

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into rate capping policy

Inquiry into fire season preparedness

Bairnsdale — 27 September 2016

Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Khalil Eideh

Ms Melina Bath

Mr Cesar Melhem

Mr Richard Dalla-Riva

Mr Daniel Young

Participating Members

Mr Greg Barber

Mr James Purcell

Mr Jeff Bourman

Mr Simon Ramsay

Ms Colleen Hartland

Staff

Secretary: Mr Michael Baker

Witnesses

Mr Gary Gaffney (affirmed), CEO, and

Mr Shane Turner (affirmed), emergency coordinator, East Gippsland Shire Council.

The CHAIR — I declare open this hearing of the Standing Committee on the Environment and Planning inquiry into the impact of rate capping on local councils. Welcome, Gary Gaffney, the CEO of East Gippsland shire. Before I begin I should just put on record our thanks to East Gippsland shire for their hospitality today and for providing this great facility. We look forward to the day's hearing. I will ask the secretariat to swear you in, Gary, and then we will follow with some questions after a short presentation.

Mr GAFFNEY — Certainly.

The CHAIR — Gary, you might want to lead off with a short introduction about the impact of rate capping with respect to East Gippsland shire. We will deal with the rate capping now, but part way through we will break and then deal with the fire preparedness with some additional people.

Mr GAFFNEY — Thank you, Chair. The East Gippsland Shire Council thanks you for the opportunity to make a submission in relation to the outcome of the state government's policy of local government rate capping on councils' viability, service impacts on local communities and the impacts and provisions of the local infrastructure. Whilst the framework for rate capping is yet to be finalised, council has, however, undertaken preliminary assessment of the potential impacts its introduction may have on council as follows.

Firstly, in terms of quantifying the impact of rate capping on East Gippsland Shire Council, it is more about the loss of control over determining the level of rating required to deliver services expected by the community. Council's forward 10-year financial plan includes modest rate increases into the future. Whilst rate capping may impact on those proposed rate increases, the overall financial impact is expected to be able to be absorbed without impacting on current service levels.

Council will continue to strive for further efficiency in operation and therefore ensure that rate capping will not impact on the services being delivered to the community. Council is mindful of other factors outside control of council that may impact financially on council, such as events as called for under the defined benefit superannuation scheme; natural disasters, which are not uncommon in East Gippsland, which require significant cash funding up front by council; and cost shifting from other levels of government for the delivery of a number of services, to name but a few. The importance of having a rate cap variation process that allows for reasonable and sensible consideration for such circumstances will be important to council so that financial sustainability is maintained with certainty into the future.

I would like to point out some key points. Council is required to produce a 10-year financial plan. In our annual budget we must produce a 10-year financial plan. Every year we get a new rate cap. There is no consistency. The cap figure is based on a basketful of groceries. Now, I have 2900 kilometres of road. Of that 2900 kilometres of road — I mean, we can drive from here to Cairns.

The CHAIR — Council roads?

Mr GAFFNEY — They are council roads. Of that, 1100 kilometres is sealed and 1800 kilometres is unsealed.

Ms BATH — Mr Gaffney, how many bridges?

Mr GAFFNEY — Ah! You may ask, over 100 wooden bridges. The rate cap is based on a basketful of groceries, based on a city-based CPI index, where the majority of services may I tell you are based on people, materials and construction. Nearly 30 per cent of our budget is spent on capital works projects. Another 23 per cent of our budget is on what we call asset management — ensuring that our assets comply. So, of our approximately \$100 million budget, 50 per cent is spent all up on items that require fuel, require rock, require bitumen, require building products and require people. That is not a basketful of groceries. The cost of putting a submission in for smaller councils is challenging — and we are lucky; we have been able to look at how we operate, which is far beyond the capabilities of many smaller local governments.

The CHAIR — This is the variation submission?

Mr GAFFNEY — The variation submission. That cost is beyond a lot of smaller councils. We actually have not had a look at it. The second part of this question.

Ms SHING — Did you say you have not had a look at it?

Mr GAFFNEY — Well, we have not had a look at the cost, yes, because we wanted to sit back and see what other councils had to go through and what the success rate was. We chose not to go through it the first time. We believe within three years we will have to go through the process after finding every saving that we can. We are doing the best way possible to comply.

On cost shifting — you have heard it before — there are EPA costs and regulations for landfills. The goalposts keep changing and the levels of requirement keep increasing. We have no control over it. Library is a long-term local government axe that they have been grinding with state government for many years about funding. I notice that the SES has come on, and we fully fund our SESs to our abilities.

Ms SHING — How much do you fund the SES to the tune of?

Mr GAFFNEY — I cannot tell you off the top of my head.

Ms SHING — If you could provide that on notice, that would be great.

Mr GAFFNEY — I will take a note.

Ms SHING — Thank you. The secretariat can follow that up with you.

The CHAIR — And if you could include in that the capital component — any land or building or maintenance that you provide too — that would be very helpful.

Mr GAFFNEY — So capital and operation?

The CHAIR — Yes.

Mr GAFFNEY — Okay. I know that there has been argument over school crossing supervisors. I am the person — I have got school crossing supervisors in numerous areas, and many of them are on highways. No way will we be taking it away. We will keep funding that, but the funding is more to local government than state government, even though it is a requirement of VicRoads, so we understand that.

So going back, we all understand that the tax take is 81 per cent federal, 16 per cent state and 3 per cent to local government. The 3 per cent I put on the ground probably outweighs a fair share of what both state and federal put on the ground, so therefore I think that the rate capping has really impacted on what we do. Just wrapping up, I just had a look at the CPI indices for the June quarter. If you look at electricity, gas and water, it went up by 2 per cent. If you look at fuel, it went up by 5.9 per cent. Some of these things are totally outside of our control.

I suppose the other thing that probably really sticks in the throat of many local governments is the state government does not practise what it preaches. What I mean by that is that is that the fire services levy, the EPA landfill levy and many other costs from state government have gone up significantly past the 2.5 per cent that has been levied on local government. So I think that if we are going to have a fair system everybody should play by the same rules, and we are not playing by the same rules.

Just to wrap up before questions no doubt, based on my experience CEOs do the most presenting, as you would expect. I am happy for you to represent us in this inquiry. I have received a lot of information coming in from different areas of mine. As I said, the only way we touch food is our EHOs when they go out and check it, or if we put on a function. That is where we get a CPI based around food. The rest of it are the 100 different services that I provide to this community, and I am happy to share that with you. Thank you very much for my short presentation. Now I am happy to take questions.

The CHAIR — I thank you for that, Mr Gaffney. If I can just come to roads and bridges: 1100 kilometres of sealed roads, 1900 kilometres of non-sealed roads, 209 bridges. There was in place a country roads and bridges program. That has now been removed.

Mr GAFFNEY — That is correct.

The CHAIR — And the state government, to my knowledge, has provided no direct funding for council roads of any type; is that correct?

Mr GAFFNEY — Not in the country roads and bridges program that was there, so we do not receive that funding anymore; that is correct.

The CHAIR — And the impact of that loss to country roads and bridges over time, what will that mean? Are you able to currently keep up with the maintenance on those country roads, both sealed and unsealed, and the ongoing maintenance load with the bridges?

Mr GAFFNEY — The country roads and bridges worked well in helping this municipality get its asset gap close to reality. We are currently running at about 96 per cent of what we should be doing for asset replacement, which I think is a pretty high number across the state. So our budget is being worked for that. I still have 104 wooden bridges to be replaced; 104 wooden bridges equates to anywhere between \$500 000 to \$1 million, depending on their locality. Many of the localities — I have got a locality of 21 000 square kilometres and are based from everywhere from up in the high country right down to the ocean, so we are a very unique part of Victoria — the best part of Victoria, may I point out. What those 102 bridges equate to — —

Ms SHING — You said 104 before.

Mr GAFFNEY — Sorry, 104. We are fixing five more this year, so that number will come down. But the 104 bridges could be anywhere in Bendoc, could be in Benambra, could be in localities that are very small in population but are very large rural areas.

The CHAIR — And essential for those towns.

Mr GAFFNEY — And essential. It is bringing cattle out of the high country. It is providing access to parks, access to state government assets.

The CHAIR — Tourism.

Mr GAFFNEY — That is it. That is a key dollar for this municipality.

The CHAIR — I have a second question, and that relates to the 10-year financial plan that is in your budget, that you are required to have in your budget.

Mr GAFFNEY — That is correct.

The CHAIR — How can you possibly lay out a 10-year financial plan when you do not know the increments that will be available to the council, annually, ahead? I take it you are just estimating?

Mr GAFFNEY — What we have predicated this 10-year plan on this year was 2.5 per cent, which is what the rate cap is. If the rate cap changes, we have to then redo that 10-year plan, which becomes extra work.

The CHAIR — The CPI is actually near 1 per cent now.

Mr GAFFNEY — Well, that is correct. One of the factors is that I do not believe that a city-based CPI really equates to the cost of delivering services in the country. So if it is 1 per cent, we will have to go back and look at changes, and that is why I am saying we may be able to accommodate it for a couple of years, but then we will have to give serious thought on what services we reduce out of those 100 services, or drop back. It is as simple as that.

Ms SHING — Hi Gary; how are you going?

Mr GAFFNEY — Hi Harriet; nice to see you. Welcome back to East Gippsland.

Ms SHING — It is lovely to be here, as always. I would like to just flesh out a little more what the council's view is on rate capping and on the policy and the legislation that was supported by all members of this committee, save for Ms Dunn, as the Greens member — just to pop that on the record — and ask you about the engagement that you, as council, had with the community around whether or not an exemption should be sought and also what the community's view is, as far as your consultations are concerned, around rate capping.

Mr GAFFNEY — Look, to be honest, this year we did not go out and seek public consultation on rate capping. I think most people think that any cap on local government services is justified not realising the breadth of local government services — was a good thing.

Ms SHING — Cap on services or cap on costs?

Mr GAFFNEY — Sorry?

Ms SHING — You just said you think that people think that any cap on local government services is a good thing.

Mr GAFFNEY — Oh, local government rates.

Ms SHING — Rates, right.

Mr GAFFNEY — Everybody thinks that a cap on rates, without knowledge of services.

Ms SHING — But they still want the services, though, is the evidence we were getting.

Mr GAFFNEY — Yes, but they still want the services. I think people think that we have money trees out the side, but not realising that we have a \$100 million-a-year budget spread over, as I said, 21 000 square kilometres, over 40 communities, and delivering services to that is a cost. Our forward plan went from 3.9 to 3.5 to 3.3 over the next years, so we were actually bringing our costs down, and that was reflecting in what we had predicted in our forward 10-year plans. So we were bringing those costs down.

Ms SHING — Was that through savings and efficiencies? What was the mix of savings and efficiency.

Mr GAFFNEY — Yes, through savings and efficiencies and the change of business and the way we do business, and any CEO should rightly look at how do you make your business more efficient? And that is what I have been doing since I stepped into the chair 18 months ago. In the last two budgets — in that \$100 million budget — I have made a million-dollar saving in the previous financial year and a million-dollar saving in this financial year. And a lot of it is through efficiency, it is through change, it is through the way we do business, and technology will bring those savings. But at some point in time and that point is about three years down the road — we will hit the brick wall where we will have to start reducing services. Now, we worked out that we can — —

Ms SHING — Without an exemption, you are saying?

Mr GAFFNEY — Without an exemption. So if you go down to a 1 per cent rate cap — —

The CHAIR — And that is at a 2.5 per cent increase?

Mr GAFFNEY — At 2.5 per cent. Then you get to a point — and if you have looked at councils that have had no rate rises for about four to five years down the track there is a massive problem, and they have to go and put their rates up to try and recapture. If you looked at the New South Wales model over 20 years, their infrastructure went into the ground through rate capping. So I think we have to be realistic and have a realistic cap. I think there is a difference between a city municipality and a country municipality. I do not pick up a garbage bin every 15 metres. We do not have most of our roads paved. We do not have to service people in Mallacoota 3 hours away. If I lived in Stonington or Yarra or Port Phillip, all those services are pretty well contained. We have to deliver a lot more physical services, not the social but the physical services, to those municipalities.

Ms SHING — Without the density of population.

Mr GAFFNEY — Without the density of population and with things like fuel prices — how you get those materials. They are growing at costs greater than CPI. They are on a different index altogether. My personal belief is that we need a shandied arrangement of construction, CPI. If you want to have a rate cap, have a real rate cap, not just one arbitrarily picked out from a CPI factor. I think there has to be more science behind it than what was put forward.

Ms SHING — Did you have any engagement directly with the Essential Services Commission in relation to the exemption process?

Mr GAFFNEY — Yes, we did.

Ms SHING — And what was that? Also, how were you in a position to make the call around not seeking an exemption? You indicated it was not something that this council explored on the basis of what other rural councils had indicated were indicative costs. If you could just flesh that out a little bit more and give us an understanding of the information that the ESC provided to assist you in coming to that conclusion, along with the way in which MAV and other representative and peak bodies might have assisted or not with information to get this council to that conclusion.

Mr GAFFNEY — Well, first of all, like all councils, I think about 2.9 per cent was the original figure that was quoted. We started predicating all of our 10-year projections. So we came back, looked at a 2.9 per cent rate increase — —

Ms SHING — You said you had been on 3.1. Was that the case?

Mr GAFFNEY — No, we were moving down.

Ms SHING — Trending downwards.

The CHAIR — The ESC original figure was 2.9.

Mr GAFFNEY — 2.9 per cent. We were — —

Ms DUNN — That was the shandied figure, was it not?

Mr GAFFNEY — Yes.

Ms SHING — But in terms of your council plan, I think you said that you were trending downwards.

Mr GAFFNEY — We were trending down. We were looking at about 3.5 in the last financial year. We were getting down to about 3.2, 3.1 this financial year. We were doing the hard work to bring it down to what we thought was a reasonable figure and around 3 to 3.1 per cent was a realistic figure. So when 2.9 was being talked about we said, 'Yep, we can work that'. A rate percentage is around \$400 000 to this municipality. So, 2.9, that is achievable. We did all the 10-year projections out of that. We looked at our budget. We worked out how that would fit in our budget, and we were very comfortable that, yes, 2.9, we were going to get there in one and a half years time. We just had to start looking at some of our forward capital works, some forward projections. We were looking at our reduction in costs on the different things we had gone through. So, yes, we had got to that point.

We then said to the Essential Services Commission, we put up the argument, again through Gippsland and through MAV and LGPro that country municipalities are different from city municipalities. Please, if you are going to have a cap, if you want to make a difference to the city, I am sure the City of Yarra would feel no difference; they could put up their parking fees by 10 cents an hour and cover those costs, whereas we have no such luck.

Ms SHING — A very different story here.

Mr GAFFNEY — Yes. The idea was that there is an additional cost in the country. We need that. If you had had a contra, like something like roads and bridges, that would have been a lot easier.

Ms SHING — Just to take you up on country roads and bridges, you indicated I think 104 bridges that require work throughout the area?

Mr GAFFNEY — Yes.

Ms SHING — Based on country roads and bridges, you indicated that it would cost between \$500 000 and \$1 million to do an individual bridge.

Mr GAFFNEY — That is correct.

Ms SHING — If funding had remained and had not lapsed for country roads and bridges, we would have seen this take between 50 and 100 years for that program to deliver on the improvements that you are talking about.

Mr GAFFNEY — Not all of them, because we also would put in 3 to 4 million a year. This year our bridge program is \$7 million. So we are actively working ourselves to reduce that. What that means is a little bit of extra work would come out into the country, would create a bit more economic stimulus in our construction industry. So it was a good program that went into a specific area.

Ms SHING — What about commonwealth funding and changes to the commonwealth funding models? You indicated earlier that in terms of input, the 3 per cent that you administer on the ground is worth more than the 81 per cent and the 16 per cent that are contributed by commonwealth and state governments respectively. How has change to commonwealth funding arrangements affected the council's capacity to manage its income and cost stream?

Mr GAFFNEY — The federal assistance grants reduction over the three-year period is an \$8 million hit.

The CHAIR — The freeze, is it not?

Mr GAFFNEY — Yes, the freeze. The freeze contributed to \$8 million in funding that did not come to this municipality.

Ms SHING — Comparative loss.

Mr GAFFNEY — Comparative loss through the GST expenditure. So that freeze — there is another 8 million. So if you took that, and if you took three years of country roads and bridges, there is \$11 million, which is a bit over 10 per cent or 11 per cent of the budget, and \$11 million worth of capital works is 22 bridges.

Ms SHING — It certainly is. It is a lot of bridges. We heard yesterday evidence from South Gippsland Shire Council, and the CEO indicated that rate capping was in fact a very good thing because it encouraged efficiencies and encouraged council to be clearer about the way in which it allocated its funds. It sounds to me as if the view from this council is somewhat different in relation to the cost impost and the challenges that have been faced around the introduction of rate capping. What is your view, given the very clear distinctions between rural councils and then the peri-urban right back to metro councils? As a rural council what is your view in relation to rate capping and the future of rate capping in terms of allocating resources to councils and then having an appropriate structure to manage — I do not know; we have got libraries; there has been a library fund, there has been roadside pest and vegetation management funding and grants — and actually improve the way in which councils can do their job and provide value? We note there is a review of the Local Government Act on this year as well, and that includes best value principles, but how do we demonstrate value to ratepayers while giving councils the resources they need to do what they do in rural areas like this?

Mr GAFFNEY — Look, there are several questions in that.

Ms SHING — Absolutely. I am never one for just one question, Gary. You know me well.

The CHAIR — There were about nine questions, and we might make them the last for these guys.

Mr GAFFNEY — Look, let us take it on. First of all, I think that local government is an economic contributor to this region.

Ms SHING — It certainly is.

Mr GAFFNEY — If you look at it, the majority of money raised and brought back — and I think 52 per cent of all revenue is through rates, 48 per cent is through federal assistance grants and other fees and charges — is worked back into this community. It is worked back in waste management contract, all the roads contracts and every other contract, staff that live in this area who get a wage, the 12 people that are now

employed by the shire in a place like Mallacoota. We are an economic driver within our own region. So the first thing is that we are an economic driver.

The second thing is: I do not mind a cap, but I want a realistic cap.

The CHAIR — It is a cap with cuts too.

Ms SHING — Sorry, no. I am interested in hearing. When you say you want a real cap, what does that look like? Help us to understand what this means for you.

Mr GAFFNEY — A real cap takes it to account locality, it takes into account the cost of the service you are providing. We are not Coles and Woolworths; we are a physical service cost. We have people delivering services to people. We are really a huge customer service-driven organisation delivering services. That cap has to be realistic about what staff costs are.

The CHAIR — I think we had better move on.

Ms SHING — Thank you very much, Gary. That is very helpful.

Ms BATH — Thank you, Mr Gaffney.

Mr GAFFNEY — You can call me Gary, Melina.

Ms BATH — I know that, but in the city we are very formal, and in the country I have noticed — which I like — we are very casual, which is good.

Mr GAFFNEY — Country polite.

Ms SHING — You will be Gazza by the end of the day.

Ms DUNN — Exactly. I think I will go with Gazza.

Ms BATH — Gary, you mentioned tourists and the tourist industry and its importance for the economy of East Gippsland. I really identify with that, but there is also a cost impost by having our visitors come to the area. I am wondering whether or not the council has any budgetary figures around the extra cost of collection of garbage and extra accumulation in landfill that tourism would provide, the cost of the amenities — keeping our toilets open and clean during holiday periods and all through the year — because of that additional tourist influx. Also, you have mentioned the roads and the bridges and that tourists drive cars and many of them. Can you give us a feel around having the benefits of tourism, but in terms of council what would some of the costs be?

Mr GAFFNEY — Sure. I think that if you talk about tourism in East Gippsland, it is a big economic driver within the region. If you look at the costs of what we do, we have got 3 marinas, 41 public jetties, 19 fishing platforms and 31 boat ramps in our municipality. They are all costs, but as I see it, it is part of our economy, and that is what brings people here. I would like to take on notice the waste management. They will distil that, because we do have peaks and troughs of that. One of the things that we do get hit with and is something I have argued for a long time, is the carry-out policy of Parks Victoria. They will carry their garbage out of the park and dump it at the first town they come to, so we get hit with that impost of waste.

The CHAIR — Which is a cost to you, is that what you are saying?

Mr GAFFNEY — Yes, it is a cost to us. I do not think that is ever taken into account, that waste management cost. There are things like all the reserves. We have six caravan parks that we provide and different levels of service required. Again, that waste is an economic cost, so waste management, can I please take that on notice?

Ms BATH — Yes, by all means; I would appreciate that.

Mr GAFFNEY — That is a good question. There is a service cost to that economy. We do not have an e-tag system when they come into the shire to get that dollar from every car that comes in as a visitor. It would be a

nice thing. We are Melbourne's backyard in some respects, and we value that economy, but there is a cost of provision of service that is not taken up or thought about in a lot of the state government.

Ms BATH — In your initial statement you talked about superannuation and the cost of that. We have got the fire session coming up next, but you mentioned the cost of fire readiness that the council wears the burden of. Can you explain and flesh that out a little bit?

Mr GAFFNEY — Certainly. Both fire and flood, East Gippsland does have the occasional fire and flood, as you are well aware.

Ms BATH — Yes.

Mr GAFFNEY — The NDRRA funding for us actually we have to cash flow. Only recently \$7 million from 2012 and 2014 came back to the shire, so there was cash flowing by the municipality of \$7 million. The latest flood event that we had is around \$7 million. It will take up to two years to receive that money, so council has to be in the position to cash flow for disaster, therefore we need to have dollars in the bank. We have worked to build dollars in the bank to cash flow for disaster, so we are in a fortunate position where we are sitting there saying, 'We know at some stage there is going to be a disaster. There is a flood. There is \$7 million. We need to get that work done, those roads reopened, those communities back up and running. That \$7 million is there. We need to have a faster turnaround system'. But if you were to borrow \$7 million, what would be the cost you would have to equate over two to three years in payback period? That is the cost.

So we cover the costs of natural disasters to our utmost. There used to be a 50 per cent up-front; that is no longer there. So local governments, whether it be us or whether it be other local governments, have to cash flow for disaster.

Ms DUNN — Thank you, Gary. I am not going to go to Gazza quite yet.

Ms SHING — You just did.

Ms DUNN — We have only just met, Gary. Thanks for your presentation today. I am interested in exploring the process of the minister advising the rate cap in conjunction with the ESC. That timing is at 31 December, so there is how that fits in with local government processes around developing a budget, because the reality is that you are probably commencing work on your budget before you actually know what the rate cap is going to be. Do you have any suggestions about how that process or timing could be improved and whether it is an impost or is not an impost?

Mr GAFFNEY — If there was going to be a cap, I would be delighted if it was a three-year cap. At least we would have three years of certainty, instead of an annual, 'Oh my God! Here we go back and change things over again'. Put in some certainty. I think all people want to be able to budget is certainty. Because we have got elections and all that occurring, we are starting the pre process right now, and by December we will have the rating strategy going up to council. On that rating strategy we will be saying, 'We think it could be this, but we're hearing rumours it's that'. Basically if the minister came out and said, 'Right, whatever happens with CPI, the country areas outside of peri-urban are getting a 2.6 per cent, peri-urbans a 2.3 and the City of Yarra is minus 1 because you have got parking meters', that would be delightful. I think just surety. What we have got is people sitting downstairs going, 'What figure might I have to plug in?', so we are actually creating work within a municipality, within our finance area, trying to second-guess what might come out.

The CHAIR — Chaos and confusion.

Mr GAFFNEY — Yes, so take the confusion out of it. If you want rate capping, give a figure. Give something that will last for three years, and then I think the industry will go, 'Okay. We know what we are working towards'. It is simple as.

Ms DUNN — Do you have any idea of the cost impost to your organisation by the fact that there is a lot of second-guessing as part of your budget preparations?

Mr GAFFNEY — You have got finance managers, and as part of that they would be running two or three different scenarios. They would bring a scenario and press the button, and after a couple of hours they would have a look at how that affects different rate categories. We have got to look at different rate categories. We

look at a business rate category, we look at a residential rate category, we look at a farming rate category. Our farming rate categories have between 10 to 15 per cent in some municipalities decrease on the farm rate.

Ms DUNN — Yes, there is a lower rate.

Mr GAFFNEY — You have an increase on the business rate. Not only do you look at the rate, you have got to look at the different components at another level.

Ms DUNN — And how that flows through your budget.

Mr GAFFNEY — Within any of that there could be up to 8 hours of just a finance manager's time every time they go to recalculate everything. You then take that to people. My executive team would look at it and go, 'Okay. If we're doing that, then we need to make reductions or we need to look at the capital works project', so by the time you are finished you have probably spent \$10 000 to \$15 000 on different contingency factors — inveterate waste. It is waste to the organisation, because they have got to guess something, and then, 'We were all working on 2.9 per cent, and it came out at 2.5 per cent'. You have to go back and rework everything. I think a bit of clarity really would help every municipality.

Ms DUNN — The only other thing I want to explore is cost shifting constantly comes up as an issue from local government in relation to what is not a very level playing field. The Parks Victoria example of waste is probably another good example of where you are bearing costs in an indirect way. Are there any emerging areas of cost shifting that you have identified, and I am happy for you to go away and have a think about it and come back to us?

Mr GAFFNEY — I am happy to think about it. I think the biggest one we get is the continual goal changing of EPA, especially around our waste management facilities. I think the greatest concern we have is legacy landfills — the regulations that are being put on us right now on things that we either have no idea about that were created 30, 40, 100 years ago and the cost impost. Only recently with Bosworth Road, our redundant landfill which is going through a massive capping and whatever, EPA came and said, 'Oh, hang on. We've had another look at it. We want to change the boundaries on what you have to do again'.

Ms DUNN — So you need to do something else.

Mr GAFFNEY — So we have budgeted to do X, and suddenly somebody independent — —

The CHAIR — How much did the cost go up?

Mr GAFFNEY — Look, I think it was another couple of hundred thousand dollars.

The CHAIR — If you could provide that, that would be helpful.

Mr GAFFNEY — Yes. That is the thing. You get those changes, that somebody from a state government department can put a change on local government and okay, we have got to comply. But as we said, the amount sitting in landfill levy is \$400 million to \$500 million.

Ms DUNN — It is an extraordinary amount of money.

Mr GAFFNEY — Yes. We tend not to get any of that come back.

Mr YOUNG — Thanks for coming in, Gary. I just want to explore something that you said a minute ago about different rate variations for different councils based on where they are, with inner city ones being minus 1 and out here 2.4 and 3.

Mr GAFFNEY — I was joking about the city area. I take it back.

Ms SHING — It is on the record now, it might be a bit hard.

Ms DUNN — You cannot take it back, Gary.

Mr GAFFNEY — I know it is on the transcript. I am in trouble.

The CHAIR — It is one of my councils.

Mr YOUNG — That is fine. It is something that has been explored before, and it comes up all the time about different councils because of their type having different requirements and needing different arrangements. But we had some figures thrown around yesterday about rates. In Stonnington a property with a value of \$800 000 would be \$900 in rates and a property in Gippsland would be \$4700 on a property of the same value. Given that, if we are going to move to a situation where inner city councils have lower rate increases and outer city councils have higher ones, are we not just going to increase that gap, and how do we start to rectify that? That seems to be one of the big problems, that people out in the regions and in the country are paying really high rates.

Mr GAFFNEY — Yes. It is the service delivery factor. I pointed out that if you pick up a garbage bin in the City of Yarra, you would be picking one up every 5 to 7 metres — 10 metres at the maximum. We have trucks that travel hundreds of kilometres a day in waste management. I think that the only way to equate that is to have the funding, whether it be country roads and bridges, whether it be footpaths to recovery, and look at ways that we can reduce the cost burden on country municipalities. People that live in a country understand it costs a bit more, but they want realistic rate rises. I think that is what I have got to try to give people, realistic rate rises to deliver the services that they require.

How I get back to a city base — we have not got the luck of having the majority of our assets up to the level of a city municipality, whether it be those inner city or outer city. Seventy-five per cent of this municipality is Crown land and is not rateable. I deal with a lot of an area where there is no government recognition that they have services within the municipality. I do not get paid rates on a lot of the government buildings that are in this municipality. I do not get anything for providing roads that go to service everything from logging to national parks. If you want to be realistic about it, where is there a state government grant or state government rates for what they have got? Maybe the way to do this is to look at every public building — police stations, you name it. They do not pay things like rates and that. If they did, I would be in a far better situation. If they paid something for all the Crown land that we provide services to government via local roads that run into and then go into a forest road or whatever — that would be delightful to have some form of rate come back for 75 per cent of the land that we do not manage.

Many of the parks that we provide access to and many of the services on things like the Gippsland Lakes are not looked after. I think that there are ways, and I think the state government has to look at a different way of cutting the pie.

The CHAIR — Thank you, Gary. Can I just now shift the inquiry's focus to fire preparedness.

Mr GAFFNEY — I would like to bring in Shane Turner, our emergency management coordinator. This is his sphere of influence and rate capping is more mine.

The CHAIR — Can I ask for a short presentation with respect to our terms of reference, noting that we have to stick to a pretty tight time frame — and that includes committee members. We will focus on trying to catch up. We are a few minutes behind.

Mr TURNER — I will try to abbreviate some of mine. Firstly, I welcome the opportunity to be able to make this submission to this inquiry about fire preparedness. As Gary has already indicated, this council has a huge, significant amount of public land — 75 per cent — which makes fire prevention and fire issues here extremely difficult. The number of EVCs, ecological vegetation classes, that are in that vegetation is huge and must be considered. To go out and to do large-scale burning to some appears the only way to go; however, all those EVCs have to be considered. The changing nature of the vegetation has to be considered all the time, and this makes the position very hard for the DELWP and Parks agencies.

I will read through a significant amount of it. It is inherent that bushfires do not adhere to local boundaries, and continuity of fuel management practices is needed across all land tenures, including public land and private land, in order to effectively reduce bushfire risk. It has become usual practice for both public and private land to be included in planned burns to improve the results of fire reduction measures around here. Unfortunately that move into the tenure blindness presents significant issues for the agencies trying to conduct those burns — issues around who actually pays. Do we then encumber the landowner with those costs of doing some clearing, doing preparation for burns? If they do do them once, those measures may need to be done two, three years

down the track. Who then pays for them down the track? There are considerable cost imposts here that need to be fleshed out further. There are also the insurance or the OHS issues of when or if we call in partner agencies, being DELWP or Parks, to do burns on private property, who carries the risk on those properties? Does it fall back to landowners? That could be quite considerable when you have got an extensive staff of DELWP staff conducting burns.

The other one there is in relation to dangerous trees on those properties. Who actually manages the risk there? It is good to be able to do that, but they are a risk in themselves, and working under those trees creates a huge risk. So that is why we need a very good dispute resolution system if we are actually going to do that, and that means the cost and the value of doing burns on those private properties need to be strongly considered and how we get around that.

I think the lessons that we learn around here come from the collaboration that exists with the partner agencies. It is huge here. The meetings and the involvement, it is a one-in all-in effort here, and I think that is where things are unique, not to East Gippsland but to the country, and I think that has got to be well and truly fostered. But I think there needs to be clear direction that actually comes out of government that if we are going to better manage the risk that these bushes contain, how we have good clear guidance from government.

The CHAIR — Keep going.

Mr TURNER — Going hand in hand with that is that to do that, the funds need to come from somewhere. The cost of doing the sorts of burn preparations and the planning is significant, and when you actually start to talk about private property, unfortunately as we have heard with rate capping, these issues are going to start to be an impost somewhere. Under the Country Fire Authority Act the effect of putting a fire prevention notice on a property and compelling the landowner to do it is good in black and white, according to the act. However, once the landowner refuses to do it, there is still an impost on council to actually undertake those works. We have ordered the landowner to do it, so therefore we are aware of the duty of care the landowner has. We have passed that on to him. However, if he has refused to do that, council must then act.

The CHAIR — And bill.

Mr TURNER — And bill. However, if they have no way of paying that bill, then we have no way of recovering those costs. So the financial costs of some of these clearings or fire preparations could be quite extensive and could actually be an impost on council. Therefore even the fire prevention officers have to weigh up the value of what we are trying to achieve in putting a notice on that property.

I will go on to some other issues. This council here works very, very closely with the community. I know local government talks about being the government that is closest to the community. Through our fire prevention committees and our local incident management planning committees we have a very, very close liaison with our communities, and we have come to recognise how many of the firebreak roads within DELWP land are seen by the agencies as their roads that they have to maintain and the access from point A to point B. However, in financial situations those roads may get less and less maintenance. The problem with that is that, one, they are open to the public and the public can actually go and see the amount of maintenance that is occurring on those roads. Quite often they become very disappointed. They see those roads as assets of their own which act for their protection in their community. When we have got the best part of 90 small communities littered through our shire, those roads and those firebreak roads, even though DELWP sees them as having another strategic use, they see them straight out as firebreaks, and that is where that money to maintain those is a stringent necessity. The maintenance on them has got to be done, because quite often potholes and things like that are a problem as well.

Ms SHING — Considerable.

Mr TURNER — The second last issue that I would like to raise in relation to fire hydrant maintenance is that there is a huge impost on council. We are happy to maintain fire hydrants above the ground, so to speak; we are happy to do the signage, the cat's eyes and things like that. However, the costs that we get when it comes to repairing water pipes well and truly under the ground and leaking pipes, I think that is part of an asset that is owned by someone else and I think that that agency should actually be paying for those costs to fix those.

The last one is in relation to the current arrangements. In relation to incident control centres and incident management teams, I think we have gone a long way to make the system work a lot more effectively. The use of emergency management teams and incident management teams works well. It is something we pioneered down here back in the Tostaree fires in 2010. It has worked well ever since then, but I do believe we have got to put some clearer ways in the financial arrangements that actually sit behind it, otherwise council can end up with bills that they have got to claim back through the funding DTF arrangements, and at the moment they are taking up to two to three years.

The CHAIR — Thank you for that evidence. I think that is a very useful laying out of the issues around local government. Before I begin, I just want to acknowledge Tim Bull, the local member, who is in the audience today and note his fierce advocacy on behalf of this end of the state.

If I can just ask one question — I am conscious of time particularly, but I am very thankful for the way you have laid out those costs and issues. Do you have a costing on what the annual, ongoing work that is laid out — the firebreaks, the road clearing, the hydrants, all of those issues? Do we have that at a council level that we could see a breakdown of?

Mr TURNER — For?

The CHAIR — Incident control.

Mr TURNER — For our council roads virtually the fire prevention budget controls your roadside slashing, your maintenance of hydrants, your maintenance of roads and roadsides and comes in at just under \$500 000.

The CHAIR — Some little breakdown of detail would be helpful for us so we can understand exactly how that is apportioned. It is something that we could say something constructive about in terms of state government responsibility.

Mr TURNER — Yes.

Mr GAFFNEY — I think the other part of that is that you have two officers basically for nearly two months inspecting and doing fire prevention notices.

Ms DUNN — You talked about landowners refusing to pay for contractors doing works from fire prevention notices. As part of providing us with financial information, could you also perhaps capture the value of that to council as well?

Ms SHING — Of lost cost recovery, you mean?

Ms DUNN — Yes.

The CHAIR — Incomplete cost recovery I think is probably the way to frame it.

Mr TURNER — Yes.

Ms SHING — I have two quick questions. Thanks, gentlemen for your evidence.

The CHAIR — Swiftly.

Ms SHING — Thank you, Chair, I will bear that in mind. Mr Gaffney, I note that you were the head of economic recovery for the Victorian Bushfire Reconstruction and Recovery Authority in 2009 and 2010.

Mr GAFFNEY — Yes.

Ms SHING — One of the things you would have seen in that context with that hat on would have been the way in which the community responded to and recovered from significant bushfire events. There are two streams to the question that I am about to ask. One relates to how far we have come since then, as far as the on-the-ground work is concerned, and that is also a question for you, Mr Turner, noting in particular the vast variation in East Gippsland — Mallacoota, with one road in and one road out — and staff there that manage huge areas of private and public land. In addition to that, how ready do you think we are for the coming season,

noting that we just had floods in July and the projections are for a late but intense season with an increased likelihood of grassfires?

Mr GAFFNEY — I will defer that second question to my learned colleague on my left.

Ms SHING — Thank you, feel free.

Mr GAFFNEY — The first one, I believe from my own experience we have come a long way, and I think that a lot of the Black Saturday work in community consultation started in the 2006–07 Mansfield campaign fires. So what I have seen where we have worked in community has been a lot of work since Black Saturday. If you go to Glenaladale I think that is a fine example where the community resilience is now taken as more of a recovery indicator. Right now I know that the emergency services commission is looking at a long-term fire recovery — —

Ms SHING — Within *Safer together* and that framework.

Mr GAFFNEY — Yes, *Safer together*. The only reason I know that is that I sit on that committee. So I am thinking that the community resilience indicators are now becoming stronger and people understand more of the problems that have occurred after major fire bushfires. I think with Black Saturday we will still be seeing post-traumatic stress disorder into the long-term future. It is just not an Australian thing. I was lucky in 2009 to speak at a APEC gathering in Yogyakarta and it was about the long-term recovery of people from major disasters. So I think that Victoria is moving on the right path and I think that we have been very lucky to have some very talented people during the Black Saturday recovery. Rob Gordon, the state psychologist, really helped us in transitioning what we need to do. Unfortunately out of major events come some better recovery factors, so in that way I think we are far more prepared but we still have got a lot of learning — —

Ms SHING — The work goes on.

Mr GAFFNEY — and we still have.

Mr TURNER — I think East Gippsland is quite unique in the fact of our close relationships with our partner agencies, the CFA and DELWP and Parks Victoria. I would say that we are in a fairly good, prepared state at the moment. No-one really knows what is actually going to happen and when the rain is going to stop falling — those dark clouds keep on coming through — which would then create an extra grass risk for this area. Traditionally we work very well with the preseason briefings that come out and they are becoming more and more open to the public. Mr Lapsley, I know, is always tweeting and putting his briefings out to the public everywhere —

Ms SHING — He is very active.

Mr TURNER — which are getting picked up more and more across the community. As Gary said, the *Safer together* program and the working better with communities program which DELWP are fostering down here, those relationships are very, very strong. The fact that we work so closely with the community, I think if we were to compare back to 2009 to now we would be in a completely different mind-frame as to how we do things. That essentially comes from our planning coming from the community up and then feeding into our fire plans and our municipal plans rather than us actually saying how we are going to do it to the community, and that is a very strong ethos that we carry down here.

Ms SHING — And the work continues obviously. Thank you, gentlemen; I appreciate it.

Ms BATH — Thank you, Shane and Gary, for this presentation. Following on from that point, and also noting that in recent hearings we have heard about the importance of the responsibility of the community and the householder or landholder to keep their property as fire safe as possible and to clean up around property and house, how are you communicating the responsibility of the landowner? What methods is the council using and how is that a two-way street?

Mr TURNER — We have two approaches. We have got the hit-them-over-the-head approach through using the fire prevention notice, but we have in excess of 2000 vacant landowners that live in Melbourne, or various parts of the world that they actually live in, so we send out notices. Very, very shortly they will be on their way

out — as soon as we get out of the caretaker mode. But those letters will go out and then we will do a second round of letters, which actually inform them that we are about to commence our fire inspections.

Ms BATH — What is the response there? How many sleeper letters are there roughly? Is there a good response to those?

Mr TURNER — So out of the 2000 letters we issue, when we do our inspections we usually look at about 1400 places which actually get a first-round notice on them, and we find that that first-round notice is actually a wake-up call to a lot of them — —

Ms BATH — A good gentle carrot, or a stick — one or the other.

Mr TURNER — Yes. And then our non-compliance — —

Ms SHING — A delicious stick.

Mr TURNER — Yes. And our non-compliance ends up being at about 20 non-compliant properties, which we take further action on.

Ms SHING — Out of 2000?

Mr TURNER — Out of 2000, yes.

Ms SHING — That is impressive.

Ms BATH — That is a similar response to what we heard yesterday from South Gippsland shire.

Mr TURNER — The other thing we have actually been doing is when we have been talking with our communities and doing our local incident management planning, which is that grass-level community planning, we have noticed that when people have prepared their household plan they are actually then realising that they have got to look over the fence and they realise that the person over the fence may not be capable of doing some work and they are actually coming together as communities and then doing the work and helping them out better within the communities. So that is what we are just starting to notice. These plans have only been going for five years, but we are starting to pick up those trends now.

Ms DUNN — Thank you, Shane, for your presentation on this. I am just wondering whether this council offers a free green waste tipping service to residents or whether there is the ability for residents to burn any fire fuel on their own land?

Mr TURNER — We have free green waste all year round, and that has been recognised as being one of the fire prevention issues.

Ms DUNN — You better send us how much that costs you as well.

Mr GAFFNEY — It is \$200 000.

Ms DUNN — I thought it would be up there.

Mr TURNER — We used to go with weekends, two weekends, at the commencement of the fire season, but we reckon we get better bang for our dollar by doing it all year round.

Ms DUNN — That is great.

Ms BATH — I am moving to Bairnsdale.

Ms SHING — I was just about to say I am going to start a silage business down this way.

Ms BATH — A weekly cost every week at the moment.

Mr GAFFNEY — We would be delighted to have you as ratepayers.

Ms DUNN — So you do not do a regular green waste collection?

Mr TURNER — Yes.

Ms DUNN — You do? So you actually have green waste — —

Mr TURNER — And free tipping.

Ms DUNN — And free tipping of green waste.

Mr TURNER — Yes.

Ms DUNN — You could have an influx of people then. Thank you. That is going to do me.

The CHAIR — Thank you to both of you, Shane in particular, for that very helpful presentation. The secretariat will come back with some follow up. We really appreciate the assistance with some of the costing here, because I think you have got a very good model, and a clear one, and this will enable us to potentially make some recommendations in this area.

Mr GAFFNEY — Thanks very much, Chair, and thanks for coming to East Gippsland. We appreciate it. Shane has already given me the SES costs.

The CHAIR — Thank you.

Witnesses withdrew.