

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Wednesday 14 June 2023

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

WITNESSES

Ms Melissa Horne MP, Minister for Local Government,

Dr Emily Phillips, Deputy Secretary, Local Government and Suburban Development,

Mr Mike Gooley, Executive Director, Local Government Victoria, and

Mr Colin Morrison, Director, Sector Investment, Local Government Victoria, Department of Government Services.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones now be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments made outside this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Local Government the Honourable Melissa Horne as well as officers from the Department of Government Services. You are very much welcome here today. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes, and committee members will then ask questions.

Melissa HORNE: Thank you very much, Chair and committee members, for the opportunity to meet this morning and talk about the local government portfolio.

Visual presentation.

Melissa HORNE: The government continues to support our 79 local councils across the state with this budget. The Victorian government's financial support to local government will increase by \$246 million to \$714 million. At the same time we are seeing the Commonwealth also increasing its support to the local government sector by \$68 million in Victoria. As a government we are supporting councils to do what matters for their communities.

In this year's budget we have introduced new initiatives to do what matters for local government workers. There has been \$12.1 million provided to deliver a suite of programs. That includes \$5.4 million to develop a fair jobs code tailored for councils. The fair jobs code will be designed to minimise insecure work, including outsourcing, labour hire and casualisation of local government employment. It will also establish a pilot program that will create traineeships and apprenticeships in the local government sector and will help councils fill critical skill shortages. We are also expanding coverage of the *Gender Equality Act 2020* to include library corporations. We are delivering on our election commitment to do what matters for local communities, and \$400,000 has been allocated for streetscape improvements in Footscray and public facilities in Laurimar, which will no doubt make the Member for Yan Yean very happy.

This year's budget continues to invest in important council programs and projects, such as \$53.7 million for public libraries so they can continue their important work, particularly at a time when we have seen our libraries subjected to some really extreme attacks orchestrated by the far-right fringe groups. We have \$4.9 million for the municipal emergency resourcing program and \$2.8 million for the roadside weeds and

pests program. As I mentioned, the Commonwealth is also providing a record \$732 million in untied financial assistance grants, to be allocated by the Victorian Local Government Grants Commission.

We will continue to invest in councils because we know they step up when it is needed. During the October floods last year, for the first time, the state government provided \$33 million to 46 of the most impacted councils through a new initiative, the Council Flood Support Fund, for clean-up, relief and recovery activities. Last year the government provided \$7.4 million for councils to provide 2.3 million RATs to keep their communities safe from COVID-19. And because councils have had to deal with new challenges arising from public disturbances at council meetings and events, the state government is playing a role to support public safety and ensure that councils are free from interference.

Good governance is critical to ensure that councils make sound decisions and deliver the services the community needs. Last year we appointed seven municipal monitors to councils; there are currently two councils with municipal monitors in place. Let me be clear: monitors should not be seen as a punitive or negative measure but as a proactive tool used to assist councils. We were also recently forced to dismiss the Moira Shire Council due to the findings of the commission of inquiry established in October 2022. Unfortunately, dismissal was the only course of action to create a pathway for return to good governance and ensure the best outcomes for the community. We have also continued with reforms to introduce a fairer and more transparent rating system, which includes rate capping and financial hardship provisions.

As a government, we continue to actively engage with the local government sector. Local Government Victoria holds monthly council CEO forums and I chair the Local Government Mayoral Advisory Panel. This is a group of 13 mayors from across the state, and these forums are particularly important as we work with the sector to introduce further reforms, especially as we lead up into next year's council elections. We will continue to support the sector and ensure our communities are getting the local government they need and deserve, and we will focus on strong governance and accountability to build confidence in councils.

The CHAIR: Thank you, Minister. The first 7 minutes are going to go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Minister. On page 195 of budget paper 3 the local government budget has been more than halved from \$136.7 million for 2022–23, revised to \$64.7 million budgeted for 2023–24. Page 200 tells us that this allocation is for 'activities in partnership' with the sector that support 'governance, leadership, infrastructure and service provision'. Minister, does the government expect ratepayers to pick up the tab for that \$72 million cut to ensure there is sufficient infrastructure and service provision in their local government area?

Melissa HORNE: Thanks, Mrs McArthur. I do appreciate you are deeply invested in understanding and making sure that there is really good governance across the councils that you represent, and I really thank you for your work there. What you are seeing here has been part of a machinery-of-government change, where the Growing Suburbs Fund has now gone to the portfolio of suburban development, and also a number of the COVID activation programs have ceased. They are things that we saw like our outdoor parklets and those sorts of activation things that occurred.

Bev McARTHUR: That does not help the 24 municipalities in my electorate, Minister.

Melissa HORNE: Well, as I said, the Growing Suburbs Fund, which has got a number of criteria around it with those outer suburban councils, has now gone into the suburban development portfolio.

Bev McARTHUR: Here we go – we still cannot get our heads around outside the tram tracks of Melbourne, can we?

Michael GALEA: What tram tracks are in the outer suburbs? Seriously.

Danny O'BRIEN: How much was the outer suburbs fund, Minister?

Melissa HORNE: The outer suburbs fund that has gone into suburban development? Well, that would be a matter for the Minister for Suburban Development.

Danny O'BRIEN: No. The question though is: we have literally seen half the local government budget disappear – how much of that is taken up by that fund?

Melissa HORNE: Well, there was \$50 million to the Growing Suburbs Fund in last year's budget.

Danny O'BRIEN: The question is for this year. Literally 46.2 per cent of the budget on page 195 is cut for local government. I am trying to work out how much of that is actually the Growing Suburbs Fund.

Melissa HORNE: That is basically predominantly what was there in last year's budget.

Danny O'BRIEN: No, but this is for this year's budget, 2023–24, on page 195.

Melissa HORNE: Yes, I am looking at page 195.

Danny O'BRIEN: So how much of that 46 per cent that is gone was growing suburbs?

Melissa HORNE: So that reflects a number of one-off investments. The lion's share was, as I said, the Growing Suburbs Fund. But there was also –

Danny O'BRIEN: Can you tell me how much it is for 2023–24?

Melissa HORNE: In 2023–24 for growing suburbs, I believe it is a \$10 million fund now, but you would need to confirm that with the Minister for Suburban Development. But it also had a couple of one-off investments that ended, including work with Reconciliation Victoria to support the implementation of the *Victorian Aboriginal and Local Government Strategy*.

Bev McARTHUR: Sorry, this is still a huge cut to many councils. Anyway, going on, given the community infrastructure loans scheme is an ongoing program through to 2034–35, what funding is available to local councils through this program in 2023–24?

Melissa HORNE: I might ask Emily to talk through the loans scheme that is administered by local government.

Bev McARTHUR: It is provided interest free to councils to build and renovate community infrastructure.

Emily PHILLIPS: Look, thank you for your question. In the 2019–20 Victorian budget there were loan funds of up to \$100 million that were announced and that were available under the community infrastructure loans scheme to support councils in the delivery of community infrastructure across the state. A second round of the community infrastructure loans scheme was announced in the 2020–21 budget. It enables, as you know, councils to access low-interest, government-guaranteed loans through the Treasury Corporation of Victoria on an application basis, and it has supported councils as they have recovered from COVID. I am just looking to see if I have got any numbers –

Bev McARTHUR: Have we got any for 2023–24?

Emily PHILLIPS: Well, those loans are currently in place. There are number of loans that are currently in place, and I do not know if I have actually. So 2023 –

Bev McARTHUR: Any new funding for loans in 2023–24?

Emily PHILLIPS: Since the community infrastructure loans scheme came into place there is also an additional loans scheme that the state government has brought into place through the Treasury Corporation, so there are now Treasury Corporation loans in place for local government. I am just trying to find information on that, which is what councils are now transitioning to accessing. The existing community infrastructure loans scheme loans remain in place, and there is now a new stream of Treasury Corporation loans that councils can access.

Bev McARTHUR: Would you be able to provide a breakdown of the loans administered by the community infrastructure loans scheme by local government area and with the details of the initiative that those loans fund?

Emily PHILLIPS: I do not have that in front of me.

Bev McARTHUR: Would you take it on notice?

Emily PHILLIPS: I am happy to.

Bev McARTHUR: Thank you very much indeed. Page 200 also shows the government's performance target for councils with approved roadside weeds and pest control plans, with a 2023–24 target of 45 being a reduced target from a 2022–23 target of 56. Does the reduction of 11 roadside weeds and pest control plans mean that 11 councils now have no roadside weeds or pests?

Melissa HORNE: The program funding has been maintained at \$2.8 million. What we did was undertake a review of that program, and it was determined that it really needed to focus on those small rural councils that had a vast majority of the – take Buloke. It has a bigger part of the road network than anywhere else, so it was about refocusing that.

The CHAIR: Thank you, Minister. I am going to go to Mr Galea.

Michael GALEA: Thank you, Chair. Good morning again, Minister. Good morning, officials. Minister, on budget paper 3, page 51 there is a line item 'Doing what matters for local government workers'. Could you please detail what this initiative is?

Melissa HORNE: Thank you. This is an initiative that is part of our election commitments that is really importantly focused on local council workforces, because particularly as some of our members here who are regionally based know rural and regional councils in particular actually provide some of the biggest workforces there are for towns across the state, so making sure that those thousands of workers are actually looked after and have got fair employment conditions is really important. I know, speaking with mayors and CEOs but also to the Australian Services Union, it is really important to be able to have a package that targets some key areas for councils. Like many parts of Australia – many industries across Australia, many workforces across Australia – we have got a number of key skills shortages, and local councils and regional and rural councils in particular are some of those areas. I know from speaking to some councils they have only got one planner. They do not have childcare workers. They are looking for a vast range of skills. I think there is also a real lack of understanding amongst younger people of just what a great opportunity local government can provide as a career, particularly if you want to stay in the town that you grew up in and have that career path. We have allocated \$6.3 million for an apprentice and traineeship program that will assist councils with those skill shortages. We are not determining what those skill shortages are. What is important is that we need to sit down with local councils and be able to help and effectively co-design that with them, because I think what we are seeing in the east of the state is different from what we are seeing in the peri-urban areas of Melbourne, to be able to work out what is best for local councils.

The other thing that I would like to describe in what we are doing here is around the Fair Jobs Code. This applies in the state, but as every employer will tell you, it is not just for councils to attract staff and to keep staff. It is also knowing that you are a good employer. We have already established this Fair Jobs Code for companies that supply state government, but what we will be doing is again working with councils to be able to say, 'How do we apply this to local government as well?' That compliance with a fair jobs code should be seen as that sort of quality assurance mechanism so that an employer can use it as an incentive to attract staff, because I think, particularly if you are a young person starting out on your career journey, you want to make sure that you are going to be treated fairly, that your pay and conditions are going to be treated well, that you are in a place that potentially has access to a unionised workforce where diversity and inclusion are celebrated – these sorts of things. So being able to work with councils to make that we have got that Fair Jobs Code is really important.

Finally, the third key component is around the *Gender Equality Act*, and we are extending the *Gender Equality Act* to library corporations. The *Gender Equality Act* already applies to government departments, councils and universities, but this Act ensures that organisations take positive actions towards achieving workplace gender equality and that they promote gender equality in their policies, programs and services. Can I say libraries I think are a really special place in our landscape. They are a place where we see so many different people from across the cross-section of our communities, and they are often described to me as the first point of refuge for many vulnerable and disadvantaged people in our community, so they are places where people can go. They can listen to a librarian. They can take their kids there and be read fabulous stories. Kids can go and study there. To be able to make sure that our library corporations are also being able to reflect the diversity in our community I think is wonderful.

Michael GALEA: Very much so. Thank you, Minister. Could I ask you to please expand on the trainee and apprenticeship program that you mentioned?

Melissa HORNE: Sure. Thanks. One of the things that we have done is we identified that building surveying was an area of critical skills shortages, so in 2021 we launched a program which was about women in building surveying. I have actually sat down and met with some of the graduates out of that, who have that real one-on-one mentoring that is going on and have that support from the Australian Institute of Building Surveyors, their special advisory group. And it is not just young people that are going into this. There were a lot of women that I met who had done this course that had decided midway to have a career change. A couple of women that I met were actually employed in council but recognised that this was a gap in where their council had available skills and so decided to transition into doing this building surveying course, and they were loving it. I think, Colin, you and I met them up in Carlton, wasn't it?

Colin MORRISON: That is right, yes.

Melissa HORNE: Yes. It was a range of women – diverse – from all walks of life. I think rural areas from Wangaratta, South Gippsland, Hepburn and Murrindindi all have taken part in it.

Michael GALEA: Thanks, Minister.

The CHAIR: Thanks, Minister. We will go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Minister, just going back to the growing suburbs operation, funding governance would not be included in that, would it?

Melissa HORNE: Mrs McArthur, retrospectively, no, but going forward – I do not administer the Growing Suburbs Fund.

Bev McARTHUR: Right, okay. Thank you. Going back to the issue of pests and weeds on roadsides, which are a massive problem in my electorate and actually act as a wick when we have electrical elements causing fires, why has the government reduced the target of the number of councils having these control plans?

Melissa HORNE: As I said before, the grant guidelines were reviewed last year, and it was about refocusing the program on the rural councils with those really extensive road networks. Often too it is those rural councils that have got the lowest rate base, so it was to be able to provide the support to those councils that really need it, like Buloke or Loddon shires. They will actually get about a 13 per cent increase in their funding. That is in recognition that they do really carry a lot of the load in being able to maintain their roadside networks.

Bev McARTHUR: Let us go to council governance, Minister. How many local councils are currently employing an appointed monitor?

Melissa HORNE: As I mentioned previously, we have seven monitors in place at the moment – that is correct, is it not? We have got Geelong. Strathbogie has asked me for a monitor, which has been completed. Sorry, I am just trying to remember this off the top of my head.

Bev McARTHUR: Maybe just give them to us on notice, Minister. Oh, there we go.

Melissa HORNE: Geelong and Strathbogie currently – that is right. Wodonga has had one, and Darebin has just made its final report as well.

Bev McARTHUR: Going to Geelong, Minister, as I understand it the monitors have reported, 'There's nothing to see here.' Why do Geelong ratepayers still have to fund a monitor – or two, actually?

Melissa HORNE: They are doing some really important work down there, and the chief municipal inspectorate wrote to me a little while ago recommending that monitors do be put in place around the appointment of the CEO. They are currently going through that process, and it was incumbent on me to respond to that integrity –

Bev McARTHUR: It is basically taking about 18 months or two years to get a CEO. How are the monitors helping there?

Melissa HORNE: They are going through the final stages of recruitment at the moment.

Bev McARTHUR: Will you rule out appointing administrators to Geelong, as some of your colleagues have suggested?

Melissa HORNE: It is a really clearly defined process, appointing administrators, as you can appreciate. And can I just say thank you to everyone who was here who responded really quickly with that piece of legislation around appointing the administrators to Moira shire, because we needed to have an Act pass through –

Bev McARTHUR: Let us go back to Geelong, Minister.

Melissa HORNE: Sorry, I was just trying to provide some context. There is a process –

Bev McARTHUR: Will you rule out appointing administrators to Geelong?

Melissa HORNE: Let us just wait. I am having periodic updates from the monitors down in Geelong, who are really confident in the process of appointing a CEO. They are saying that is what really needs to happen before any other decisions are made.

Bev McARTHUR: Given the recent issues of those local government areas currently or recently being monitored, why has the government slashed the local government budget – as per page 195, budget paper 3 – which supports appropriate governance, by more than half?

Melissa HORNE: Mrs McArthur, I think you are confusing a couple of things there in that we have worked incredibly hard –

Bev McARTHUR: No, we just want to know why you have cut it by half.

Melissa HORNE: I have explained that in terms of the Growing Suburbs Fund no longer being part of the local government output, but in terms of what –

Bev McARTHUR: So the Growing Suburbs Fund are now responsible for governance in local government, are they?

Melissa HORNE: Sorry, I would like to take this – in relation to your question about governance and the support that particularly the three people who are sitting alongside of me are doing with the 79 councils across the state, that have seen a number of attacks on them from far right extreme groups, that have seen some of their staff bullied, have seen some of their staff reduced to tears, have seen some of the elected officials receive death threats and things like that – these people alongside me and the team that they support and they lead are –

Bev McARTHUR: So why have you cut the budget, then?

Melissa HORNE: We have not cut the budget in terms of supporting local councils. These people have worked around the clock to make sure that our local government, which is a separate tier of government, is supported through making sure that they have got the guidance and the support that they need when we have seen unprecedented attacks on them through things like drag story time coming under threat, where activities that support and celebrate diversity and inclusion have resulted in death threats to mayors and their families – that is what these people are doing every single day.

Bev McARTHUR: Okay. So, Minister, is the government planning the merging of any rural and regional councils?

Melissa HORNE: No.

Bev McARTHUR: Will the minister rule out any mergers?

The CHAIR: Thank you, Mrs McArthur. We will go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair, Minister, officials. Minister, you said in your presentation that you have set the rate cap increase for 2023–24. Does this mean we are all going to see a 3.5 per cent rise in our rates?

Melissa HORNE: Look, thank you. The rate capping was a really important initiative that this government committed to and has subsequently proceeded to implement since, I think, 2016. The way that this process works is that the Essential Services Commission provide advice to government as to the maximum amount council rate caps should be allowed to rise. They take into account factors such as movements in CPI and the general financial health of the local government sector, and they do not necessarily recommend a cap but provide that advice on the maximum amount councils should be able to increase the cap. For this year's rates the ESC advised that the rate cap should not be allowed to rise by more than 4 per cent. After receiving this advice I had a conversation and sought advice from Local Government Victoria, because we were acutely aware of the cost-of-living pressures that so many people are under, and ended up determining that it would be at 3.5 per cent. Now, what that means is that is the maximum amount that a council may increase its rate cap, but they do not have to do it. So really the final decision does rest with councils.

I think that nearly every single council has got its draft budget out for public consultation, and what we understand at the moment is that 52 councils are increasing their rates by the full 3.5 per cent rate cap, three councils are increasing their rates by less than the 3.5 per cent permitted and the Rural City of Ararat is not increasing its rates at all. So if a council believes that it cannot manage without raising its rate cap above the permitted amount, it can apply to the ESC for an increase, but I am not aware of any councils that have applied for that. There are complexities, then, in how that rate cap is actually applied for an individual property, so you may not necessarily see a 3.5 per cent increase in your residential property; I may, as we are in different municipalities.

Bev McARTHUR: Most farmers will, Minister.

Melissa HORNE: There is a point where council's own rating decision takes over. It will depend on what it wants to charge on, say, commercial property as opposed to residential properties.

Lauren KATHAGE: Thank you, Minister. But on the flip side, does limiting the amount that councils can raise their rates impact their financial sustainability?

Melissa HORNE: Financial sustainability is one of those things that comes up regularly in conversations around councils, and because we have got such a diverse range of councils it is important to note that they are audited by the Victorian Auditor-General. That has shown that all councils across the state are in good financial nick. It does not necessarily make it easy for them, but there is an increase of – it is also important to remember that rates are not the only source of revenue for councils. They are supported by really considerable grant payments by both the state and the federal governments, and I think I mentioned in my presentation that the federal government in particular has really increased its support to local councils. Grants and transfers to local government are expected to be nearly \$1.5 billion in the coming financial year, and that is an increase of \$226 million compared to last year's budget. Our state allocations have increased by \$160.3 million on the previous budget amount, and we are a good partner for local government. We really value the work that they do. I think the biggest winners from this sort of support are those small rural shire councils that have got that really small rate base, and so grant payments make up a great proportion of their revenue. That is important to be able to keep them on that financial keel.

Lauren KATHAGE: Thank you, Minister. We heard a comment from Mrs McArthur about farmers, and indeed the Victorian Farmers Federation has come out recently and said that in some rural shires it believes that the rating burden is being moved to farmers. Are you aware of these instances, and how would you respond to that?

Melissa HORNE: Look, I think it gets back to that balance of how rural councils need to be able to manage their own rates, because this is up to them. We provide the guidance of what the rate cap should be, but then it is how they allocate that within themselves. For example, I will give you a case study of Colac Otway shire. They have proposed to reduce the rate in the dollar amount for all rate classes by 8 per cent. The rate in the dollar amount for rural farmers is 54 per cent lower than that of a commercial property, so that is for a rural farm. They have reduced the rates by 54 per cent of a commercial property, and it is 25 per cent lower than a

holiday rental, so they have really looked at the landscape of how they are operating and where the rate base is coming from and have tried to rightsize it to be able to fit their community and to be fair. It is that real striking of trying to get the balance right for their community at the same time that they can go and deliver the services that the communities need.

Lauren KATHAGE: Thank you, Minister.

The CHAIR: Thank you, Minister. We will go back to Mrs McArthur.

Bev McARTHUR: I reference page 400 of budget paper 3, ‘Victorian council rate rises have been capped at 3.50 per cent for 2023–24.’ The Essential Services Commission recommended a 4 per cent increase, in line with the forecasted 4 per cent consumer price index increase in the 2022–23 budget update. Why does the government use household CPI for council rate caps, despite that not being necessarily reflective of the goods and services a council buys?

Melissa HORNE: That is a good question. Given that you provided me, Emily, with the advice on the rate capping, do you want to just answer Mrs McArthur’s question on that?

Emily PHILLIPS: Thank you, Minister. I am actually going to ask Mr Gooley if he is able to answer that question.

Mike GOOEY: Thanks, Emily. Thanks for the question. Obviously rate caps are about limiting the overall revenue increases for the council from the municipality itself, and obviously the CPI has goods in the basket that go into that. There is some conversation that goes on with the Essential Services Commission with regard to how those calculations are done. Obviously in the water sector they have a particular set of things which are infrastructure heavy, so that is a conversation, Mrs McArthur, that is actually going on in terms of what a future calculation for rate caps might look like. But currently the ESC, through their current calculations, use the CPI basket.

Bev McARTHUR: So why do you think the ESC or the government does not use a measure that is more effective for local government needs, such as a measure that focuses on the rising costs – and we have heard this from the minister – of construction or road maintenance? Just as you have suggested, the water industry – that is how they calculate their –

Mike GOOEY: I think the current policy settings just make sense of that decision by the Essential Services

Bev McARTHUR: It would make sense.

Mike GOOEY: Well, no, it is a decision made by the Essential Services Commission from a policy perspective.

Bev McARTHUR: Are you putting a proposition to them that the rate cap should be more reflective of what it costs local government to operate?

Mike GOOEY: Policy conversations go on –

Melissa HORNE: It is an independent arm of the government. The ESC makes this decision independently.

Bev McARTHUR: So why did the government set the rate cap at 3.5 per cent when the ESC recommended 4 per cent?

Melissa HORNE: It was trying to strike the balance between recognising – and look, this is the largest percentage since the rate cap was put in place. I remember ringing David Clark when we were about to announce what the rate cap would look like. He is the president of the MAV. I had many conversations with many mayors in the lead-up about what that rate cap would look like, because they were conscious about their infrastructure costs rising. But also they were very conscious about the impact of cost-of-living pressures on their communities. My conversation with David basically went along the lines of, ‘I don’t think you’re going to get everything that you would ask for, but I hope this strikes the right balance of being able to say that we

recognise that there are additional costs for councils but there are additional costs for families in our communities.’ So that is why we set it, and he was very comfortable with that.

Bev McARTHUR: I am sure everybody will be pleased to hear he was comfortable. I think you said before, Minister, that nobody had applied for a variation.

Melissa HORNE: That is my understanding.

Bev McARTHUR: Yes. Okay. Has the government been informed by any council that they will need to reduce services or cut programs due to the rate cap?

Melissa HORNE: Not that I am aware of, but I do not know.

Bev McARTHUR: Could you take it on notice perhaps if you can establish –

Melissa HORNE: Well, Mike, you are in constant contact.

Mike GOOEY: I am not aware of any, Mrs McArthur. There are certainly conversations at the moment that are live, with councils setting their budgets for the next year. They all have their budgets out for consultation with their communities as a part of setting the priorities for communities.

Bev McARTHUR: So are you able to supply us with the councils that might be concerned about this and what reduced services and programs they might be looking at?

Melissa HORNE: Well, we do not do hypotheticals.

The CHAIR: Mrs McArthur, the witness has just answered your question, I believe, and I have been listening quite closely.

Bev McARTHUR: Thank you, Chair – so helpful. Going back to potential mergers, page 399 of budget paper 3 references the \$20 million rural councils transformation program which:

... incentivises the sharing of council knowledge, costs, and resources at a regional scale ...

Given the language is extremely similar to the language that preceded similar sharing arrangements before hospital mergers in the Grampians region, can you tell us why this program perhaps is only targeted to rural and regional councils? Wouldn't the purported benefits help service delivery in metropolitan communities?

Melissa HORNE: Look, without a doubt, and I think that – this was a program that was established in 2018. Having spoken to some of the beneficiaries, and it was Colac Otway, it was maybe Corangamite and one of the other adjacent ones –

Colin MORRISON: Corangamite and Surf Coast, I believe.

Melissa HORNE: Surf Coast. They all decided to be able to maximise the efficiency of things that they do through payroll and finance systems. They all managed to use this program to be able to have a common payroll and finance system. They have seen enormous benefits. In fact I do not know if you met with the Murray River councils that had a delegation to Parliament last week –

Bev McARTHUR: Not in my area.

Melissa HORNE: They were talking at length about being able to capitalise on something like this, because it also helps address that skills shortage.

Bev McARTHUR: Anyway, so long as it is not going to lead to, you know, proposed mergers and –

Melissa HORNE: It is about making things easier for councils.

Bev McARTHUR: Excellent, Minister. Oh, the time has come.

The CHAIR: Time is up. Time flies when you are having fun, Mrs McArthur.

Bev McARTHUR: Absolutely.

The CHAIR: Mr Hilakari.

Mathew HILAKARI: Thank you, Minister, and thank you, officials, for your attendance this morning, still. I would like to take you to budget paper 3, page 201, Minister. It is a performance measure called ‘Average number of days for Municipal Emergency Resource Program grant payments’ – and I will keep going – ‘to be made following completion of agreed milestones in the funding agreement’. It is quite a lengthy title to that performance measure. But what I am really after is some information about the October 2022 flood programs. Was this performance measure related to that.

Melissa HORNE: Thank you. As we saw in the floods, local councils are that real first responder when it comes to any emergency relief, and historically they have never received any sort of financial assistance for the things that they do immediately out there on the ground, whether it is getting rid of the debris off roads – I will give you an example. I live very close to where the Maribyrnong floods occurred, and within the first day of those floodwaters receding I was down there with the local mayor and the CEO just looking at the sheer devastation. Maribyrnong City Council was out there sweeping roads and they were moving trees and debris and litter that had come up all across footpaths and roads as well as seeing the devastation that occurred to people in my local community. Then in talking to, you know, particularly MAV president David Clark, he was explaining to me that this sort of funding was never part of an arrangement, so it was really good to be able to get a quick decision from government that said we will provide a new type of funding, that was the council support funding, to be able to do this sort of work. It was a \$33 million fund that ended up being paid in a couple of tranches to different councils depending on the level of impact of the floods that had occurred.

You were just saying to me, weren’t you, Emily, that every payment to a council was made prior to the end of December last year. Councils are still talking to me about that half a million dollars or up to one and a half million dollars that they received that just made them able to go out and do that important work without having to worry about where the money was coming from. So that was really important to be able to do. It is about getting that framework right to be able to support councils.

Mathew HILAKARI: You mentioned quite quickly getting this program out. What exactly do you mean by ‘quite quickly’?

Melissa HORNE: Well, as a government we had made a decision to establish that fund within a couple of weeks of the floods occurring, whether it was from, as I said, down in Maribyrnong or through up to, say, Shepparton or Rochester. You know, Campaspe shire had so much devastation for so long, and in fact there are still people that are not back in their homes. Going up to Shepparton and seeing the emergency relief centres that they had established, which were providing hot meals, hot showers and places of shelter for many members of the community, many of whom had been displaced, many of whom were vulnerable and did not have English as a first language – there were some really complex, challenging needs up there. This was so important. People in rural and regional communities in particular all pull together. I can distinctly remember meeting the woman up there who was on the shift to run the emergency relief centre. I just said, ‘What do you do for council? You’re employed by council. What do you do as your day job?’ And she said, ‘I do parks and recreation.’ So it is really seeing that spirit of cohesion and everyone pulling in together. It has been fantastic to be able to support such community resilience.

Mathew HILAKARI: So in your experience – and you have outlined a few experiences so far, and I am happy to hear more of course – is the municipal emergency resourcing program effective? That is what I am hearing broadly, but –

Melissa HORNE: Absolutely. Now, the municipal emergency resourcing program is a \$4.9 million recurrent program, and that is designed to assist rural, regional and outer metro councils to build those strategic emergency management capabilities. It is the planning that is so important as well, as we saw up in the Dandenongs, for example, and having that capability within a council to be able to plan for those sorts of things. Having the state emergency management plan and the *Vulnerable People in Emergencies Policy* is absolutely vital.

Mathew HILAKARI: And I think we are just going to see more and more of this over time, these emergency responses to an increasing problem around climate change. I mean, we have talked about the floods

and the Dandenongs. Did you want to go any further into what has happened in the Dandenongs? I have friends who live there, and we have representatives from across this area who were affected for such a period of time, those large trees in particular coming down across that community, cutting off roadways, electricity and access to vital services. So I am really interested in the ongoing nature of this program and the \$4.9 million. So that is to the previous budget and this budget, or what are we seeing over time?

Melissa HORNE: Look, you are absolutely right. We can confidently say that unfortunately the increase in natural disasters is going to become a thing of the future.

Mathew HILAKARI: Thank you, Minister.

The CHAIR: Thank you, Minister. We will go to Ms Sandell – 7 minutes.

Ellen SANDELL: Thank you, Chair. Good morning, everyone. I also want to ask about rate capping. Minister, you talk about it being an ESC decision, but it is government policy to cut rates, after all – it was your government's policy. CPI is sitting at 7 per cent, and we have got a rate cap of 3.5 per cent. Can you honestly say that councils are going to be able to deliver the same essential services with less money?

Melissa HORNE: Well, as I said, Ms Sandell, it is about getting the balance right. And I think we have got a number of things in place that provide us with assurance that councils are actually out there, you know, in a good financial sustainability place. We have got the Auditor-General's report that has looked at all councils – all their budgets are audited – and admittedly they have got different-sized budgets, but that does show them in a financially viable state. But it is not the only source of revenue, as I said. They have had money from the Commonwealth, they get money from the state and they have also got a waste management charge that every council is now applying. I think it is for councils to be able to manage their budget within their budget envelope.

Ellen SANDELL: I appreciate all of that, but councils are constantly telling us about the pressures that they are under. They are expected to provide more and more essential services. For example, if we just look at maternal and child health funding, my understanding is that councils are expected to match the \$179 million for maternal and child health and early parenting services. It is supposed to be a 50–50 split – there is an MOU with the state – but councils are telling us that they are actually now funding about 70 per cent of those services rather than the 50–50 split. Is the government going to allocate more funding to get that back to the genuine 50–50 split under the MOU?

Melissa HORNE: I have conversations with council about this all the time, and as you would appreciate – and this is probably more a question for the minister for early childhood – we have got a very ambitious target in terms of free kinder, much of which is co-located with childcare services.

Ellen SANDELL: This is maternal health. I appreciate the kinder agenda, but this is maternal health services. My understanding is that particularly during COVID a lot of services were pushed to them when, say, hospitals did not have enough midwives to do postnatal checks and things like that, but councils are now being asked to deliver more services through maternal health centres without extra funding.

Melissa HORNE: That is really a matter for the Minister for Health, but we stand in active partnership, and we have increased our funding to local councils, as has, as I said, the –

Ellen SANDELL: But there is no extra funding for maternal and child health to get back to the 50–50 split?

Melissa HORNE: It is not a line item within the budget.

Ellen SANDELL: Is the MOU still the government's policy, though, that it should be funded 50–50 – state and local council? Does that still stand?

Melissa HORNE: Is that you, Michael or Emily?

Emily PHILLIPS: Sorry, I did not catch your question.

Ellen SANDELL: My understanding is there is an MOU between local government and the state that they would each fund 50 per cent of maternal and child health services. Is that still the policy?

Emily PHILLIPS: That is not an MOU that sits within this portfolio.

Ellen SANDELL: Okay. You mentioned libraries in some of your presentations. I agree – they are really, really important facilities for our local communities on a number of different levels. The MAV reports that the state government contribution to library funding is now just 17 per cent. Why has that decreased so much?

Melissa HORNE: I think they are a little confused with their numbers, to be honest. We have maintained the same level of funding for libraries as we did last year.

Ellen SANDELL: So the MAV is not correct? They are saying it is 17 per cent less.

Melissa HORNE: Look, I would need to understand what is driving the MAV to say that, but our funding with libraries – I appreciate it is not a line item in our budget, it is part of the department's allocated funding. It is at the same level, though, as it was last year.

Ellen SANDELL: Okay. I appreciate we talked a bit about this in regional development, but I think it also sits in your portfolio, around funds like the Tiny Towns Fund, for example. We are seeing this a little bit across government where we see these competitive grant funds to fund what are really essential services or upgrades to essential infrastructure in small towns in particular. What is the rationale for relying on these competitive grant processes? Shouldn't we instead just have funding based on need – when something needs to be upgraded, it gets upgraded – rather than making towns compete with each other for scant grant funding?

Melissa HORNE: I do not have any oversight of the tiny towns funding, I am sorry, and I am unaware about the criteria. What we do do is – and it was to Mrs McArthur's point about the roadside weeds and maintenance program, for example – we periodically review our funding sources and periodically review the allocation to councils, and as a result, that is why there were changes made to, say, the roadside weeds and pests program.

Ellen SANDELL: Okay. I think it goes to my question before about rate capping, though. My understanding is that it is becoming a lot harder for councils to set their budgets to deliver the services they need because they are in this constrained environment and they are having to rely more on grant funding, which is taking up a lot of resources and is a competitive process, so not everything that needs funding gets funded. So is the government going to review your rate-capping policy in light of, particularly, increased construction costs as well, which are impacting it?

Melissa HORNE: Look, we believe that we have tried to get the balance right in setting this year's rate capping. We are not stepping away from rate capping. I mean, other parties may have different views and different platforms, but we will not be stepping away from rate capping, because ultimately it has managed to make sure that we have got councils that are financially sustainable, but also we are doing the right thing by local communities, by ratepayers, who are under considerable financial stress.

Ellen SANDELL: But they also rely on council services. They are not nice-to-have services, they are essential services. I assume you would agree with that.

The CHAIR: Apologies, Ms Sandell, you are out of time. We are going to go to Ms Kathage for the last 7 minutes.

Lauren KATHAGE: Thank you, Chair, Minister. Minister, in your presentation and in an earlier answer you, I guess, paid tribute to councils for the difficulties that have been experienced over recent months and the disturbances that they have been experiencing. Can you please advise what guidance and support you have provided councils in how to deal with the disturbances at council meetings as we have seen recently?

Melissa HORNE: Thank you. I have got to say I think this is one of the most confronting parts of my work in this portfolio, because we have got a number of councillors, CEOs and staff who have been under considerable pressure and have felt that their personal safety has been under threat. I know there is one mayor of a large regional council who has got protective detail on her during council meetings. We have had another mayor of a metropolitan council who has had death threats, has had her children targeted as she has walked to and from school. Frankly, this sort of behaviour is unacceptable. It is having a number of impacts in terms of, as we go into the elections next year, people assessing whether they want to actually run for council or not. I think

in particular – and this is a really difficult thing to be able to manage – we have set a target of trying to get 50 per cent female representation across all of our councils at next year’s elections, and particularly when women are having threats of violence, it makes people really consider what they want to do. So Local Government Victoria has been doing a power of work with local councils to be able to say, ‘What are the practical measures that we can do to be able to give you that support and make sure that council meetings are safe meetings – they are safe and respectful meetings?’

LGV had a meeting in early May with Victoria Police, because as you can appreciate, a lot of the time it is often Victoria Police who is providing the advice and that assurance to local councils when they are receiving threats about activities they are undertaking. So it was local CEOs, Victoria Police and the MAV, to really workshop what those proactive measures can be and to be able to try and move to a place where they are empowered to do a number of things. There were a number of suggestions, I understand, that were raised at that meeting, and they were really simple things like getting people to sign in and provide identification, just as visitors do when they come to Parliament. I know, for example, in my local council area, Hobsons Bay, they needed to do that at one of the local government meetings, one of the local council meetings they had, when there was a contentious issue that was being debated there. It was suggested that attendance at council meetings could only be open to residents and ratepayers. That was another thing that was suggested at that meeting. And also the police explained to council CEOs steps for what they can do in warning a disruptive member of the gallery. They need to actually ask them to leave before the police can act.

So out of that work that was done a working group was made up of the most affected councils, LGV, VicPol and MAV to be able to progress some practical measures. Some of the ideas include consistent governance rules to improve behaviour at local council meetings, including things like entry requirements; advice on how local laws can be better utilised to deal with disruptive behaviour at council events; and meeting guidelines as well on how to engage with police when dealing with incidents and threats. So I think it is a combination of these factors that hopefully will make sure that councils do feel safe and they feel empowered to be able to continue doing that really important part of the democratic process that they do.

Lauren KATHAGE: Thank you, Minister. What do you think is causing this increase in disturbances?

Melissa HORNE: I think there is a bit of a misconception that it is a vast amount of people. I think by and large – and certainly this is the advice from VicPol – it seems to be a very small number of people who are targeting a whole range of councils. Entry requirements would certainly be one of those things that councils could choose to implement, and making it open to ratepayers and residents, for example, because often what we are seeing is disruption that is occurring from people that are moving across council areas. You know, there is some crazy stuff going on out there. I spoke at length to the mayor of Yarra Ranges, who had made the decision to move the council meetings to an online environment simply because the council felt so threatened. It was around the issue of mobile phone towers. Whilst people of course can have their own views about different things, making them targets of aggression and disruption, frankly, is not on. With an eye to the clock I would like to say I give a shout-out to our councils. On IDAHOBIT day every single one of our 79 councils flew the rainbow flag, and that is a celebration of what our councils do. They celebrate diversity and inclusion.

Lauren KATHAGE: Thank you, Minister.

The CHAIR: Thank you, Minister. On that note, that brings us to the end of questions from the committee for this portfolio today.

Minister and department officials, thank you very much for appearing before the committee. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee’s request.

The committee is going to take a very short break before beginning its consideration of the portfolio of casino, gaming and liquor regulation at 11:40 am.

I declare this hearing adjourned.

Witnesses withdrew.