

# **ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE**

## **Inquiry into the sustainability and operational challenges of Victoria's rural and regional councils**

Shepparton — 24 October 2017

### Members

Mr Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O'Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

### Witness

Mr Gordon Hamilton, President, Better Local Government Association.

**The ACTING CHAIR (Ms Halfpenny)** — Welcome to Mr Gordon Hamilton. Do you mind just explaining your title?

**Mr HAMILTON** — Thank you very much today to the committee to come up and listen to us. My name is Gordon Hamilton, and I am president of the Better Local Government Association in Shepparton. We have a number of our members here today, and we take a very keen interest in the management and sometimes mismanagement of what happens here in Shepparton. We want to make things better.

**The ACTING CHAIR** — I will just go through a bit of a formality in terms of parliamentary privilege, recording and the transcript. The committee is hearing evidence today in relation to the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils. The evidence today is being recorded. All evidence taken is protected by parliamentary privilege. Therefore you are protected in terms of what you say here today but once outside this hearing what you say is not protected by parliamentary privilege. There will be proofs of the transcript provided to you to check the accuracy of it before it is made available to the public. On that note, thank you and sorry for interrupting you before.

**Mr HAMILTON** — I got up early this morning to précis my split down to 5 minutes and then left it on the bench, so I have had to go through it again. Thank you to the committee. Given the 5 minutes that I am allowed to address the committee from my speech —

**The ACTING CHAIR** — We do not mind if you go a minute or two over; that is fine.

**Mr HAMILTON** — Thank you. I shall try to limit my oral presentation to two items from the terms of reference: (b), the fairness, equity and adequacy of rating systems, and (d), the capacity for rural and regional councils to meet responsibilities for flood planning and preparation and maintenance of flood mitigation structures. I have a lovely five pages of preamble, which I will give you at the end of this.

First issue: the fairness, equity and adequacy of the rating systems. With respect to the revenue perspective, an inherent flaw within the current rating system is the lack of transparency by which values of properties are determined for rating purposes. I am of the opinion that the system of council engaging private valuers is open to abuse, notwithstanding the protections that are intended to be built into the system. The *2018 General Revaluation Tender Guidelines* issued by DELWP state at item number 3.2:

Tenderers must also demonstrate that no conflicts of interest will be created during or after the valuation process. If any potential conflicts of interest arise, the tenderer must demonstrate how they will protect the valuation authority from any conflict of interest allegations ...

Notwithstanding these intended protections, we have in Shepparton a situation where persons who have either directly or indirectly a beneficial interest in the company appointed to conduct valuations in turn have beneficial interests, either direct or indirect, in two of the largest residential subdivisions in Shepparton — namely, the Seven Creeks development, which has been undertaken by the Seven Creeks Corporation Pty Ltd; and The Boulevard development, which has been undertaken by the Boulevard Corporation.

In Shepparton, council's contract valuer is L. G. Valuation Services Pty Ltd. An ASIC search of this company reveals that Peter Hann and David McKenzie are directors of this company. I will provide evidence of that. David McKenzie of L. G. Valuation Services and his wife, Lisa McKenzie, had or have a beneficial interest, either directly or indirectly, in both property development companies. Peter Hann of L. G. Valuation Services Pty Ltd and his wife, Rae Hann, up until 2014 had a beneficial interest, either directly or indirectly, in the Boulevard Corporation. Further, Peter Johnson, until recently a member of council's audit committee, and his wife, Carmel Johnson, have a beneficial interest, either directly or indirectly, in both of the property development companies. Such conflicts of interest need to be transparent to ratepayers. In my opinion, in the case of Shepparton, they are not transparent. In my opinion it gets much worse, because such conflicts of interest undermine the very integrity of the rate notices issued by Shepparton with the resultant undermining of the confidence in investing in Shepparton.

This potential for conflict of interest is highlighted in the 2017–18 council budget. On examining the council's adopted budget, I noticed councillors budgeted in 2017–18 to spend a total of \$650 000 of ratepayers money with respect to the Seven Creeks Estate, including \$470 000 on road infrastructure, being the intersection of the Seven Creeks Estate with the GV highway, which I understand from reading the planning permit is the developer's obligation. A further problem with the engagement of private valuers is that the valuations are

conducted in large part by reliance upon computer-based matrix. The private valuers assessed that the allegations that go to make up their computer models are their own private intellectual property and ratepayers, nor for that matter council, do not have the ability to independently verify the integrity of these matrixes.

In order to ensure fairness, equity, transparency and the integrity of the rating system, I am of the opinion that the committee should give consideration to recommending to the Victorian government that (a), it should follow the lead of the New South Wales government where all municipal valuations have been taken out of the hands of private valuers appointed by councils and have been placed into the hands of the valuer-general; (b), alternatively any intellectual property generated by valuers engaged by municipalities should be the property of that municipality; and (c), the matrixes used by the valuers and all underlying algorithms should be freely available for analysis by ratepayers or experts engaged by ratepayers.

I now go to point (d) of your terms of reference:

capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure.

Councils must be fully accountable for instances of maladministration. It is critical that where there are instances of substandard or maladministration by council, that both councillors and council officers are fully accountable to ratepayers for the costs of substandard and maladministration. In Shepparton we have recently had two examples of what I classify as substandard or maladministration by the Shepparton council and which, in my opinion, has caused unnecessarily extra expense to ratepayers.

My first example relates to council's attempt to impose a special charge scheme for the Shepparton East drainage scheme. The validity of the special charge was challenged by ratepayers at VCAT, which held that the special charge scheme was invalid due to the cumulative effects of irregularities in the preparation and implementation. I draw the committee's attention to the findings of Deputy President Dwyer — I have it here for you — where he said that there was questionable —

**The ACTING CHAIR** — Do you want to just table that document?

**Mr HAMILTON** — Yes, I have.

**The ACTING CHAIR** — For the record, what is the document?

**Mr HAMILTON** — I have six annexures, which verify all of the documents, all of the statements that I have made in my presentation to you.

**The ACTING CHAIR** — Is there a title to it or anything that we need for the transcript? Is it just annexure 1?

**Mr HAMILTON** — Annexures 1 through to 6. I draw the attention of the committee to the findings of Deputy President Dwyer, where he said there was questionable and confusing conduct of the council and its officers; the council had not been advised by its officers that the figures in a report had been altered which was disturbing conduct, whether deliberate or inadvertent; there seemed to be two parallel processes at play; and the council officers were telling the council one thing and telling the landholders, who were liable for the drainage, something different in terms of the liability of individual landholders, without the knowledge of either, or any apparent explanation to either.

My second example relates to the proposed C199 amendment of the City of Greater Shepparton planning scheme. A marked-up copy of the panel report is at annexure 6. Attention is drawn to the highlighted passages in the report. It particularly relates to flooding, where in relation to flood controls the panel on page 39 said:

... notwithstanding the poor choice of wording in the master plan suggesting that the planning scheme flood overlays and flood zone have been 'superseded', it was made very clear by Mr Tierney (for the CMA) that any future changes to the flood controls will flow from the intelligence study. Until the study is finalised in any subsequent planning scheme amendment approved, the current LSIO —

flood overlay —

and flood zone remain in place and will continue to be applied in assessing development applications.

The panel does agree, however, that the wording in the feasibility study is misleading and could give rise to concerns for landowners.

**The ACTING CHAIR** — It is probably a bit difficult for us to ask you questions about this information, having only just got it.

**Mr HAMILTON** — That is fine.

**The ACTING CHAIR** — After going through it we might want to ask further questions in writing, if you are okay with that.

**Mr HAMILTON** — Not a problem. I tabled two copies of my report, which I will precede to keep within the 5 minutes, where I detail to a lot more extent how we agree with the Fair Go rating system and how the council should be confined to working within real life, not just coming up with some fanciful figure and sticking the rates up every year. That is what has been happening here until the government stepped in, and we thank you for that.

**The ACTING CHAIR** — In some of these inquiries we get a lot of the problems raised, but it is often difficult to come up with some solutions, so thank you for having proposed some suggestions on how some of these things could be fixed. Unless other committee members want to, we probably do not need to go into a lot of further detail about property valuations. I think we understand what you are saying there, and perhaps that might be something we could also put to the Greater Shepparton City Council when they provide their evidence today.

In terms of, in your case, Shepparton council, is it about governance only? How do you see it in terms of being a sustainable council into the future? Do you have any other suggestions on how that could be delivered? Is it about more oversight or is it more money, specific projects? What are your suggestions on that?

**Mr HAMILTON** — At the moment Shepparton council proudly boasts a growth rate of 0.4 per cent, which is unsustainable. When Jeff Kennett amalgamated councils in 1998–99, our budget for the council was in the order of \$50 million. It is now \$160 million. We are drowning under the cost of administration. We do not have growth. That is the problem. We have a wonderful place to live. We have water, we have environment and we have got some tremendous assets in our community, but we do not have people — we do not have young people. That is the problem. All councils are lamenting the fact, ‘Oh, we can’t stick to the 2 per cent, you know. We have got to cut back’.

We have got to look at growth. We must have a policy and a government that will direct growth, especially with young people, into regional cities. We just do not have that. I have young children. People just leave Shepparton. They do not come back. That is a real shame, and that is what we do not get from council. We have some good councillors. In fact we have had a very good mayor over the last couple of years who has been trying to get growth, but we have planning policies and a planning development that will not allow it. That is the problem. That is the point of the whole situation.

The two biggest property developers are the council valuers, and we have a policy that we will not have ad hoc development. So what we have had is a situation where we have these big developments for these people, but then we are not allowed any other development until they finish. We have systems of flood overlays. We have development plan overlays. They are now going to put bushfire overlays. We have this manic desire, ‘Oh, we must have farms. We must protect our farms’. But our production comes from small farms, not big farms, and we do not attract small farmers to the area. We have hundreds of derelict dairy farms that all had families. They have been swallowed up by big companies. We have houses sitting idle. That is a tragedy. We should be able to attract young people to come to Shepparton, where for the cost of a suburban block they can buy a farm on which they can be productive, self-sufficient and sell their produce into the community. We do not have that. We have, ‘Oh, you can’t get a permit for a house under 100 acres’. Well, that is stupidity. We have all of these regional councils crying for money, top-heavy with management, which cost \$150 000, \$250 000 and in some cases up to \$450 000 to keep these people employed, but we do not have growth.

We have had an instance — and it could well be an urban myth, but I think it sums up the feeling in Shepparton — where you walk down the street and we have all these empty shops. How come we have got all these empty shops? What is the council doing about all these empty shops? But recently in a beautiful *Yes Minister* moment, the council came out and said, ‘Oh, the number of empty shops have decreased’. And people

are saying, 'Well, hang on a minute. All these businesses are leaving the town. How can they decrease?'. But what we found out then was that they decreased the size of the CBD. So it is just beautiful, but it is a tragedy. Shepparton was once the most vibrant place in northern Victoria, but now it is a basket case. We need help from the state government to come in and shake this place up.

Transparency is an enormous problem that we have here. Our committee has been putting in FOIs this year, looking for research into how they are doing their flood overlays. How is it possible that you can put a level 2 metre higher than the highest flood in recorded history on people's land through a flood intelligence and mapping project? How is that possible? We find that the whole thing was orchestrated by the planning department for the benefit of the councillor who sits on the steering committee and is president of the harness racing club. We find that with the land that they wanted to be flooded they had agreed that they were going to take 89 000 cubic metres of dirt to build up the harness racing land so they can do 1-acre blocks to flog them off. That is a real problem that we have in Shepparton, and it comes from the transparency — the lack of transparency — and the few people who get the subdivisions all the time. That is why we are bringing it up here today. It is no fun to bring up these sorts of issues about our own town. It is no fun at all, but we have a bureaucracy here in Shepparton that will not listen. That is the problem.

**Mr O'SULLIVAN** — Thanks, Mr Hamilton, for coming in. I just want to pick up on one of the points that you raised in relation to Shepparton. You said that there is not enough growth and young people are leaving, and that is something that I guess is being experienced not only in Shepparton but also in other areas. But one of the issues we see now is that Melbourne is booming in terms of its population. You hear numbers of around 140 000 people coming into Victoria in any given year, of which 90-odd per cent stay in Melbourne, which makes Melbourne even more congested. One of the challenges and opportunities is to try and get some of those people to come out and live in the regional areas, in the Sheppartons, the Bendigos, the Ballarats, the Wangarattas and so forth.

Do you think the council is actually doing enough in terms of trying to attract more people here; and if you have got more people here, that is more economic activity for the businesses that are here? It might actually create opportunities for businesses to start up in the area. There are more rates that they will be paying to the council, which makes the councils more sustainable and so forth. Do you think the council is doing enough and do you think Shepparton itself is doing enough in terms of trying to attract population here?

**Mr HAMILTON** — No, it is completely hopeless. Friends of mine have a farm on the edge of town, 260 acres, just as you come into town. They are wanting to put in a \$40 million tourist facility to bring Chinese tourists to Shepparton on food holidays. They have been to Austrade. They are located in Hong Kong. There is tremendous support. John Brumby in fact came out the other day and said that the numbers of tourists to come out of China will treble in the next 10 years, but there is not enough accommodation. So what does the Shepparton council do after they get a feasibility study from an independent consultant to recommend that a \$40 million four-and-a-half-star tourist development be built on the edge of town through their own people's finances which would directly or indirectly employ 70 people? They tried to put a 2-metre flood overlay over the land so they could mine the land to put it up at the harness racing club. So they actively work against developers, not for development.

How could you do that? How could you possibly even contemplate it? How many Chinese tourists do you see down the street in Shepparton? I have lived here for nine years now and I have never seen one. You walk down the street in Melbourne and there are people everywhere. All people want something different, but people from Hong Kong and China would love to come out for food, fresh air, animals, take photos and see something different. Where is the thinking behind a council that would actively spend ratepayers money to try and stop that? That is just an example of what the council is doing.

Some other members of ours have been trying to put up a commercial development right in the heart of the commercial strip in Benalla Road. They have been trying to spend their own money — \$2 million or \$3 million, all appropriately zoned. The council so far in the last 18 months have spent something like \$700 000 of ratepayers money in the Supreme Court trying to stop him.

**Mr O'SULLIVAN** — Mr Hamilton, I understand where you are going with some of this. Obviously you have your views, but, as we understand, there are always two sides to every story.

**Mr HAMILTON** — Of course.

**Mr O’SULLIVAN** — But the question I would like to ask you is: what ideas have you got that you could give to us this morning in relation to trying to attract more people to come up here, because the point you made in relation to having attractions is certainly one that we have aware of? You mentioned the Chinese tourists. We were up in the north-west part of the state last week on this same committee, and we heard about a little place called Sea Lake, which has got a beautiful salt lake called Lake Tyrrell there, which is attracting thousands and thousands of Chinese tourists. They are coming all the way out to see this particular lake. So it is to have things like that that people actually want to come and see. We were also hearing that in terms of those tourists travelling up to see that lake, that was creating a whole range of economic activity in all the little towns along the Calder Highway. What sorts of things has Shepparton got to offer, and what ideas have you got to try and attract people to come up here, whether it is just from a tourist perspective or to actually come up here and live?

**Mr HAMILTON** — The problem is the infrastructure in Shepparton does not allow for ideas that our ratepayers and people have to flourish. That is the problem. They hit a brick wall with the planning department of this council, and many councils are like that, whereas the smartest and the brightest planners are in the wealthy, affluent suburbs. Everyone knows that. When you get into Shepparton you get people who are not up to the task. We would very much like to see the state government facilitate an office whereby people in Shepparton, who have got some wonderful ideas, could come in and sit down with people with appropriate knowledge and expertise and who say simply, ‘How can we help you? How can we help you facilitate your idea and get through this red-tape maze? We’re here to help’. We do not have that in Shepparton, and that is something that the government could do at very, very little cost — set up a department.

I know you have got a department of red tape and a department of this and a department of that, but it would be lovely to have a department of ideas where you could go and foster and bring out the thoughts and the imagination of our people in Shepparton. They have got plenty of ideas but they cannot get going. That is the problem. They are bogged down with red tape, and what they see is influences within this council that stymie it. That is the big problem. So it is not for me so much to come up with ideas, apart from the one idea of having the government being able to have people you could go to — independent, smart people — to facilitate the ideas of country people and help them get through the situation. That would be the most cost-effective measure that a government of any persuasion could put in place — a department of ideas.

**The ACTING CHAIR** — There is no state government regional development office or anything up here. or there is but it does not do that?

**Mr HAMILTON** — No.

**The ACTING CHAIR** — No? Nothing?

**Mr HAMILTON** — You have got a brick wall here in Shepparton. You have, as I mentioned before, a couple of good councillors who try very hard to get things up, but they hit the same brick wall. And what is behind that brick wall? We find all of these other influences that I have mentioned here today that are allowed to do anything. Anything other than what they are allowed — and this is the perception — is, ‘Oh, that’s ad hoc development. We can’t allow that here’. When we have a growth rate of 0.4 per cent, it is pathetic.

**Mr RIORDAN** — Mr Hamilton, I have a couple of questions. The first one is around your commentary on overlays essentially — road overlays, bushfire overlays, whatever. There is an increasing propensity for ratepayer groups like yourselves around the state to have that frustration. I pose a question and I seek your comments. To me it arises out of an incredible risk adversity by local councils. If we go back to 2010 and we had floods, there was probably no shortage of ratepayer groups saying, ‘Oh, the council should never have allowed that development there. It should never have happened’. When houses were burnt down on Black Saturday, ‘Oh, the council should never have let the houses be built there’. We have this situation where councils get dammed if they do and damned if they do not. What are your thoughts on that comment, and whether in solving this question of the sustainability and challenges of shires it is time for a change in the way councils take responsibility in the sense that if you want to do that development where the council says it is a flood plain, you should be able to take the risk and bear it? I myself am from a regional area and I am aware of many of the issues that you have raised, but it is a frustration that, on the one hand, we argue that the council is being risk adverse and then, on the other hand, everyone wants to jump up and down when something goes wrong. So what is your thought on that?

**Mr HAMILTON** — My main thought goes back to the expertise we have within council. When you get out into the regional councils, it seems to be, certainly from our perspective, that the people who work in regional councils are people who perhaps are either looking for retirement or cannot make it in the better councils. So what we would love to see the state government do is step in and say, ‘Okay, we’ll take the valuations away because that’s been compromised so badly. We don’t have any confidence in that anymore. We’ll then take the planning and put it in regional planning centres of excellence, whereby we have the expertise in those regional centres that are not perhaps so much “corrupted” — in inverted commas — by local influences but have the smarts and can genuinely pay for the smart people to sit down and work their way through issues to facilitate positive development by innovative, world-class methods’. That is what we need: a centre of excellence for regional planning. We do not have that.

Then, thirdly, what I would love to see is the state government take over the finances of regional councils. As I mentioned before, we are drowning —

**Mr RIORDAN** — We do not do such a good job all the time either.

**Mr HAMILTON** — No, but at least they have transparency and they have measures in place where the Auditor-General has to report to Parliament. We do not have that. If we want to ask a question about our finances in regional council, we have to write a letter to council. We are allowed two questions. It has to be a week before the CEO gets up at the council meeting, and he may or may not choose to answer it if you are in the gallery. You have no chance to question them, so you have no transparency. We have got instances here where there seem to be vast amounts of money that are not in the system as they are supposed to be.

So in answer to your question I would like to say: to make local government really go for it in the 21st century — regionalise finance, regionalise planning — give state control of valuations for transparency. We then can get rid of these multiple layers of expensive staff from council and bring them back to the basics of what they are good at — looking after the community. They are not good at running organisations worth hundreds of millions of dollars. It just does not work that way. So that is what I would like to see.

**Mr RIORDAN** — Because we are just about out of time, my last quick question is your point on attracting people to country communities. I do not think there is a regional area outside of Melbourne, with perhaps the exception of Geelong, that does not have this problem. In my own instance, I think I am one of only two people from my year level in Colac that ended up coming back to town with a university degree. It just does not happen anywhere.

The question I am certainly raising in my community, and I pose to you, is: what is the community itself — put the council to one side, but the business community and the industries here — doing with students and children at school to put a program in place that says, ‘Shepparton’s a great place to make a life. By all means go away, learn and see the world, but come back’? Is there an opportunity there for the community itself to do more in attracting people because the one thing country people generally do is say, ‘Look, sunshine, you better go away, go to university, go to Melbourne’. Of course the bright lights trap people. It has got me completely confused as to why they do, but they do. Just your thoughts on that?

**Mr HAMILTON** — The council, in one of the few good things that they did with amalgamation, in 1998 put together a program called Shepparton Show Me, where they told the public that they would levy the commercial and business districts of Shepparton to raise money to promote Shepparton as a place to be, a place to do business — everything was great about Shepparton. Terrific idea. They told the community that they would raise in 1998, in all their big double-page newspaper ads, \$560 000: ‘We will get Shepparton moving’. Shepparton Show Me — terrific, wonderful program.

Fast forward 20 years. They introduced a special levy — a special business levy. They said, ‘A hundred per cent of that money will go to the promotion of Shepparton’ — fantastic. Fast forward 18, 19 years to this year and the council says, ‘All that money is ours. We can then choose to distribute that money whatever way we like. It goes into consolidated revenue. So this year we’re deciding we’re going to give you \$600 000’. In 1998, when the budget was \$50 million, \$580 000 was determined to promote Shepparton.

In 2017, when the budget is \$165 million, give or take a few million, the budget to promote Shepparton is \$600 000. The people, however, are still paying that levy, and they have paid it all the way through. The people, especially in the mall, were charged enormous levies because that was the centre of the town. You can go down

there and shoot a cannon down there — you will not hit anyone. But this money has been collected for 20 years, and they just give them a pittance. That is the problem. Wherever you look, the money has disappeared. They will tell you that it has not, and they will tell you this and they will tell you that. But you have only got to walk down the street to see what happened in Shepparton for yourselves.

We need the government to come in and relook at local government in regional areas and say, ‘We’re going to put some smart people in there’, because there are smart people in the community. There are some fantastically smart people in Shepparton, but we have got all these problems. That is why we look to you.

**The ACTING CHAIR** — Thank you. We are running a bit over time, but I think there are probably a few things you have raised that we need to ask you some questions about. So we will write to you about them, and if you do not mind, send back answers in relation to some of the assertions you made so we can go through them.

**Mr HAMILTON** — I am very happy to do that.

**The ACTING CHAIR** — Thank you very much for your time. There are some really good ideas that you have proposed.

**Witness withdrew.**