to consider those options, and at this stage we are narrowing down the field, and I am not going to put time frame on that.

Mr MORRIS — So it could be Christmas time before we get permanent appointments; is that what you are saying?

Ms HUTCHINS — I do not think it is going to be Christmas time. It will be in a very timely manner, but we want to make sure that we get the decisions right in going forward. We owe that to the people of Geelong. They have been through a pretty rough patch with the allegations that have been made and been found to be true through the commission of inquiry.

Mr MORRIS — I think they have been found by the commission of inquiry, but we do not need to rehash that debate. Can I turn to budget paper 3, page 75, and there has been some commentary in the early questions around this on the Interface Growth Fund. Can I ask you about the assessment criteria? Obviously there are lots of applications. Is the assessment criteria published?

Ms HUTCHINS — Yes, it is publicly available, and that assessment criteria was a process that we undertook to consult the CEOs of all the interface councils in putting that criteria together; and yes, it is publicly available.

Mr MORRIS — It is publicly available. Okay. I was going to ask for it on notice, but if it is publicly available, I am sure we can find it. And every application is assessed against those guidelines.

Ms HUTCHINS — That is correct.

Mr MORRIS — Thank you. Can I also just ask you about the concept of an interface council? Because as you know, and if I recall correctly, there is in fact an internal division between the interface councils, so you have got councils like Casey, Hume, Whittlesea, Wyndham and so on that are high-growth municipalities and others like Nillumbik and my own, Mornington Peninsula, that are in an entirely different space. How does that actually work in terms of assessing the applications?

Ms HUTCHINS — I think the important thing to acknowledge is that those two councils in particular — Nillumbik and Mornington — are in the interface and are subject to a whole range of provisions due to the green wedge, and they still need to manage population within that context. So it is a different set of pressures that they face to, say, Melton and Wyndham, which have still got a lot of land to expand. That is the context. I believe that they fit into the fund, and the Interface Growth Fund is about managing that growth and how you do that in your local area.

Mr MORRIS — Is that differential picked up in the assessment guidelines?

Ms HUTCHINS — I am pretty confident that it has been a rigorous evaluation process. I could probably take you to some of the details of the guidelines if you would like me to.

Mr MORRIS — Yes, I would be happy for you to.

Ms HUTCHINS — I guess the key factors — and there is more detail in the criteria, so this is just an overview — are that really any interface council needs to be able to demonstrate an ability to deliver impact on targeted outcomes; recognition of priority in the council's strategic plan, so it cannot be a project that has just been dreamed up outside of what direction the council is going in; demonstrated value; investment from other sources, which is the partnerships that I was talking about earlier; regional benefit, and we included regional benefit because quite often there are key facilities that might expand across the border into the neighbouring council, which has some of the flow-on from that growth, so it could be the use of a community centre or a play space or something like that. That is just an overview of those criteria.

Mr MORRIS — Okay. I am not sure that it picks up the distinctions, but it is certainly an issue to watch.

The other issue I wanted to raise with you in the context of the growth fund is the position of the peri-urban councils, which of course are outside this, but certainly in areas like Golden Plains, Surf Coast, Moorabool and a host of others there are significant population growth pressures, but they are outside the fund. Is it the intention of the government to look at how it might assist those councils?

Ms HUTCHINS — I think, certainly having met with the peri-urban councils a number of times now and in fact visited some of those councils in place, there are different challenges for them to the interface councils, and in particular the growth in population that they have in peak tourist times. They might fluctuate from somewhere around the 8000 mark as a core population — say, for example, around Queenscliff. That region between Queenscliff and the spillover from Geelong in that kind of Bellarine Peninsula area will see a massive population growth over the summer period. They are issues that I think probably warrant attention separate to the Interface Growth Fund because that is dealing with everyday population growth.

On their issues — and I acknowledge their issues — my department will continue to work with them around projects that can support them in those peak period times. I think that is really where the focus needs to be, but also with the department of tourism around those daytrippers who quite often will go to the peri-urban areas and spend money in their local economies. There is more support that we could be working with those councils to give them in the future.

Mr MORRIS — That is an interesting element, and I am pleased to hear it. I did mention Surf Coast, and that is certainly a factor in Surf Coast, but others like Golden Plains and Moorabool, which I also mentioned, are not seasonal. Moorabool is getting the spin-off from the Melton growth, and Golden Plains from the Bannockburn extension. You have not touched on how those municipalities might be assisted.

Ms HUTCHINS — There are already a range of services that Local Government Victoria delivers to all councils — all 79 councils. But certainly I actually would put Moorabool in the opportunities for daytrippers.

They have a fantastic strawberry farm there that I know is well attended by people in my own electorate as a bit of a daytrip down to Bacchus Marsh in particular.

Mr MORRIS — It is certainly in a different class to the — —

Ms HUTCHINS — To the Grampians and so forth?

Mr MORRIS — Yes.

Ms HUTCHINS — Yes. But there are opportunities to build and boost tourism daytrip opportunities in those areas and to support jobs growth, but that is something we will continue to work with those councils on.

Mr MORRIS — I will not go onto the next question, Chair. I think I am about to run out of time.

Ms PENNICUIK — Good morning, Minister, and Dr Emonson. Thank you for attending today. If I could just follow up briefly on the discussion that you have been having on the interface councils — budget paper 3, reference page 70, with the \$50 million allocated just for this year, 2016–17, of course any money to assist councils with infrastructure backlogs that you have mentioned is welcome, but given that there are 10 interface councils, 7 of which are growth councils, if you divide that up in a basic way, that is \$5 million per council, so it is not a lot of money in that context. Firstly, the questions that spring to mind are: are there going to be further allocations in the forward estimates similar to this one, and are councils expected to — I heard the criteria you said before — match dollar for dollar with these projects?

Ms HUTCHINS — Thank you for the question. Certainly you make a very valid point, and that is that 5 million, when you divide 50 million across 10 councils, in the scheme of things with the current growth that we are experiencing, and interface councils are around 17 per cent of all growth in the state — they are under a huge amount of pressure, and this goes some way to alleviating that — but of course a one-off, one-year program really was not going to deliver all of the needs. Particularly through the amount of interest that we got in that process of opening up applications, we really did see the need for at least a second year, which is what we have delivered in this budget. But certainly as Minister for Local Government I will continue to lobby for the continuation of this fund in the years to come and look forward to perhaps having it grow over the next four years.

Ms PENNICUIK — Minister, my other question was about the dollar for dollar; is that an expectation for these projects?

Ms HUTCHINS — No, it is not actually an expectation of the projects that it has to be dollar for dollar. I am extremely mindful of the pressures that councils are already under. But what we do do with our criteria is prioritise where there are partnerships with other organisations — the federal government, local community groups or local service providers — to be involved in that project.

Ms PENNICUIK — That may be good, but it might be unfortunate for some councils who may not have those partnerships readily available. That is more of a comment than a question.

If I could turn briefly to the issue of public libraries — and perhaps other people might want to ask more questions about this; it is a very important issue — on the same page, page 70, I think, is \$5.6 million over the next few years for public libraries. Again that is a very small amount given the demand. I raise in the context of my meetings with local councils in the southern metropolitan area, but I am sure it applies to councils everywhere where this particular issue of the funding of libraries is raised, that Victoria funds public libraries to the least amount of any state government, and local governments in some cases are picking up 80 per cent of the cost of libraries, where in the past it was more of a 50-50 split, and I know many councils are calling for a return to that. Given the constraints of rate capping that are coming down the line, I am interested in your comments with regard to how libraries can continue to be supported.

Ms HUTCHINS — Thank you for your question. I take the opportunity to really appreciate the fact that you are putting libraries on the agenda here, because they are such an important part of our community. That 22.4 million commitment over the next four years in this year's budget does build upon a commitment already made in the last budget of 41.5 million. I acknowledge the fact that these commitments are not 50-50 in some councils in the delivery of the cost of libraries, but I think there is definitely a community expectation as ratepayers that their rates go towards the provision of libraries in their local area.

I just want to take the opportunity to acknowledge that libraries have really shifted over the years and are delivering services way beyond just borrowing books. It is the access to IT in particular for families and students in rural areas, it is the clubs that are now forming around libraries — everything from Lego clubs to chess clubs and so forth — and of course the extremely important part of story time for little ones and also the access to daily newspapers in particular for those that may not be able to afford their daily newspapers, to come into their library.

So we will continue to invest in libraries. I think our commitments are good, but yes, they could improve into the future, and I look forward to the opportunity of continuing to get funds for our libraries and support their growth.

Ms PENNICUIK — Thank you, Minister. I am very pleased to hear that you will continue to do that. I do take up your comment that people expect the state government to fund libraries too.

The CHAIR — Ms Shing until 12.00 p.m.

Ms SHING — Thank you, Minister, and thanks, Dr Emonson for your presentation and for answering questions before the committee already.

Minister, I would like to take you back to the Know Your Council website, which Mr Dimopoulos referred to in the context of some of his questions, and to the local government reform agenda, which indicates that — as part of the ministerial statement on local government — integrity and good governance as well as delivering for communities are particular priorities.

You have indicated that this provides a capacity to assess apples with apples as against apples with oranges in terms of the way in which councils compare across the board. How does that help in terms of delivering messages and assisting with ratepayers' and residents' understanding of what council services are provided? By reference to that, I would take you to budget paper 3, page 363, appendix B, which is 'Local government financial relations'. From there, we will go on to the Fair Go rates issue.

Ms HUTCHINS — Thanks. I think that the website really allows individual ratepayers to assess the performance on not just service delivery but also infrastructure investment in their area. That includes everything from investment into roads, into new facilities such as aquatic centres or community centres, animal management, waste — those sorts of things — and statutory planning. Quite often there are throwaway comments made by ratepayers around, 'Oh, the planning takes too long in my area', but in fact when they do a comparison of like areas, particularly in growth areas, they may actually be surprised at how quick their council services are. I know there was some anxiety across the sector initially about this — having benchmarks in place and particularly available in the public domain on a daily basis — but really I think it has served, since its launch, to actually promote the good work that local councils do.

Ms SHING — So it sounds to me that local councils are using it not just in terms of assisting ratepayers with an understanding of how their council compares but also within or between councils across similar municipalities.

Ms HUTCHINS — Yes, and it is generating, I guess, targets for better performance in some councils and certainly giving acknowledgement to other councils who are leading the pack in particular areas, whether that be the cost of governance or how their council is delivering, say, animal management services to their community.

Ms SHING — Sure; and in relation to the way in which transparency operates obviously that website is geared towards perhaps dismantling some of the opacity that has existed previously around local government authorities and areas perhaps operating in siloed environments where it has been difficult to, again, conduct that comparison exercise. One of the things in the reform agenda is about integrity and good governance. I take you to appendix B and steps that have been taken in the last year to provide more transparent rate notices to ratepayers as part of that better information and better availability of accurate information. How is the sector engaged and how are advocacy groups and ratepayers engaged to make sure there is a system in place to actually address concerns that had previously existed around rate notices?

Ms HUTCHINS — Yes, thanks. This really goes to the heart of our election commitment around transparency, accountability and certainly linking rates to a CPI increase and giving some certainty to ratepayers around how their rate notices will look when they arrives in their letterboxes.

The Fair Go rates system is in its first year of operation. We went through a very rigorous process last year to ensure that we were consulting with the sector, consulting with the stakeholders and consulting with ratepayers. We did not do that alone. We engaged the Essential Services Commission's services to really be involved in that inquiry. I also formed a Fair Go Rates Reference Group. That included representatives from the MAV, the VLGA, LGPro, Ratepayers Victoria, Rural Councils Victoria, Regional Cities Victoria, interface groups, metropolitan councils, the Australian Services Union, the Australian Nursing & Midwifery Federation and, of course, the Victorian Farmers Federation — lots of diverse views around that table. I can tell you that none of those meetings were silent, everyone had an opinion and it really bore out all of the issues involved in this, but ultimately — —

Ms SHING — How many meetings roughly were held in relation to that particular task force, Minister?

Ms HUTCHINS — Ones that I was in attendance at were three. There were probably five meetings in total, if not more, and there were also working groups that separated off from there to work on some of the issues.

Ms SHING — And if people needed to express or ventilate views in relation to the way in which the Fair Go rate capping policy and legislation would operate, they had access to that working group, the task force or, indeed, to you as the minister?

Ms HUTCHINS — Yes, and also the open process that was run by the Essential Services Commission. They did a range of regional meetings. They had written submissions and a very long process and one-on-one meetings with stakeholders in their offices, so it was a rigorous process.

Ms SHING — Is that continuing in relation to the way in which the variation process is being implemented as far as those local government authorities that have sought variations or made applications are concerned?

Ms HUTCHINS — Yes, I think one important part of the system that we have delivered with Fair Go rates is to make sure that we have got a balanced component in there, and that is to ensure that councils continue to be able to raise the revenue that they need to deliver the services, whilst at the same time trying to balance out the concerns of ratepayers around the cost of living in relation to how much their local council rates have been going up. For the last 15 years that has averaged out around 6 per cent mark of increases.

So what this new Fair Go rates system does is peg it back to a CPI increase of 2.5 per cent. We have seen 70 out of 79 councils fall into line with that cap and they are in the process now of consulting communities around their budgets out in the community. We have seen nine councils apply through the Essential Services Commission to be able to deliver a higher cap to their communities. Certainly there are criteria that the Essential Services Commission will be judging those applications against and then making their decisions quite public at the end of the day. But in terms of a criteria, they will be looking at where the council's current funding is at. Have they expended all options rather than a higher rate cap? Have they consulted with their communities in what it is they want to provide in terms of infrastructure and services? So there are a range of things that the Essential Services Commission will be making judgements on in terms of those higher caps.

Ms WARD — Minister, just quickly, can I ask you to have a look at budget paper 3, page 365. There is a table there, B.1, headed 'Grants and transfers to local government'. At the bottom of the table there is a figure of 873 million, and then you have got the revised 2015–16 figure of 670 million. Can you explain to me that discrepancy? Is that a funding cut by the federal government? Is there something else that is going on here, because we again see that the figures then goes out to 898 million in the 16–17 budget?

Ms HUTCHINS — Yes. Thank you for the question. Certainly there are some complexities going on in terms of the transfer of grants from the federal government through to local government. Just to set the scene, Victoria is the vessel that takes that money from the federal government — —

Ms WARD — Sorry, so it goes to the government and then out to local government?

Ms HUTCHINS — Yes, and we have an independent committee that does the allocations for that. Unfortunately we have seen that there has been a freeze on the indexation of that money from the federal

government. We also, quite frankly, towards the end of the last financial year saw — I guess the simple way of putting it is — some shenanigans going on where the federal government forward paid some of the money before the end of the last financial year into an account, which made it look like there was a boost to funding when in fact there was not. But certainly what we have seen is a real drop in income from the federal government to local government — —

Ms WARD — So how much are councils actually losing out on?

Ms HUTCHINS — Really over the next four years there will be a loss of around \$200 million that will flow onto councils.

Ms WARD — So 200 million over the next four years?

Ms HUTCHINS — Yes.

Mr DIMOPOULOS — Just in Victoria?

Ms HUTCHINS — Just in Victoria, and unfortunately individual councils such as Greater Bendigo City Council, which is one of the largest, will lose more than 4.1 million over the next four years. Casey will lose 5.9 because the federal government has cost shifted onto ratepayers — —

Ms WARD — Sorry, how much was that for Casey?

Ms HUTCHINS — It is 5.9 million worse off, because they have not properly indexed those funds that go to local councils to deliver services in the local area.

Ms WARD — How are local councils managing this shortfall?

Ms HUTCHINS — They are very concerned about it. They raise it at almost every single meeting that I attend.

The CHAIR — Order! The Deputy Chair, until 12.10 p.m.

Mr MORRIS — I am tempted to engage on that last question, but I will resist the temptation at this stage. I refer to budget paper 3, page 209. Just briefly, Minister, if I could go back to the issue of the peri-urban councils, there was a submission from the peri-urban councils with regard to Plan Melbourne. I was just wondering, in the context of your portfolio, have you advocated for the group to be included in Plan Melbourne?

Ms HUTCHINS — I think that is probably question better delivered to the Minister for Planning in terms of the ministerial — —

Mr MORRIS — The question was around your advocacy. Clearly it is the Minister for Planning's initiative, but the question related to your advocacy on behalf of the peri-urban councils.

Ms HUTCHINS — I have certainly advocated many times around the cabinet table on behalf of all councils of Victoria. Peri-urban has come up a number of times, but in specific submissions to Plan Melbourne that actually sits with the planning minister.

Mr MORRIS — You have not advocated their inclusion on their behalf?

Ms HUTCHINS — It is not for me to be making decisions on behalf of the planning minister about who is engaged through the Plan Melbourne process, but certainly I have met with them, I have heard their issues and I continue to advocate on their behalf.

Mr MORRIS — Thank you.

Mr T. SMITH — Once again, Minister, I refer to the rate capping policy of your government.

Ms Ward interjected.

The CHAIR — Order! Ms Ward!

Mr T. SMITH — Will you routinely in future years release the ESC advice, your decisions on rate capping and the reasons for these in a timely way concurrent with the release of the rate capping figure you have decided upon, usually in December?

Ms HUTCHINS — Thanks for the question. There are a couple of questions in there. I will try to unpick it. In terms of the Essential Services Commission making their decisions on who gets a higher cap on rates and who does not, those decisions will be made public upon their time frames. They have also indicated during the consultation process and certainly in the final stages of formulating the Fair Go rates system that they were not interested in going down the track of deciding the merits of what should and should not be included in a cap in terms of service delivery or infrastructure delivery. So they are not making individual judgements about the components of which those councils are making application. Their criteria is fundamentally about: is there community support, and is that demonstrated; and has the council utilised all of its resources within its budget to be able to provide those services? Certainly they are some of the key areas they will making their decisions based on, but that decision-making rests with the Essential Services Commission. In terms of setting the rate cap at 2.5, our commitment is to link that to the forward estimates as released in the December period by Treasury as to what that forward CPI is predicted to be at, and then to lock it into that.

Mr MORRIS — If I could just clarify, Chair, the minister said the advice would be received on their time frame. Firstly, was that the preliminary advice? And are you are talking about the Essential Services Commission's time frame?

Ms HUTCHINS — The Essential Services Commission expects that each application is going to be assessed over a two-month period. So the cut-off date for applications for a high cap is 31 March; the decision-making date is 31 May of each financial year. And look, this is the first year of it operating. If it needs to be sped up in a more timely manner or in fact more time given, they are the things we can consider in years to come as this program really finds its feet over the next two years.

Mr MORRIS — So all ESC advice will be released — the preliminary advice, I mean.

Ms HUTCHINS — I am not going to talk on behalf of the details of what the Essential Services Commission will or will not release. It is probably a more suitable question for the finance minister.

Mr MORRIS — No, I mean advice to you.

Ms HUTCHINS — Advice to me? They are the decision-makers in this area. That is the way the legislation has been established and written.

Mr T. SMITH — Yes, that is precisely our point. That is why we want to know what advice they are giving to you on the decision they have made so we can get an understanding about how they go through their processes.

Ms SHING — That is all pretty clear. It is all publicly available.

Ms HUTCHINS — It will be publicly released.

Mr MORRIS — Thank you.

Ms HUTCHINS — Their decisions will be publicly released.

Mr T. SMITH — With regard to councils who decide not to elect to apply for a higher rate, are you aware of councils who are going to be increasing their levels of debt and borrowings to fund their various programs that they now cannot fund because of this rate capping?

Mr DIMOPOULOS — That you supported.

The CHAIR — Order! Mr Dimopoulos!

Mr T. SMITH — That is a question. Do not presuppose any — —

Mr DIMOPOULOS — I am not presupposing anything.

Mr T. SMITH — Well, you do all the time.

The CHAIR — Order!

Ms HUTCHINS — I think when it comes to council expenditure and budgets that we cannot underestimate the need for transparency in decision-making. I think that has got to be the lens in which we look at it. Of course there is a pretty rigorous process already underway across the 79 councils of putting budgets out for open public consultation. That is something they are required to do under the act. That is the process that we are in right now. Those councils are out there, usually with ads in the paper. Even some councils are going as far as outbound emails and using social media to actually advertise that their draft budget is out for review and they are welcoming feedback. I think that is a fantastic thing. We have ensured that those priorities of councils continue to be decisions made by councils. That is not something that the state government has tried in any way, shape or form to take away from councils. Their priorities on the services and infrastructure that they deliver will be reflected in their budgets. If they choose to go down the track of engaging in different methods of financing that, then that is a decision that rests with the elected councillors, the mayor and the CEO.

Mr T. SMITH — Let us say hypothetically that council X does incur significant debt to fund their programs, what are you going to do about that which will potentially run the risk of the council having an unsustainable debt ratio? What role is there for you in this if your policies again have that effect on our councils?

Ms Shing interjected.

Mr T. SMITH — Seriously, this is an important question. There is an unintended consequence here, which I do not think the minister has considered. So what are you going to do about it?

Ms HUTCHINS — Right. I can say that in putting together the Fair Go rates system all avenues were considered. It was a very long process and a very rigorous consultation reform that we undertook, but I think it is really important to acknowledge the work of the Auditor-General in this space. When they produced their annual report on local government financial risk assessment — and certainly in the November report of 2015, so just last year — there was an observation that the overall sector's performance was positive and that the sector as a whole generated a net surplus of \$1.5 billion, with a low financial sustainability risk for the sector generally.

So we are talking about a sector that is in a pretty good financial situation. I do acknowledge that there are some small rural councils in particular that have long-term sustainability problems, and we are making investments to work with them on how we can provide more support and better services for them, and particularly shared service arrangements between those regional councils.

Mr T. SMITH — But, Minister, between the 14–15 budget and your budget you have cut 14 million from grants to local government.

Ms HUTCHINS — I dispute that allegation. In fact funding has increased in the last financial year. Perhaps you would want to — —

The CHAIR — Is there a budget paper reference, Mr Smith?

Ms SHING — No, he has just plucked it out of the air.

Mr D. O'BRIEN — No, BP3, page 365, and if you look at last year's budget papers, the same table — —

Ms SHING — It is good to see the assistance Mr Smith is getting.

Mr T. SMITH — In 14–15, 912 336.

Mr D. O'BRIEN — It was the revised figure for 14–15. So a \$14 million cut.

Mr MORRIS — Could I ask the question another way, Chair?

The CHAIR — Please.

Mr MORRIS — Is it fair to councils when state government taxes, including land tax, are up by 20.7 per cent in two years, land tax is up 28 per cent this year, and you are applying rules to limit them to 2.5 per cent when you have got those monster increases yourself.

Ms HUTCHINS — I am not sure, Chair, which question you want answered first — that one or that one?

The CHAIR — Perhaps the Deputy Chair's in the first instance.

Ms HUTCHINS — Could I ask you to repeat the question.

Mr MORRIS — I am asking you is it reasonable, when you have got increases in land taxes and other duties of 20.7 per cent in two years — land tax alone up 28 per cent this year — you are not applying the same standards to councils? I am just wondering is that a fair approach?

Ms HUTCHINS — I think the Fair Go rates system actually does deliver a fair approach, because it gives some certainty to ratepayers as to what is probably the second biggest financial commitment that comes through their letterbox, which is a rates notice. It gives them some certainty that that is linked to a CPI increase, rather than random increases year upon year.

Ms SHING — That is why the coalition voted for it.

Mr D. O'BRIEN — Are state government taxes going to be linked to CPI?

Ms SHING — It is why you voted for it.

Mr MORRIS — Twenty-eight per cent for the state, 2.5 per cent for local government, and that is reasonable?

Members interjecting.

Ms HUTCHINS — Perhaps in follow-up to that, Chair, I could talk about the real investment that we have made in the local government sector, which is the \$50 million for the infrastructure fund — —

Mr D. O'BRIEN — You cut it by \$14 million.

Mr T. SMITH — You have cut it by 14 million, Minister. You have cut it by 14 million — just admit it.

Ms HUTCHINS — And the 22.4 over four years for Living Libraries and 3.2 million for supporting rural councils.

Members interjecting.

The CHAIR — Order! Dr Carling-Jenkins, until 12.16 p.m.

Dr CARLING-JENKINS — Welcome, Minister; it is almost done.

Ms SHING — It is like going to the dentist.

Dr CARLING-JENKINS — It is a little bit, isn't it? I am sure the minister is enjoying herself. I only have a few minutes, so I have a couple of follow-up questions to questions that have already been raised. The first one is around libraries, so that is of course budget paper 3, pages 70 and 75, and you also covered this in your presentation on page 7. I would particularly like to ask about the technological transition that we are going through and that you are aware of. Part of this is where there are a number of books now being published only online or as e-books, and they are particularly accessible for people with disabilities or differing abilities. I wonder if you could just speak briefly about how the investment that you are making, which you have described as sustainability of local libraries, is taking into account this technological transition, and perhaps what work is going into the consideration of how to integrate e-books into library borrowing services?

Ms HUTCHINS — Yes, thank you. That is a fantastic question. It is definitely a growth sector and I did see that take-up hugely when I was at the Tarneit library, where they had available some readers that people could utilise inside the library and then download what they wanted under an account. I think that could possibly be the way of the future. Of course not everyone has the availability of readers — some people do — or devices for reading, but certainly our funding commitments to libraries are not just hamstrung to physical books. There is the capacity of libraries, particularly the library networks, to make decisions about that investment and it is certainly not just tied to books.

Dr CARLING-JENKINS — Thank you very much for that, Minister. I really appreciate that. Just a quick follow-up question around the Interface Growth Fund, which has been covered a couple of times as well in budget paper 3, page 75 and also page 6 of your presentation. This is a follow on from questions earlier. Ms Ward asked questions and Ms Pennicuik also made a good point around the average funding per council. You have already covered the intent of this fund, but I just wonder in light of the fact that this is going to become increasingly important because federal funding is also being cut — not just rate capping but federal funding has been cut a lot to local councils — I anticipate that the competition for these funds will be really fierce. Could you speak briefly to the point around the transparency and accountability of how the funds will be distributed and that submission process for councils?

Ms HUTCHINS — Yes, thank you. Just to paint the picture of how fierce the competition is in regards to the 10 interface councils, certainly the application process last year saw 86 applicants spread across the 10 interface councils over two funding rounds, and that saw a commitment of \$115 million worth of funding for these projects, which — —

Dr CARLING-JENKINS — And you had less than half available. It is a challenge.

Ms HUTCHINS — That would have generated a combined value of \$249 million. So that was the partnerships option that came with it and the commitments from the local councils themselves on that. With the money that was available we delivered or committed to 34 projects — many are underway at the moment — which have approved funding of \$47.9 million, and they are leveraging \$118 million worth of investment and hundreds of jobs not only in the construction phase but also ongoing jobs for the sectors that are in particular being built.

Dr CARLING-JENKINS — Thank you very much, Minister.

The CHAIR — I would like to thank the witnesses for their attendance: the Minister for Local Government, the Honourable Natalie Hutchins; and Dr Emonson. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 14 calendar days of that request.

Witnesses withdrew.