

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into rate capping policy

Melbourne — 12 April 2016

Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Shaun Leane

Ms Melina Bath

Mr Adem Somyurek

Mr Richard Dalla-Riva

Mr Daniel Young

Participating Members

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Witnesses

Mr Stephen Wall (sworn), Chief Executive Officer, and

Ms Celia Haddock (affirmed), Director, Corporate Services, Maribyrnong City Council;

Mr James Scott (affirmed), Director, Corporate Services, Moreland City Council; and

Mr Gavin Cator (affirmed), Director, Corporate Services, Darebin City Council.

The CHAIR — I welcome officers from the cities of Maribyrnong, Darebin and Moreland. I declare the hearing on rate capping open and indicate that evidence given here is under parliamentary privilege and comments you make here are protected; those outside are not necessarily protected. You will be provided with a transcript in due course to make typographical corrections.

It would appear that we do not have Darebin represented. We might get started. If I can thank both Moreland and Maribyrnong for appearing and perhaps ask if you would start with a very short submission and then we will ask some questions.

Mr WALL — It is a real pleasure to be here today to talk about the rate capping legislation. The City of Maribyrnong has had a rating strategy that has been tied to CPI for the last six years. Maribyrnong City Council recognised a number of years ago that we had an asset backlog, meaning that the standard of our assets had deteriorated over a period of time and there was a level of spend required to bring the assets up to a suitable standard. As a means of addressing that asset backlog, council adopted a rating strategy of consumer price index in a given year plus 2 per cent, with the 2 per cent above CPI being dedicated to asset renewal. That policy has served the council very well over the last six years, and the level of asset of backlog has reduced from \$80 million to about \$50 million. If that strategy was able to continue, we believe council would have well and truly had its asset backlog under control in the mid-2020s.

On that basis, Maribyrnong City Council has been disappointed with the rate capping legislation as it has come through. This year the 2.5 per cent is effectively about 1.2 per cent less than what council would have been proposing as a rate increase for its city. I think it bears mentioning that in the last rating year, council's rate increase of 3.7 per cent was one of the lowest in the state. Our council was automatically putting downward pressure on rates, and I guess we are disappointed that the rate capping environment has come in. It means that council's rating strategy has to change going forward.

We understand that the rate capping legislation, as it stands, is likely to have an \$81.5 million impact on Maribyrnong City Council over the next 10 years. This is obviously of deep concern, and council will have to be seriously considering its services into the future.

The CHAIR — Further commentary?

Ms HADDOCK — No. I am happy with our CEO's presentation.

The CHAIR — And Moreland?

Mr SCOTT — Thank you for the opportunity to make this submission on behalf of Moreland council. Council is concerned about the decision made in December to set the rate cap at 2.5 per cent for the 16–17 financial year, as it appears to effectively abandon the methodology proposed by the Essential Services Commission. In particular, last year council negotiated a three-year enterprise bargaining agreement that was based on setting employee costs to fit within the rate cap based on the 3.05 rate — —

The CHAIR — That was the recommended — —

Mr SCOTT — That was the recommended one prepared by the ESC. The later selection of the 2.5 per cent set by the Minister for Local Government has significantly impacted our 2016–17 budget, reducing planned income by \$640 000 and potentially more over the full three years of the EBA. We cannot give you what that longer term impact is, because without a methodology, we are not sure what the future rate rises might be that we should be planning for. So not having a methodology stifles our capacity to undertake long-term planning and orderly business transformation, because we do not know that future rate income. It is worth bearing in mind that rate income makes up 74 per cent of Moreland's total revenue.

In addition, council recognises that cost of living pressures are an issue for our community and the wider Victorian community, and that this has notionally underpinned the introduction of the rate cap. The council is trying to do its bit to keep downward pressure on rates, and the new EBA is an example of that. However, it is worth recognising local government takes in 3.4 per cent of taxation across Australia and the council is interested in understanding what state and federal governments do with the 96.6 per cent of tax and what they are doing to reduce the cost of living pressure.

The third item council is interested in or concerned about is cost shifting by the state government, as it continues to impact council's financial sustainability, particularly under the rate capped environment. I would like to highlight two particular examples. The first is planning fees, which are set by the state, which have been frozen for over 14 years. Note that the number of rateable properties in Moreland has increased by almost 13 000 over those 14 years, which has meant that more than one-fifth of Moreland was built in that time. In that time clearly the planning fees, being kept low, have been subsidised by rates. We estimate that the revenue forgone by council for the past four years is over \$9 million, and the review of the planning fees announced in October 2015 is welcomed as an opportunity to demonstrate the extent to which council subsidises the private development market in this area. However, council questions why it has taken so long for a review to happen.

The other point in terms of cost shifting is it is noted the state government introduced a planning application levy in July 2015 for development projects valued at more than \$1 million. Council is preparing to redevelop a leisure centre complex, the biggest single investment ever made by council, and was required to pay an additional amount, being \$30 000, to the state prior to being able to issue the planning permit.

The CHAIR — 30 000?

Mr SCOTT — 30 000. It is worth noting the state has no planning jurisdiction for the project because council will actually provide the planning review. So council sees this as the state government has addressed its planning income needs but not that of local government.

Council is also concerned about the new reporting requirements proposed by the ESC. This is creating the perception that the accountability for services provided by council is being moved away from our councillors, as elected representatives, to an unelected body, the Essential Services Commission.

Lastly, council is working within the rate cap and at the moment we are able to make that work. But the concern is that the most likely long-term impact is on the provision and maintenance of infrastructure.

The CHAIR — I thank both councils. I do not whether we have heard any further from Darebin. We are calling. Okay. My question I guess is around the EBA in the first instance. Can you both perhaps outline briefly for us the increments in the EBAs that have been signed. Yours at Moreland has been recently signed?

Mr SCOTT — That is right.

The CHAIR — You hooked that to the 3.08 per cent?

Mr SCOTT — That is right.

The CHAIR — Can you perhaps give us the nominal steps into the future, noting that the movement between bands actually often adds a bit, and what the difference thereby will be to a rate cap number? Maybe if we could also get the same from Maribyrnong.

Mr SCOTT — I do not have that particular detail today, but I can certainly provide that to the committee. Essentially the way the EBA at Moreland has been structured, which again is also a change from the past, is instead of having an annual increase, it has actually got six-monthly increases, which delays the financial implication of an increase. It is also the lowest increase that has been agreed in the time that Moreland has been undertaking EBAs. But I can get that information for you.

Mr WALL — In regard to Maribyrnong, the Maribyrnong City Council is in the last year of its current EBA, and EBA negotiations are currently underway for a new agreement that will come into effect from 1 July 2016. The last enterprise bargaining agreement we had at Maribyrnong City Council had three annual increments of 3.4 per cent. We understand the bracket creep, if you like, is about 0.6 per cent in Maribyrnong City Council's example. So, based on the similar proportions that Moreland mentioned, about 60 per cent of council's revenue comes from rates and about 50 per cent of council's expense is wages. So when you look at a 2.5 per cent rate increase with a 0.6 per cent bracket creep, if you like, this will be a particularly challenging EB negotiation process.

The CHAIR — You might be able to provide those detailed figures to the committee as well, perhaps tabulated in some way so that we can review that?

Mr SCOTT — Happy to, Mr Chairman.

The CHAIR — I might just take this opportunity to have Mr Cator sworn in. And is there a short initial statement that you wanted to make?

Mr CATOR — There is, if I could.

The CHAIR — Yes.

Mr CATOR — Thanks, Mr Chair. Just in relation to Darebin City Council, we have done a considerable amount of work relating to the longer term impacts on rate capping, as you will see by our submission. In essence, business as usual is unsustainable for Darebin City Council. If you compare the effective long-term strategic plan income to the cumulative rate cap income, there is a loss of approximately \$167 million.

The CHAIR — Over what period?

Mr CATOR — Over a 10-year period, apologies. Fortunately Darebin is in a reasonably strong financial position, so we are able to deal with that in the initial instance, but, as I said, business as usual is unsustainable and it will require council to do a considerable amount of work over the following 18 months to look at increasing revenue streams, potentially reducing services to the community and eliminating all waste, if you like, out of the budget. That process has commenced for this current budget, but a further examination will be required going forward. Chair, that is probably it to start with.

The CHAIR — Okay. I am not going to review the question I asked of the other two councils, but perhaps I can ask you to take on notice the impact of your EBA and some figures around that which Keir could follow up.

Mr CATOR — Yes.

The CHAIR — The second question I had for each council related to the matter of planning fees, which has been singled out by a number of councils. What is the difference between the cost of administering and the amount collected in planning fees annually, so what is the wedge, in effect, of cross-subsidy? And if we moved there, how much would that mean in additional revenue for the councils?

Mr SCOTT — Moreland understands that figure for the last four years has been close to \$9.25 million.

The CHAIR — In aggregate?

Mr SCOTT — In aggregate.

The CHAIR — So how much annually?

Mr SCOTT — I cannot give you that as a breakdown because we do have varying volumes of planning occurring at Moreland, but certainly last year we had 1300 new properties in Moreland.

The CHAIR — So perhaps if you could give us the figure for last year, that would be helpful.

Mr SCOTT — Certainly.

Mr WALL — Chair, I do not have that information here with me today, but I can take the question on notice. But it is worthwhile noting that Maribyrnong City Council is experiencing exceptional population growth — in fact, a doubling of population in the next 25 years — so the level of development and growth in our city is quite staggering. But I will have to take the question on notice.

Mr CATOR — I would need to do the same. But again, Darebin has and is expected to grow by approximately 40 000 people by 2030, so we will require extensive planning work as well. We have done some work in relation to your earlier question with the EBA, but I have not got those figures with me, and I will give you those as well. I can say that just lowering an EBA figure to 2.5 per cent still equates to a significant loss over the next 10 years, of income.

The CHAIR — And what services would we lose?

Mr CATOR — We have not done the work on the services; that is the next stage of our service planning work that we are currently doing. We have identified approximately 20 or 30 services that do require review in the next 6 to 12 months, and we will be doing that in that time frame to also ascertain the community's desire for those services, the level of service, whether we are overservicing or underservicing and having a discussion with the community relating to that.

Ms SHING — Thank you, everyone, for attending the hearing today and for providing the additional information that you have, both in your submissions and in your oral answers to questions from the Chair to date. The rate capping legislation, as you would all know, was in fact supported by all but one member of this particular committee. I note that in relation to the comments that we heard from the outset from Mr Wall and Mr Scott that the positions taken by your councils indicate a significant degree of disappointment with the way in which the process was undertaken and the way in which the legislation has been framed.

In your situation, Mr Wall, I note that you said you were disappointed with rate capping — 2.5 per cent is about 1.2 per cent less than what council had been expecting and council will have to be seriously considering its services into the future. That to me sounds like you have had to make a choice between either applying for a variation on the one hand in order to continue providing the services that you currently provide or that you have made a call about not seeking to have a variation considered by the Essential Services Commission upon commencement of the rate capping framework. Both in your instance at Maribyrnong and as far as the City of Moreland is concerned — and also Darebin as well, if you would not mind, Mr Cator — why is it that you made a decision not to make a variation when the framework was there and instead chose to accept that rate that you have expressed as being disappointing?

Mr WALL — Maribyrnong City Council did lodge an initial expression of interest proposing that we would be seeking a variation to the cap. Following lodgement of that initial expression of interest we received advice from the Essential Services Commission around how an application would be assessed and it would be based on a council's levels of debt. Maribyrnong City Council has worked very hard and is quite proud of the fact that it is basically debt free. It would be assessed against a council's other sources of revenue — council does receive a small portion of revenue from parking and user charges — and also council's capital works delivery effort over the recent past would be another mechanism that would assess whether an application for a variation would be successful.

There is a lot of work that would need to go into an application, as I am sure you can appreciate. We also had some grave concerns around meeting the deadlines around finalising a budget while an application process would need to be assessed and a response received from the Essential Services Commission, because we do have requirements under the Local Government Act to exhibit draft budgets for 28 days, receive public submissions, which generally take a couple of weeks to hear, and then to have a budget in place by 30 June. We felt that it was going to be challenging for an application from Maribyrnong to be successful in the first instance and we did not believe we had the resources or the time to do an application justice. The council has already flagged its intention to — or council officers will talk with the new council after the October election and look to form a better position to apply for a variation in the future.

Mr SCOTT — Moreland's situation and decision processes have been pretty similar. We are concerned about the amount of work involved. While it has been outlined what is required, to actually see some examples will help guide how much work is actually involved to get a variation done, and also our initial financial planning indicated that we cope this year. We still need to look at the future years, particularly with the new council coming in, and understanding what it is that they and the community are wanting us to do. But at this stage the thinking was it was too early to put in a variation, particularly when we showed that we could make things work in the upcoming budget year.

Mr CATOR — Darebin was similar to Moreland. We put an indication that we may apply for a variation. Our concern in some cases, and I agree, relating to the timing of the announcement for the cap was right before Christmas. Most councils' — and I am sure colleagues are the same — budgets are well in preparation by that date. To actually then apply for a variation, it is the amount of work required with a variation, but effectively you would be preparing two budgets and having one budget with a variation and one budget without a variation.

Similar to Moreland, we believed we could cope this year. We went back through our budget process, right back to zero-based budgeting across the whole organisation. The managers have done an extremely good job in analysing all cost centres and we have been able to bring our operating budget within an approximately 1 to

1.5 per cent increase over the following 12 months, so we and the council decided with that in mind we would not apply for a variation this year, but we reserve what is going to happen into the future with the amount of work that is now required of us to review every service that we deliver to the community, as I have indicated before.

Ms SHING — Just a quick follow-up, if I may. I note that your answers in evidence to a question from the Chair have indicated variously that you are concerned about reduction of services into the future, which I think was what you indicated, Mr Wall. And Mr Scott, you have indicated that the impact is most likely to be felt on infrastructure. With that in mind, and looking at the fact that you have singled out infrastructure and services and the EBA costs associated with enterprise negotiations, how are you able to manage the ongoing operational needs of councils, particularly when you have got federal funding cuts which have impacted upon the bottom line being delivered to local government?

The CHAIR — Freezes.

Mr RAMSAY — They actually just put more money in.

Ms SHING — Sorry. We might just get the witnesses to answer the question if that is all right. Thanks.

Mr WALL — Again, it is very early in this new environment that we find ourselves in with rate capping. Certainly when we consider council services, there are a range of council services that are statutory, that are required by legislation to be delivered. Clearly council will have to continue those services into the future. There are a range of services that councils provide today as a result of, I guess, community want over many, many decades.

For the Maribyrnong City Council example, it is too early to say whether services or infrastructure will be adversely affected into the future. Certainly my council has a strong and firm commitment to reducing its asset renewal backlog. Certainly the instruction that I was given in the preparation of this 2016–17 budget was that council did not want to take any pressure off the asset renewal backlog, so operational savings were needed to be found to provide council with a balanced budget in year 1. Not dissimilar to Moreland and Darebin, it has taken some effort, but we have been able to find the in excess of \$1 million of operational savings required in year 1 to meet the constraints of the rate cap.

Certainly over the next year or two council will be putting in place a significant review process to understand what are the discretionary services, how well are we delivering those services — we will continually be looking for efficiencies in the way that we deliver services — and then the impact of financial pressure in regard to council's asset maintenance is part of the equation.

Ms SHING — Thank you, Mr Wall.

Mr SCOTT — Certainly Moreland will be looking at reviewing its services. That will take us some time to get through all of those services and understand how our community feels about those services.

With regard to infrastructure, council for quite some years now — certainly a decade or so — has been increasing the funding into rates that is targeted towards infrastructure by 5 per cent a year. That has helped us to close the annual gap, but we still have a backlog that we recognise we need to address, hence our investment in a leisure complex at Oak Park, which will be \$26 million. If we do not do something about that pool in the next couple of years, council would be looking at having to consider its future. We are now having to think through how much gets devoted to infrastructure where we provided an increase of 5 per cent a year given the rate increase of 2.5 per cent a year.

Ms SHING — Thank you.

Mr CATOR — In relation to Darebin, there are four things that we will need to look at. One is we will need to review the levels of service that we deliver to the community while still meeting our legislative requirements and the mandated services that we are required to deliver. Those legislative responsibilities and mandated services in our case are approximately 21 per cent of our net costs. We will need to develop an improved 10-year capital works program to better reflect the investment between renewal and new. Considering we are going to be growing by 25 per cent in the next 20 years, there is a requirement that we still will require

investment in new capital as well as renewal, and that is going to be a huge challenge with a growing community.

Again, we are going to have to review all our renewal demands and ensure that what we are currently doing is correct, and going back to a condition-based depreciation model to do re-inspections to ensure long term. I think we have roads et cetera adequately covered, but the unknown is all our buildings and requirements in our buildings and our new buildings.

Part of our service delivery model is examining, for example, maternal and child health services — in a 10-year period what is the growth in our youth? Do we need new maternal and child health centres going forward as we grow? We are doing that for all our services and therefore injecting them into a long-term capital program, but also if you need new centres, you need new nurses, so what are the numbers through the Banyule formula for the number of nurses? We have to have two, and I do not think that is a bad thing. Examine those going forward.

The last one is just what are our new assets, and when we invest in new assets capturing the whole-of-life costs. Something that I do not believe local government generally has done well is the whole-of-life costs going forward, so ensuring that our operating budget reflects if we build something new what are the increases or reductions if you are more efficient with new assets.

Those four things are going to be critical in the next six to nine months to ensure that the framework is in place to deal with it in the future. We are talking one year's budget being lost in revenue in 10 years. That is an unsustainable situation as we are operating now, so local government will need to change, although council has a commitment to try and retain all the services that we are currently delivering.

Ms SHING — Thank you very much.

The CHAIR — Just one point of clarification from Mr Wall. Earlier on you just mentioned that you had had a conversation with the ESC about debt levels. Maribyrnong is debt free, but I think the intimation of what you said is that because you are debt free there was capacity to have some debt, and you felt you thereby would not be able to do a variation successfully.

Mr WALL — Certainly the indication that was given to me is that if council had the capacity to borrow to provide infrastructure, that would be a desired course of action ahead of a rate cap variation.

The CHAIR — To take on debt in the future, for future generations in some way. All right. Thank you.

Mr DALLA-RIVA — I have got two questions to two different councils on two different issues, but it relates to the issue of rate capping. Firstly, Mr Cator, you mentioned business as usual is unsustainable. Correct?

Mr CATOR — That is correct.

Mr DALLA-RIVA — You also said, and hopefully I have written it down, potentially reducing services out of the budget. That is also along those lines?

Mr CATOR — That is correct.

Mr DALLA-RIVA — As we know, in recent days we have seen the unfortunate events unfold of a 15-month-old who was found murdered in Darebin Creek. There was CCTV on the bridge, and reading through the reports it would have been crucial for the CCTV to find the alleged offender leaving the scene, but it has been reported today in the media that cameras were not working. So I am asking: is there any possibility that the cost cutting by Darebin council was responsible for the lack of the CCTV being available?

Mr CATOR — That has not come across my desk and I would have to take that on notice. We have made no decisions in my six months at Darebin to turn off CCTV cameras, but I would have to take that on notice.

Mr DALLA-RIVA — So CCTV would be under the purview of the local government?

Mr CATOR — I would have to take that on notice relating to those cameras, but it is a police investigation as well.

Mr DALLA-RIVA — Yes, I understand that, but it would assist them if they had CCTV operating.

Mr CATOR — And we are cooperating with the police in those matters.

Mr DALLA-RIVA — In that process?

Mr CATOR — In those matters.

Mr DALLA-RIVA — Would you be surprised if they were switched off?

Mr CATOR — I could not comment. It is just an opinion.

Mr DALLA-RIVA — Yes, all right. My second question is to the City of Moreland. If you are wondering why I was tapping away at the iPhone, it is because I was just reviewing — you mentioned cost shifting information from the City of Moreland in your report, page 8, and I was intrigued to see that the Moreland City Council was active with the Yarra City Council, even as recently as 2014, in fighting against the east–west link, and there was some half a million dollars of ratepayers money used in fighting that case. I understand Moreland spent \$350 000 of ratepayers money. In your examples of cost shifting, you have got here maternal and child health — \$193 000 from 2011 to 2014; school crossing supervision — 100 000 from 2011 to 2014; additional costs of the administration of street traders system — additional \$85 000 cost. I am just somewhat confused that you are concerned about rate capping yet your council is quite prepared to spend and waste money on fighting policy positions of the government of the day. How do you argue to the ratepayers that on the one hand you are screaming poor but on the other hand you are quite happy to spend \$350 000 of money on a wasted case?

Mr SCOTT — I guess we recognise that one of the roles of council is to advocate for its community, and I believe that is what the council believed it was doing at that time — they were contacted by many people in the community who were opposed to the east–west link.

Ms DUNN — Thank you, everyone, for your submissions today. I am interested just in a couple of comments. Mr Wall, you talked about \$1 million in operational savings; and Mr Cator, you talked about I think maintaining your operating budget at 1 to 1.5 per cent. I am just wondering if you can explain to the committee what that means on the ground. Is that about service hours? Is it about actual people? How can you actually achieve that, and what does it look like in real terms?

Mr WALL — From Maribyrnong's perspective, we have put a freeze on any new positions in the 16–17 budget. With a rapidly growing city council area like we have in population terms, service demand is always on the increase for our council, so by not growing the organisation at all, in terms of trying to meet the increased demands from a growing population, it means there is a lot more pressure placed on the organisation to deliver the same level of services that it has done in the past. So that is where, in the first year of the rate capping environment, needing to find \$1 061 000 of savings, with council's strict direction not to change the approach that has been adopted to reducing the level of asset backlog, that was the way we found the savings in year 1. It will prove much more difficult in the years to come.

Ms DUNN — Yes, so it is strictly based around just not recruiting any more new personnel at the moment that you have managed to achieve those savings?

Mr WALL — Yes, for year 1, more or less.

Ms DUNN — For year 1.

Mr WALL — Yes.

Mr CATOR — In Darebin's case, the council are very clear that they do not want to reduce services and that was clear, so we do not believe the current budget will have an impact on service delivery for the 2017–18 financial year, but it was basically just going back to zero-based budgeting, asking managers to rebuild their budgets from scratch and eliminating any waste across the operating budget, and that is what we have attempted to do.

Mr SCOTT — Moreland has been pretty much the same, I guess looking at the extent to which we can freeze those things like labour increases and where they are, putting them onto a short term to make sure that the

service to which they relate gives us a saving into the future, so there is no long-term implication of any changes in the new staff.

Ms DUNN — Thank you. My other question is that your councils of course would have been well and truly deliberating over the budget, and part of that would be around fees and charges and user charges, and of course parking in that. In terms of casting the budget at this point in time, are you able to report as yet whether there is any increases to those fees and charges beyond what would be a normal trend line in terms of increases for those?

Mr WALL — Again, in the example of Maribyrnong City Council, fees and charges have more or less been indexed at the rate of CPI. Maribyrnong is in an interesting space at the moment where council is currently deliberating on a new policy that will shape the way council implements parking management across the city, so it is hard for me to make a firm comment on that because it is a bit of a new environment and over the next month we will have a new policy position, but fees and charges in general at Maribyrnong City Council have been indexed at CPI.

Ms DUNN — And are looking to remain so for now?

Mr WALL — Yes.

Mr CATOR — We have examined some fees and charges, particularly those that have been subsidised, but there is no significant increase above what would be expected in a normal local government budget — approximately around CPI. However, into the future, again this is something that we will be examining. We are looking at alternative ways, potentially, of raising revenue, and that was in my submission, and that will be the whole gamut across all our fees and charges — do we or do we not have parking meters et cetera, because if it is going to be a requirement to retain services at the current level, we will need to increase income.

Mr SCOTT — The overwhelming majority of the fees and charges at Moreland likewise would go up something similar to a CPI, and there were some charges that the council is considering where benchmarking has been undertaken which would indicate that there is an opportunity to increase fees and charges without being untoward outside of what other councils do.

Ms DUNN — Thank you.

Ms BATH — Thank you, good people. The statistics would tell us that there are approximately 100 000 new residents coming into Victoria every year, whether that be from overseas or whether it be from interstate, and I think Mr Cator, you mentioned a percentage increase that you were estimating, but my interest lies — and it can be either percentage or real value if you can — in rateable property increases, so what sort of rateable property increases, versus or compared to basically the increase in population into your councils over the time. So will we be getting increases in rateable properties to counteract or to compensate for that increase in population? Could you discuss that?

Mr WALL — I will have a go first. Yes, when there is population growth, generally there is property development. When there is an increase in the rating database, there is an increase in the level of rates that council receives within a given financial year. Year on year, however, more rateable properties impacts the distribution of the rate burden rather than additional revenue, if you like. So any additional properties that come online within the period between two budgets being adopted, council will receive some additional rating revenue under a supplementary rating methodology, but once the new budget is struck all of those new rateable properties are taken into account and the distribution of the rate burden is shared.

In regard to the impact of growth, with the Maribyrnong example, I would make reference to the Joseph Road precinct, which is basically a brownfield site that has been quite underdeveloped in the past. I understand that the previous state government has issued something like six or seven permits for high-rise developments in that precinct with little reference to community infrastructure required in that particular precinct. The estimates are that public infrastructure could amount to around \$50 million by the time that precinct is fully developed. Clearly along with development comes a lot of infrastructure costs that councils need to carry, and then along with population growth comes the heightened demand on the services. Obviously the parks are used more, the library is used more and the footpaths and roads are used more. The demand from ratepayers for a suitable standard and quality of services tends to increase with population growth. So there is not a direct correlation, I

would suggest, between population growth and rate revenue, because year on year increased rating assessments impact the distribution of rate revenue.

Mr RAMSAY — Just a question to you, Stephen, if I may. In your letter and the evidence you have provided this morning — and it is about debt levels that I am particularly interested in with all three councils — the notes said you had a \$24 million debt, I think, a couple of years ago and looking at a longer term strategy of having virtually nil debt. Yet in the same correspondence you talk about potentially \$110 million of gap funding that will have to be found over a 10-year period with the rate capping. So if you are not going to reduce services and you are not going to reduce, potentially, employee costs, then the only strategy I can think you might have is increasing debt or incurring some debt. So given those stats, do you have in mind what sort of debt levels the council will have to bear, given the current rate capping? Also, you have local government elections coming up, which is no doubt a significant increase in costs to what it was three years ago.

Mr WALL — That is an important part of the local government environment: year on year council considers its budget; council exhibits a draft budget to its community and adopts a draft budget. So I cannot pre-empt the decision of future councils. All I can tell you in year 1 of a rate capping environment is that Maribyrnong City Council, which has had a long-term debt reduction strategy, a long-term asset renewal strategy and a long-term rating strategy tied to CPI, is going to have to change something in the future to manage this shortfall that we are going to find in revenue over the next decade. Council at this stage has not formed a position as to where that shortfall will be met. I would suggest that if council does wish to, and it has certainly expressed its desire to me at the moment, to improve its position in regard to asset backlog, then certainly services will have to be closely scrutinised and council will have to make the tough decisions around which services it wishes to stay in. But you are you are right: debt is an option.

Mr RAMSAY — Have you had that discussion with the Essential Services Commission in relation to strategies that might have to be taken in relation to increasing debt?

Mr WALL — Absolutely. I have been fortunate enough to have a number of meetings with Andrew Chow in a quite small, intimate environment. Our council was represented with another council at a meeting with Andrew Chow fairly recently and we absolutely expressed all of this to the Essential Services Commission. But it would be fair to say that we did not receive much response.

The CHAIR — You were not accused of having a lazy balance sheet, were you?

Ms SHING — Take that as comment.

The CHAIR — No, no. I am serious.

Mr WALL — Certainly in the commentary that we have received from the Essential Services Commission debt is considered a mechanism that local government should be using in service provision — in asset provision, sorry, not service provision. Asset provision.

Mr DALLA-RIVA — Back to Mr Scott just in respect to his answer before about funding. It is probably relevant to our review that when councillors make decisions that could impinge on the rates in the rate capping processes, do you have any mechanisms or any processes in place that sort of say, ‘This is really a domain not for councils but for another jurisdiction.’? You said the councillors make the decisions; they are elected by the people. But it seemed to be very much on a different tangent to some of the argument that if there was a state election held on it, then so be it. I am curious that councils are coming in saying, ‘It’s putting constraints on our capacity to do things’, yet at the same time if a councillor — I am not saying particularly the east–west link issue — comes in and says, ‘I want to build the Taj Mahal in Maribyrnong’, for example, using your example of dealing with population growth, how do you as council officers say, ‘Hang on. This is a nice little thing to have, but we can’t build the Taj Mahal in the City of Moreland because we are spending the money actually giving services.’?

Mr SCOTT — Certainly at a general level we have the opportunity through briefings with councillors, but I guess we are also recognising that communities tend not to see distinctions between levels of government and so we often field questions and calls from our community about anything. It is not unusual for it to deal with federal government issues, because people do not see the distinction. But coming to your question, it is part of what does get discussed on many occasions.

Mr DALLA-RIVA — So how do you deal with that problem?

Mr CATOR — Can I say it is no different to a new government being elected, with your policy positions et cetera and then having Treasury officials brief you after and then decisions are made. As officers councils will make decisions. We will accommodate them, give them the best possible advice, but at the end of the day they are the politicians. By resolution of council they are able to make decisions and we deal with that within a budget context, giving them all the information possible.

Mr DALLA-RIVA — So does that come as a consideration when you are meeting like the ESC? We have seen an ESC submission which is bigger than a proverbial brick. Is any of that in your consideration going to the ESC?

Mr WALL — I think there is a lot of rigour around all council decisions. Again, as in all tiers of government, a majority of council must make the decision. Councils are very good at asking for information to come forward so that their decisions can be the very best they can make. In regard to processes like applying for variations to rate caps to the Essential Services Commission, certainly in my organisation there was a lot of dialogue held with council. Council were very aware of the impact of and the work required to lodge that submission and were provided with all of the information that we had received as officers from the Essential Services Commission about the likely success or otherwise of a submission from our council. But all council decision-making, I would suggest, is robust, and there are a lot of opportunities to provide council with information that they need to make the very best decisions.

Ms SHING — Including the feedback from the community, I would assume.

Mr WALL — Absolutely. In fact there is reference in the Local Government Act around various decision-making processes where council is required to run a section 223 process in accordance with the Local Government Act around receiving community input. But again councillors are very closely linked with the community. Our councillors have a really good understanding of what the community deems is important.

Mr DALLA-RIVA — A final question, I just want to go back to Mr Cator in respect of the Darebin Creek CCTV. You indicated that you are working with the police. Is it your understanding that the CCTVs were in operation or were they disconnected?

Mr CATOR — I could not respond to that. I am not aware — —

Mr DALLA-RIVA — Would you have an expectation that they would be in operation?

Mr CATOR — Again, I cannot respond to that.

Mr DALLA-RIVA — Okay. Thank you.

The CHAIR — I thank the three councils for your appearance today. There are a number of matters to follow up, and Keir and the secretariat will follow up on those matters. It would be helpful to have those figures and so forth that we sought earlier on and a number of other bits and pieces, so Keir will tabulate that. In relation to the CCTV, it would be helpful to have some response in a timely way on that.

Ms SHING — To the extent that you can of course.

The CHAIR — Yes. Thank you.

Committee adjourned.