

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 21 May 2014

Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr T. Bull, Minister for Local Government,

Mr D. Yates, Secretary,

Ms S. Eddy, Deputy Secretary, Finance,

Mr T. Garwood, Deputy Secretary, Local Infrastructure,

Mr N. Foa, Executive Director, Local Government Victoria, Department of Transport, Planning and Local Infrastructure.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — We will resume the hearings with Minister Bull, this time on the local government portfolio, hearing no. 34 of the 2014 estimates. I need to make a declaration. As the Parliamentary Secretary for Local Government my practice in the last year or so has been that I intend to remain in the chair but not participate in the questioning process. I welcome back the minister, and from the Department of Transport Planning and Local Infrastructure the Secretary, Mr Dean Yates; Deputy Secretary, Finance, Ms Sue Eddy; Deputy Secretary, Local Infrastructure, Mr Terry Garwood; and the Executive Director, Local Government Victoria, Mr Nick Foa. I believe the Director, Governance and Funding, Mr Colin Morrison, is in the gallery and may be called. The minister now has an opportunity for a brief presentation of no more than 5 minutes on the budget estimates for the local government portfolio. Welcome again, Minister.

Overheads shown.

Mr BULL — Thank you, Chair. As we go through the PowerPoint, you can see on the slide some key statistics that relate to the sector highlighting its great diversity across the state. I will make a few key points.

The sector is responsible for \$73 billion in assets. Each municipality manages significantly different budgets. Rural council budgets average \$41 million, the smallest of those being \$13 million. Metropolitan council budgets average 154 million, the largest approximately 380 million. You can see the great diversity there. The sector also employs around 48 000 people.

This slide show some of the key achievements for 2013–14. Victoria has been instrumental in implementing enhanced performance reporting legislation to enable the new performance framework that was brought before Parliament in February this year, which received bipartisan support in both houses. These reforms will ensure that Victoria is leading the country and boosting the performance of local government, with a strong focus on improving transparency, reducing red tape, removing duplication and indeed modernising reporting to the community.

Victoria has embarked on the most wide-ranging governance and conduct reforms in many years. These are contained in the Local Government Amendment (Governance and Conduct) Bill 2014, which is currently before Parliament. It has involved extensive community and sector consultation and resulted in a range of proposals to promote good conduct by elected councillors and to support effective governance by councils.

The electoral review is the most comprehensive of its kind. The local government electoral review panel, which was chaired by Petro Georgiou, AO, has made a number of recommendations regarding electoral matters, and we will be tabling the report in Parliament shortly.

The Ministerial Advisory Council on Public Libraries has completed a landmark two-year review. The advisory council has recommended a proposed future approach, the Victorian Library concept. This concept has the potential to significantly improve the effectiveness and quality of public library services in this state.

The government made a commitment to review the Victorian State-Local Government Agreement. The new agreement has practical significance and provides an overall framework for our future relationship with the sector. A revised VSLGA was released last year as the basis for further consultation with the sector, and it was unanimously passed by the MAV just last week.

Through Local Government Victoria the Victorian government continues to work with local councils to contain cost and build capacity. Some 36 councils are currently collaborating in the advancing collaborative practices program, which largely involves joint procurement.

The government continues to support Victorian councils in undertaking their emergency management responsibilities. The municipal emergency resourcing program is targeted at 64 councils within the CFA boundaries. The government has recently announced a two-year \$9.12 million extension to that program.

The ministerial-mayors advisory panel is an integral part of the relationship between me as minister and the mayors. It enhances the advice I receive on local government matters, and indeed I am meeting with that group later today.

The Local Government Investigations and Compliance Inspectorate continues to play an important role in investigating alleged breaches of the act, and its powers are set to be increased. A key focus of 2014–15 is the

further implementation of the local government reform agenda. This includes the performance reporting framework and the governance and conduct reforms, and Local Government Victoria will work closely with a number of councils on ways of reducing costs and generating productivity through joint procurement.

In 2014–15 the Victorian government will provide 39.52 million as part of the public libraries funding program — the largest amount ever provided. The Living Libraries infrastructure program will continue, and I look forward to shortly announcing the successful projects in the latest round. One million will again be provided through the Premiers' Reading Challenge, and work will progress on the Victorian Library concept. An amount of 12.5 million will be directed to the local government sector to drive the most extensive reform agenda in a number of years.

Under the 2014–15 budget, total Victorian government grants to local government, excluding transfers from the commonwealth and natural disaster funding, will increase to an estimated 310 million. This is an increase of more than 64 per cent over the amount provided by the previous government. This reflects the vital importance to councils, particularly in rural Victoria, of such programs as the Local Government Infrastructure Fund, the Country Roads and Bridges program and indeed Putting Locals First.

Mr ANGUS — Minister, would you outline to the committee the budget initiatives in your portfolio which will strengthen Victorian communities, both in the coming year and over the forward estimates period?

Mr BULL — The local government portfolio has a very central role in supporting and strengthening local communities through the framework set by the Local Government Act 1989. The government works with Victoria's 79 local governments to deliver a vast range of services to the wider community. My portfolio takes a range of approaches to supporting stronger communities in partnership with local governments. This includes compliance and oversight via the Local Government Investigations and Compliance Inspectorate through to legislative reform and a range of capacity development projects also within local governments.

Also critical is the major funding responsibilities of the Victoria Grants Commission, which distributes around half a billion dollars to councils and their communities annually through its allocation model. Periodic adjustments of course are required to this allocation model to create a level of fairness and also equity in the distribution of those funds.

Standout projects and programs this year and into the next include improved performance reporting by councils. This two-year project will now be developed into a public website that presents the community with all kinds of useful information that will relate directly to their own council's performance. This will be a major accountability dividend being realised as the new framework commences its operation. The community will be more informed to ask questions of their councils, and councils will have a new resource to of course measure and monitor their own work in comparison to others.

Support to councils in collaborative procurement work continues, with efforts to realise efficiency gains by council groups purchasing collectively. My department provides follow-up support with guidelines, manuals and templates to replicate successes across the state and also to benefit communities.

Significant legislative reform this year includes the councillor conduct and governance reform, which was recently introduced into Parliament. Communities do expect high standards of behaviour from their elected representatives, and these reforms will strengthen this level of accountability and also the standards that accompany it.

I am pleased to note that alongside these reforms is funding for the inspectorate. This will obviously work with their support into the future. This is a critical role that ensures the integrity and community confidence in the local government system. The reformed inspectorate will take over the administration of the councillor conduct panel system. Councils will be required to revise their own dispute resolution procedures and better deal with conflict and resolve problems before they actually get to the panel stage — an outcome I am sure everybody will welcome. The reforms also introduce new offences for councillors issuing improper direction to council staff and obviously the misuse of confidential information.

Extensive support material will be released in the coming year to the local government sector that will assist the councils to make the required changes under this new scheme. The extensive reforms will restore the high community expectations of councils in their community and make clear the line between what is acceptable and

what is unacceptable behaviour. Community expectations of councils remain ever high, and it is important that we work together with councils to meet the needs and requirements of the wider community. As Minister for Local Government, I endeavour to visit as many councils as possible. Face-to-face meetings are the only way to build trust and for both levels of government to understand the respective perspectives and challenges.

In conclusion, I am pleased to inform you that the most recent preliminary analysis of community satisfaction survey results just compiled indicates that across Victorian councils there have been significant increases in community satisfaction for the measures of overall council performance, customer service and advocacy, compared to results from last year. Given that the survey is conducted annually, with some 28 000 respondents commenting on their council's performance, it is with confidence that we state that confidence has gone up and our ratepayers are generally happier with the performances of their local councils.

Mr PAKULA — Minister, I am glad you went to the question of community satisfaction with councils. One area where there is an ongoing dissatisfaction with council is with the issue of council rate increases, and particularly rate increases that are substantially higher than the CPI. We have had examples in recent times of 150 000 spent by Kingston to build an electronic monument to a 1966 UFO sighting at Grange Reserve in Clayton; you have got the city of Geelong spending \$500 000 to buy a floating Christmas tree; and other well-publicised examples of expenditure by local government that could only be described as excessive. I am wondering, in those circumstances, and given the need to improve community satisfaction with the performance of local government, why there are no initiatives in this budget, whether it be rate capping or anything else, to deal with the question of these sorts of wasteful practices and to begin to restore community satisfaction with the way councils rate their services.

Mr BULL — Thank you, Mr Pakula, for your question. I can say that the government is very well aware of the cost of living pressures that are currently on many families, and we are committed to working with the local government sector to obviously help them reduce pressure on council rates and the very pressures that you refer to. It is being achieved; we are achieving this. There are measures in this budget to achieve downward pressure on rates — targeted grants and real actions aimed at reducing the cost of council operations and increasing the productivity of councils.

Since our election in 2010 we have significantly increased funding to local government to put downward pressure on rates. Following the handing down of our 2014–15 state budget, total Victorian government grants to local government are now more than 64 per cent higher than under the former government in 2010, such is our increased level of support. Much of this funding has been targeted at our rural and regional municipalities, and you would be aware of the Whelan report that was handed down that identified a number of the challenges facing our rural and regional councils. Some of the initiatives of this government include the \$160 million country roads and bridges program and the \$100 million local government infrastructure program, which sits under the larger Regional Growth Fund. These are funding programs that have been applauded by councils.

I visited a few over the past six weeks, and they have espoused the benefits of these programs in relation to putting downward pressure on rates, which in effect puts downward pressure on the cost of living expenses of families, to which you refer. There are many other programs that are also assisting our councils and therefore — the follow-on — our ratepayers. The roadside pest and weed program — almost \$8 million there — and the 9.12 municipal emergency resourcing program are other programs that are assisting councils with balancing their books and meeting the needs and the demands of the community.

My department is also working with, at present, 31 councils on a further measure relating to joint procurement processes, and this will obviously again put downward pressure on council rates. Some of the areas where joint procurement is being looked at are parks and services, WorkCover and the development and implementation of shared services. Some councils are looking at sharing their IT services to put downward costs on rates, and the feasibility of biodiesel for heavy vehicle fleets is something where other councils are looking at collaboration. These are all projects that this government is working on with local government to put downward pressure on rates and improve the financial sustainability of councils in various areas, but particularly in our rural and regional areas.

In relation to rates, I will point out that under the previous government the total statewide rate slug in 2003–04 was 11.76 per cent; that was the average.

Mr PAKULA — 2003–04?

Mr BULL — Yes, when CPI was just 3 per cent, and I will get to the trend I am pointing out, Mr Pakula. Across Victoria the rate rises this year, in 2013–14, are at the lowest level since 2000. Council rate rises under the previous government were, on average, 8.42 per cent, compared with 5.86 per cent this year. I am just pointing out we are on a downward trend with our levels of rating, and it is a trend that is continuing. Already this year we have seen 60 councils adopt their draft budgets for the purpose of community consultation, with proposed rate increases down, again, to 5.2 per cent, with the lowest being Corangamite shire on 2.1, so they are obviously doing something right there. Clearly the support of this government is helping to keep council rates lower.

We have seen, I guess, a proposal put forth. I think you mentioned rate capping in your question as being proposed by the opposition as an approach, and clearly that has led to a lot of commentary around the widespread issues it has caused in New South Wales. A recent New South Wales independent report on this very matter revealed that 75 per cent of councils are at risk of becoming unsustainable as a result of that action. We have heard a lot of commentary from the MAV and other representative bodies about the fact that they would prefer to work with government to put downward pressure on rates. They are very supportive of the programs that we have in place to put downward pressure on rates, and they are strongly opposed to the provision of a rate cap.

In relation, Mr Pakula, to your comments about some of the areas where funds are being expended — and I think you referred to the Christmas tree at Geelong, which was mentioned this morning — in relation to any matters that an individual council makes, as the state government we respect them as being the third tier of government. Draft budgets are out right now, and people can see what are in their local government draft budgets. We ask councils and community to get together to talk about what the priorities are in the area. Whether it is Christmas trees or not, or whether it is building a new pool or a new library, we strongly endorse ratepayers and ratepayer groups having open and honest consultation with their council on what the priorities in that particular municipality should be.

Mr Ondarchie interjected.

The CHAIR — Order! Do you have a supplementary, Deputy Chair?

Mr PAKULA — Yes, I do. I am just waiting for Mr Ondarchie to stop yabbering.

Mr Ondarchie interjected.

The CHAIR — Order! The opportunity is to question the minister, not other members of the committee.

Mr PAKULA — Minister, I note that you have indicated the MAV's view, and I have no doubt that you are right about it. I am sure ratepayers, though, have a different view. You made your comment about draft budgets, many of which have been released since the opposition made its announcement, and I have no doubt that has had an impact. You talked about — —

Members interjecting.

The CHAIR — Order! Government members, the Deputy Chair has the opportunity for a supplementary. I would appreciate it if he could get it out.

Mr PAKULA — Thank you, Chair. Minister, you talk about respecting councils making these decisions on their own. This is a photo of two Liberal Party candidates with an Arnold Schwarzenegger impersonator paid for by the ratepayers of the city of Casey — —

Members interjecting.

The CHAIR — Order! The Deputy Chair is well aware that the use of props, whether it be in the Assembly or in committees, is not allowed.

Mr PAKULA — Minister, is that the kind of autonomy you are talking about when you say it is appropriate for government to just stand by and take your foot off?

Mr BULL — Thank you, Mr Pakula, for your question. I have not said it is appropriate for government to stand by and to take its foot off; I did not say that at all. What we are doing is actually increasing the accountability levels for local government. Our new enhanced performance reporting framework, where councils will have to list a number of areas on the My Council website, will indeed make councils a lot more accountable for the decisions that they make, whether that be around expenditure, infrastructure costs, what is deemed to be appropriate or what is deemed to be not appropriate. They are the very steps that we are taking to improve openness and improve accountability amongst our councils.

When you are talking about individual circumstances — whether it be the matter that you just referred to, whether it be the Christmas trees in Geelong — I do not know what the lead-up to any of those decisions was, what the basis of them was, what the reasoning for them was, but we would say to councils that, just as federal government, state government, all three jurisdictions and all levels of government, have to be responsible to taxpayers — to ratepayers — we expect councils to be the same. We are improving measures so that councils do have to be more accountable. We are getting them to put their data up on the website.

At the end of the day democracy will reign. We have council elections coming up in 2016 and we have a state election coming up later this year, and at the end of the day voters will make the call on whether they believe their representatives, at whatever level of government, have served them appropriately or not. They can have the ultimate say at the ballot box. But we are all in favour of increasing the openness and transparency around decision making, particularly in relation to expenditure and the like. As I said in my previous answer, draft budgets are out now and we ask ratepayers and ratepayer groups to have those very discussions with their councils around the contents of those budgets and what is appropriate and inappropriate spending.

Mr O'BRIEN — Further to that matter of performance measures and performance reporting, I refer to pages 251 and 252 of budget paper 3 and to the output measures for local government, and I ask: Minister, could you provide any further information on the government's extensive reform agenda aimed at improving the quality of democratic representation and enhancing accountability and delivering value for ratepayers money?

Mr BULL — The state is very committed to working in partnership with local government to deliver a range of initiatives which together make up the local government reform agenda. Key initiatives include a review of the local government electoral system. The review will ensure that Victorians can be confident that the electoral system under which we choose our local government representatives is fair, that it is transparent and that it promotes effective participation. Councillor conduct and governance reforms seek to balance support for the independence of the sector while lifting standards and providing the appropriate oversight by the state. There is a stronger focus on codes of conduct and penalties for poor conduct. More expeditious and timely conduct panel hearings will include the power to dismiss individual councillors who are found guilty of serious misconduct.

Improved performance reporting for the sector makes it easier for people to see where their rates dollars are going. It will enable ready comparison of key indicators so the community can see exactly how their council is performing and also make it possible for them to compare their council against other similar councils across the state. Significant efforts have gone towards ensuring that the new framework uses existing data collection where possible so that we do not increase the burden on councils.

Under the new Local Government Amendment (Performance Reporting and Accountability) Act, councils are required to detail all funding sources and expenditure for their capital works projects in their strategic resource plans, or SRPs. For the first time, through these detailed SRPs, linked to the council plans, a complete picture of planned expenditure, funding sources including grants and council's own investment will be detailed, which I think in part addresses the previous question. This will provide a complete picture by council, by region or across the state, which will provide a setting for much greater and more detailed planning.

In addition, this government has committed to reducing unnecessary red tape to streamline local government reporting. There has been a removal or streamlining of 38 current reporting requirements on local government already, and there is the hope of further reductions in the future. Cost containment strategies are being undertaken collaboratively between the state and local governments to reduce local government costs and facilitate improvements in sector productivity. Analysis of cost drivers in specific areas of local government is

currently under way. In addition, work is currently being scoped which will facilitate benchmarking of costs in the sector.

The state is also working collaboratively, as I mentioned, with 31 councils on six joint procurement and shared services projects. This is all aimed at reducing costs and providing better services to ratepayers. The projects include the feasibility of converting heavy fleet vehicles to biodiesel, the regional WorkCover agency services project and shared services governance models. There is no doubt the program of work involves an ambitious and forward-looking set of legislative, policy and practical actions that will ensure that our state's local government sector continues to be the best performing local government sector.

These reforms are focused on innovation and improvement, and most importantly they are being carried out in partnership with the sector itself to ensure that they are workable and that they deliver on the expectations of councils and also communities.

The CHAIR — We have 1 minute left.

Mr SCOTT — I will make it very quick. I will just refer to funding sources for local government. I will truncate the question, but that is what it relates to. In previous budgets an allocation of \$1 million was made to the Murrindindi shire in relation to the special needs that that shire has because of the damage caused by bushfires. Are there any allocations made — and I am referring to local government, so it is relevant to the sector — to Murrindindi shire to meet the ongoing cost of bushfire reconstruction projects in this budget?

Mr BULL — Thank you for your question, Mr Scott. I am well aware of the fact that that contribution was made in the previous budget and of the impacts on that particular community. Where those works are at and where we are sitting in relation to further works having to be undertaken, and whether there is indeed a need for further works to be undertaken over and above what has already been completed to bring that council back on track to the appropriate levels, is perhaps something I can take on notice and get back to you on. I understand that your question is: is there anything in the budget? I am not sure where the work schedule and program sits at the moment — whether there is a need for anything to be in the budget — so that is something I will need to check up on for you in relation to the progress of recovery works.

The CHAIR — It is now 1 minute past 12, so we are unfortunately out of time. There is one question on notice implicit in that final question. I thank the minister, the secretary and departmental officers for their attendance. That concludes the hearings.

Witnesses withdrew.