

ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

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

Melbourne — 15 August 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

Witnesses

Dr Graeme Emonson, Executive Director, and

Mr Mark Grant, Director, Sector Performance and Development, Local Government Victoria.

The CHAIR — Good morning, everybody. Welcome to the Environment, Natural Resources and Regional Development Committee's public hearing in relation to the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils. I extend a warm welcome to members of the public who have taken the time to join us and members of the media who might be present as well.

I also thank Hansard and the parliamentary catering team who are with us today and of course the secretariat and parliamentary staff, who have done a lot of work in making this first hearing possible.

The committee is hearing evidence today in relation to the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils. All evidence taken today is protected by parliamentary privilege. Therefore you are protected for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege.

I welcome you both this morning. From Local Government Victoria we have Graeme Emonson, the executive director — good morning to you; and Mark Grant, the director of sector performance and development — Mark, thank you for being here and good morning to you.

Today's evidence is being recorded. You will be provided with proof versions of the transcript within the next week. Transcripts will ultimately be made public and posted on the committee's website.

I now would like to invite our first witness to make a brief 5 to 10 minute opening statement to the committee, which of course will be followed by questions from committee members. Over to you.

Visual presentation.

Dr EMONSON — Thank you, Chair and members, for the opportunity to provide this brief presentation and address to the committee this morning. Local Government Victoria, as the department supporting the Minister for Local Government, holds a whole range of information and data that is very relevant to the terms of reference of this committee, particularly around the sustainability and operational challenges of rural and regional councils.

The data which we aim to share with you today is very much relevant to the terms of reference of the committee, and we would look to share with you the story which emanates from the wealth of information and data we have. This also provides an opportunity to share with the committee some of the programs which are very specifically targeted at rural and regional councils and provided by Local Government Victoria on behalf of the government, and to talk about some of the legislative reform which the government has asked Local Government Victoria to pursue. We would like to finish this brief presentation with an overview of an important project which the government has asked Local Government Victoria to look at in the current financial year, very much targeted at understanding in a more holistic way the challenges facing rural and regional councils and what some of the options for addressing those challenges might be in the longer term.

My presentation is centred around the different cohorts of councils. I thought it best to present it in the form of understanding the different cohorts, because one thing that is very evident, from almost every angle or source of data that you look at, is that the local government sector is not homogenous in any way.

We at Local Government Victoria hold a whole range of data around five council cohorts. The first three of those are relevant to the terms of reference for this committee, being small rural, large rural and regional cities. It is important, though, because of the variability in the local government sector, that we provide some comparison today against metropolitan councils and the interface councils.

The numbers making up those cohorts are there, and I will not go through those, but you can see that there are 48 councils that fall into the rural and regional category from the data that we hold.

It is important and I think worth highlighting that particularly rural and regional councils make a substantial contribution to the livability and productivity of Victoria. The sector itself provides about \$8 billion worth of investment in provision of services to communities. The sector provides about

\$2 billion worth of investment in community infrastructure, and importantly, particularly in rural and regional councils, councils are major employers. In fact the sector in total employs about 36 000 equivalent full-time employees. Of course if you convert that to total head count, it is well into the 40 000s. So local government is a major employer and contributor to the livability and productivity of Victoria.

One of the sources of data that Local Government Victoria holds is the annual community satisfaction survey. This is a perception survey that the vast majority of councils participate in, and Local Government Victoria manages this on behalf of those participating councils.

This graph shows the relative level of satisfaction reported by communities in the different cohorts of councils over the last three financial years. The significance of this graph is that it indicates that metropolitan councils enjoy a higher level of perception of community satisfaction by communities, but that lowers on average towards the larger shires. Interestingly and with exception, the small shires on average enjoy a higher level of community perception of satisfaction with their performance than certainly the regional cities or larger shires. We think that this is largely attributed to the proximity to those communities, in how close they feel to their councils.

Interestingly enough, the rural and regional councils do actually record higher levels of community satisfaction on a number of key service delivery items. I will not mention these specifically because they are on the screen, but it is worthy of note that rural and regional councils actually surpass some of their metropolitan counterparts in a number of key service delivery aspects.

Variability is a key aspect of my presentation today and I think of much relevance to the terms of reference for this committee. In this slide, whilst not wishing to go to a whole lot of numbers and metrics here, it is important to highlight five areas that do really stand out from the data that Local Government Victoria holds on comparability across the different council cohorts. Of particular interest I think is the fact that the council's expenses per head of population in a small rural council is more than double that of the metropolitan average. The average expenditure per capita for small rurals is \$2700; in metropolitan councils it is under \$1200. The value of infrastructure stock is a major issue for particularly the rural councils. It is interesting when you look at the value of infrastructure per head of population that small rural councils are covering something like \$22 000 worth of infrastructure for every one of their residents. Yet you take that to a metropolitan comparison and it is as low as \$6000. So the disproportionate infrastructure load carried by rural councils compared to metropolitan councils is obviously a very significant one.

The contribution to livability and productivity particularly in rural and regional councils is largely centred around the road and bridge infrastructure network that they are required to maintain. It is particularly a significant issue for agricultural productivity — maintaining an effective road system — and again if we look at the total kilometres of responsibility for roads for small rural councils, it extends out over 2200 kilometres of roads that they are required to look after compared to their metropolitan counterparts, where it is as low as 500 kilometres on average.

Interestingly, the extent of what we call own-source revenue — this is revenue raised by councils from their community — in small rural councils is as high as \$1760 per head, and comparing that with metropolitan averages it is down to \$1100 per head. So that is revenue raised by the council from the community per capita. Conversely, with this there is a very high reliance on recurrent grants, and the next indicators suggest that small rural councils in 2015–16 were the beneficiaries of over \$700 in external grants per capita. In metropolitan councils that is as low as \$110 per capita.

The last indicator is a proxy indicator for a community's capacity to pay — that is, the relative socio-economic disadvantage index known as SEIFA — and relative disadvantage here is measured as 1 on the scale, as the worst level of disadvantage, and 10 being obviously the least disadvantage. If this is a proxy measure of the community's capacity to pay, you can see that the small council average is at about 3.6 compared to a metropolitan average of about 7.5. That does indicate quite a significant disparate perspective on relative community capacity to pay, where clearly communities in rural councils and

particularly small rural councils have a lower capacity to pay compared to their counterparts in metropolitan Melbourne.

To look at some of the financial indicators — and I will move through these relatively quickly, Chair — the average rate per assessment in a small rural council is about \$1500. Interestingly in metropolitan Melbourne that is at a higher level of about \$1680. The extent of asset renewal compared to the depreciation rate on an annual basis is an indicator of a council's capacity to maintain their existing stock of infrastructure, and you can see the all-councils average in 2015–16 is at about 75 per cent. That means that the councils are investing in asset renewal about 75 per cent of the depreciation of those assets on an annual basis. This is a relatively consistent measure across the councils. Small rural councils are running at about a 72 per cent asset renewal compared to depreciation, up to metropolitan councils of about 85 per cent.

The third financial indicator here indicates the extent to which councils are relying on borrowings. This is an indicator of loan repayments by councils as a percentage of their rate income, and you can see this is a relatively consistent, and somewhat low, level of reliance on borrowings as a source of funds — where the average across all councils is about 4.6 per cent. The interface councils in fact increased that average because of their reliance on loan borrowings because of the desperate need for them to be investing in new community infrastructure.

The bottom line is the aggregate surplus or deficit for 2015–16, and you can see that there is quite a disparate perspective on the aggregate surpluses or deficits across councils. The small rural councils in fact had an aggregate deficit in 2015–16 of just over \$14 million, and the all-cohorts average aggregate surplus for this indicator was at \$230 million. So this does show quite a disparate and variable performance when we look at either the operating surplus or deficit of councils in 2015–16.

All observers are of course interested in rates and grant revenue, and this graph shows the inverse relationship across the cohorts between reliance on rates versus grants. The message from this slide is that particularly small rural and to some extent large rural councils are very reliant on grant income to supplement their rate income.

The Victoria Grants Commission is the most significant grant available to councils — \$560 million in 2017–18 will be contributed to the local government sector — and this graph shows the changing level of per capita grants by the different cohorts of councils over the last 12 years. The Victoria Grants Commission has made a very conscious attempt to shift the total pool available through the Victoria Grants Commission toward small rural councils, which is indicated by the red line on this graph. You can see proportionately against the other cohorts that small rural councils enjoy a much higher level now of per capita grant from the Grants Commission than they did back in 2006–07. It is interesting that about 13 per cent of the population that lives in rural councils now receives about 44 per cent of the total grant from the \$560 million Victoria Grants Commission allocation.

There are a number of rating options available to the councils. They can rate on either capital improved value, net annual value or site value. For the purposes of this committee, all rural and regional councils are rating on capital improved value, and that opens up the option for differential rates. This graph provides an indicator of rates and charges over the last six years and indicates the impact of rate capping in the last two years of 2016–17 and 2017–18.

This graph shows the level of borrowings held by councils across the different cohorts. It is interesting to note that of the two years reported here councils are paying down their debt. Other than the regional cities at least, which have maintained their levels of debt, other councils have in fact paid down their debt over the last two years.

The last financial graph, very quickly, is the forward look for the next four years, which is reported by the different cohorts. Small rural councils generally project a declining financial situation and not taking up additional borrowings. Their cash and investments are relatively stable to diminishing. Their capital expenditure is projected to decline slightly over the four-year projection period. Large rural councils are

showing a relatively stable period from their strategic resource plans. Their level of debt will decline. Their capital expenditure program will come back a little bit and then stabilise. There is virtually no shift in their capital investments over the four-year period.

Regional cities, likewise, are showing a decline, albeit slight, in their operating surplus projections. They will maintain to slightly decrease their capital expenditure, and their long-term debt, based on some of their forward planning, will increase slightly over the four-year period.

Asset renewal is projected to decline — this is the percentage asset renewal to depreciation. This is a measure of sustainability. It is projected to decline over the next three years, and that is primarily based on the lack of certainty which councils have in their forward years around capital grants.

There are a number of funding programs that are very specific policy-orientated funding programs, which Local Government Victoria provides. The majority of these are very specifically targeted at supporting rural and regional councils, particularly the finance and accounting support team program, and I am very happy to expand further on that one as part of the questions if that is required.

The Local Government Act review is a major project which Local Government Victoria has been asked by the government to undertake. Two key issues are coming out of the Local Government Act review which are of relevance to the terms of reference of this committee. The first is that the Local Government Act review directions paper put out by the government aims to ensure that all councils have a much longer term and more integrated approach to financial planning, underpinned by sound financial management principles and integrating a long-term, 10-year asset management plan. The directions paper also foreshadows the government's interest in creating an environment for councils to be able to collaborate, resource share and create stronger partnerships in the future.

The last point I would make is about the rural and regional council sustainability project, which is a key initiative of the government for 2017–18. Local Government Victoria has been asked to undertake a very comprehensive project this year which will do a detailed analysis and quantification of the major challenges facing rural and regional councils and provide a suite of options to address those challenges from a short, medium and long-term perspective. We are looking to have that work completed later this year.

That is a quick overview of some of the data and information which Local Government Victoria holds in supporting the Minister for Local Government in her role, and of course Mark and I are very happy to take any questions or discussions on that.

The CHAIR — Graeme, thank you very much. As the committee chair, I will take the first question. You had a slide there on the Victoria Grants Commission and how the commission has tried to respond to challenges that rural and regional councils face. Can you go into some detail about that, first and foremost, and explain whether you think that is a trend that will continue and the need for that constant increase?

Dr EMONSON — Thank you for the question. The Victoria Grants Commission uses a very complex formula that essentially assesses the relative need of councils. Some of the relative needs go to the issues that I have spoken about in terms of large infrastructure, declining populations and the ability of communities to pay. The conscious shift in the Victoria Grants Commission's methodology has been to recognise in a stronger and more meaningful, tangible, financial outcome way the needs of particularly rural councils. This has even further refined the plight of small rural councils.

You can see the quite fundamental shift and reallocation per capita of the Victoria Grants Commission allocations over the last 12 years. This is coming from a per capita allocation, and if I look at the small rural councils, from over \$300 per head to substantially higher now, right up to just under \$500. So this has been a very conscious decision. The Victoria Grants Commission's ability to continue to modify the formula within a relatively tight framework established by the commonwealth government — because this is the redistribution of the commonwealth's grants commission allocation — is somewhat limited, but it is fair to say that the grants commission is always looking for opportunities that can better reflect relative need and therefore ensure that this horizontal equalisation process, which is what the Victoria Grants

Commission process is about, does truly reflect the needs of particularly rural and regional councils. You would have to say they have been very successful to date, and I know that the commission is keen to continue a focus on that in the future.

The CHAIR — Thank you, and very briefly, there were some changes recently made to the Living Libraries fund and the funding structure. Can you outline those changes for me?

Dr EMONSON — Chair, I did not catch the name.

The CHAIR — The Living Libraries fund.

Dr EMONSON — The Living Libraries Infrastructure Program is a substantial annual capital program which Local Government Victoria administers. There is a matched council contribution required for all cohorts except now for the small rural councils. The government made a decision two years ago, I think it was, that because of some of the substantial financial challenges facing small rural councils, those councils applying for grants of up to \$750 000 to improve their library infrastructure will no longer be required to provide a matched contribution.

By way of comparison, metropolitan councils under this grant program are required to provide \$3 for every \$1 coming out of the Living Libraries Infrastructure Program. Again that was another initiative aimed at understanding and recognising the challenges faced by small rural councils.

Mr RAMSAY — Firstly, I assume you are happy to table that overhead presentation as a submission.

Dr EMONSON — Yes, absolutely.

Mr RAMSAY — In relation to the work you are doing with the rural and regional councils sustainability project it is interesting that that is running almost parallel to this inquiry. It will no doubt have similar themes, so my hope is that we will be able to have a better understanding of the work that you are doing through that project phase through the deliberation of this committee's work. I suspect they will be very similar in nature.

My question is in relation to breaking news. Three councils in my electorate of Western Victoria Region are West Wimmera, Pyrenees and Hindmarsh, which have all applied for and been successful in increasing the cap that the government introduced because of their inability to finance their considerable assets, particularly local roads and the upgrade and maintenance of those roads. So the question I pose is regarding the long-term stability and viability of those small rural councils, which in your table you indicate are potentially around \$14 million in the red compared to the other councils going forward in the five-year projection. Is that right? I am just trying to remember. It was somewhere around there anyway; it was a very unhealthy red number as far as viability and sustainability go.

You have indicated that the rate revenue of most of those councils is around 50 or 60 per cent in regional; in grants and other funding streams, 30 to 40; and that there is 20 per cent left over for other means. But regarding the long-term viability and sustainability in relation to funding for those small councils, which currently are not viable and not sustainable, given the figures you have given us, are you giving any advice to councils about how they will survive in the environment that they are presently having to work under with cost shift, greater expectations, service delivery and everything else? I know it is a very broad question. I am only allowed two, so I have thrown the whole lot into one.

Dr EMONSON — Thank you for your question. The reported strategic resource plans of the councils — so this is the forward four-year look for councils — from a small rural council perspective does suggest that certainly in 2016–17 they are projecting a cumulative surplus. But that surplus is projected to decline through to 2020–21. It is interesting to delve a little deeper. Some of those figures would suggest that the declining operating surplus of particularly the small rural councils because of their heavy reliance on external grant funding — particularly for maintaining some of their infrastructure and particularly for renewing their infrastructure — means it is difficult for the councils in forward years to project capital grants with a high degree of certainty.

For 2016–17, and the 2017–18 year the councils have projected operating surpluses on aggregate, but then the further out that you get where there is less certainty about capital grants, certainly they are projecting that their surpluses will start to decline.

There are a number of supports and advice provided by Local Government Victoria in recognition of some of the certainly structural and operational challenges faced by particularly the smaller rural councils. We have a number of funding programs, particularly the finance and accounting support program, which is in its second year of operation. It provides a number of components. One component is making ready access to a pool of, particularly finance experts, to be able to immediately respond to requests from, say, small rural councils that might have an immediate skill gap. It could be that they are, for example, facing up to a budget process and have lost one of their key financial personnel. Local Government Victoria now maintains a pool of experts that we can send in to assist.

As part of that program we also have a pool where we are encouraging groups of councils, particularly rural and regional councils, to undertake business planning or business case exercises to look at opportunities for resource sharing and greater levels of collaboration. We also facilitate a number of procurement collaborations across councils across the state. Procurement is a major activity for councils. As my slide indicated, they spend about \$9 billion a year across the sector, and rural and regional councils contribute significantly to that large figure. So there are substantial opportunities through collaborations in procurement.

We believe that councils are getting distinct benefits from us providing support to them in considering business cases for shared services, in looking at opportunities through the collaborative council sustainability fund to look at improvements to efficiency through energy and other environmental-type initiatives. So there are a range of programs that are very specifically targeted through Local Government Victoria's activities at trying to firstly understand and then respond to some of the quite substantial structural and operational challenges faced by, particularly, small rural councils.

Mr RICHARDSON — Thanks, Graeme and Mark, for popping in; just a question on grants for councils. I think one of the telling stats that you had on the screen regarding capacity for people to pay was quite an astonishing figure, as were the socio-economic disadvantage levels. I am interested to hear your thoughts on the federal government's freeze on grants and the impact that that has had on rural and regional councils. Could you go to a bit of the work that the regional sustainability program is doing now and maybe elaborate a little bit further on how that process might work and how that engagement with the community might be undertaken.

Dr EMONSON — Thank you for the question. The graph which is on display at the moment, which is the per capita Victoria Grants Commission allocations, in the apricot-coloured band indicates the three-year freeze which was experienced in the national grants commission allocations, and obviously Victoria was part of that. If indexation had occurred and continued as was previously projected, the Victoria Grants Commission estimates that in 2017–18 the allocation to Victorian councils would have been \$65 million higher than what it is today. Of that, about 60 per cent of the Victoria Grants Commission allocation is allocated to rural and regional councils, so the calculation is that rural and regional councils are about \$40 million less in the receipt of their Victoria Grants Commission allocation compared to if indexation had occurred through the freeze period. So it has had an impact.

Indexation has now been restored in 2017–18, but the flatlining of the allocations for the other council cohorts other than the small rural councils shows the impact of the freeze, where it was very much a flatlining impact for the other four council cohorts. The one beneficiary of that, of course, was the small rural councils cohort. They continued to see some growth in their per capita allocations, despite the freeze on the total pool, and that is because the Victoria Grants Commission has consciously sought through its formula to recognise the increasing need for particularly small rural councils.

Mr RICHARDSON — With the regional sustainability program, is that teasing out some of what I guess has been lost in that \$65 million and where effectively we have to catch up to a point where we would have been with our regional councils?

Dr EMONSON — Thank you for your question. The terms of reference for the rural and regional councils sustainability project that is currently underway is about more comprehensively understanding the structural and operational barriers that particularly rural and regional councils experience. The expectation is that some of the cause of those barriers is to be more fully understood, and importantly the work is to deliver a range of options which will be available for government consideration as potential opportunities to address some of the recognised challenges. So there will be a very clear understanding of what is the financial sustainability of rural and regional councils and if the outcome of that is that there is declining sustainability, what are the drivers, what are the causes of those drivers and what are some of the options to try and address the challenges facing rural and regional councils so that they can continue to contribute to the livability and productivity of Victoria.

Mr RICHARDSON — Just one final question on that: with your experience in local government previously, was that contemplated and discussed 25 years ago, at the time of the amalgamations and mergers, especially in a regional context?

Dr EMONSON — Thank you for your question. My recollection of the reform and the amalgamation of councils which occurred in the mid-1990s is that there was weight given to elements, including communities of interest and economies of scale. I think it is fair, though, to say that it would have been difficult more than 20 years ago to foreshadow the extent of structural change and population change that would occur over the next two decades. The extent of growth in population, as an example, in metropolitan Melbourne, and some of the decline that is being experienced in some of the rural councils, I think would have been difficult to have been foreshadowed at that time. But my recollection of some of the thinking that was done at the time — and of course I was not in this role at that time — is that there was consideration given to creating economies of scale and recognising communities of interest. To project ourselves forward 20 years, there have been quite fundamental changes in the composition of Victoria since that time.

Mr O’SULLIVAN — Dr Emonson, I just want to ask you a question in relation to the changing responsibilities that local governments over the last probably decade or more have endured in terms of the service provisions for the community. Obviously once upon a time roads, rates and rubbish were the purview of councils, and we have seen now that the responsibilities and the service provision of councils has ballooned to be much more than that. Can you give us an indication as to why that has occurred and whether that in itself, particularly with some of the smaller rural councils, is a part of the problem in terms of the sustainable financial position that they find themselves in?

Dr EMONSON — Thank you for your question. The mix of services and infrastructure provided by local governments across the state — across all 79 — again going back to this theme of variability, is quite markedly different. There is no question that in the last probably 20 to 30 years local government has played quite a significant role in areas that perhaps were seen as less traditional for local government service provision going back prior to that period. Local government, as the sphere of government closest to the community, is very well positioned to provide a range of services, particularly in rural and regional councils where there may be the absence of the private market to provide services and infrastructure, and the composition of service delivery and infrastructure delivery that we see today really is a product of councils, with their communities, reflecting various needs. If you go to some of the more remote councils of Victoria, you will see quite a marked difference in the composition of service delivery and emphasis given to services compared to perhaps some of their metropolitan counterparts.

So the shifting mix of service provision has been a product, I think, of councils being seen to respond to their communities at the local level, and now with the evolution of time it is quite clear that a number of councils are now looking at their service provision mix, looking at their long-term financial sustainability and starting to question what is the greatest return on effort for their community in the services that they provide.

Mr O’SULLIVAN — Have councils welcomed the additional responsibilities in service provision, or has that sort of been forced upon them by others?

Dr EMONSON — Thank you for your subsequent question. The mix of council services, to repeat I suppose what I said before, is largely the product of councils being seen to respond to their local communities. There are some services for which the local council is a partner in service delivery with the government and a financial partner, as in co-contributor, and some of those services have obviously arisen as a result of councils again responding to service mix and service demands from their communities. I do not have evidence with me today to really indicate whether there is a range of services that have been forced onto councils. My sense is that the mix that you see in most councils today are services being provided by councils because over a period of time those services have been sought by their local communities and they have looked to their local council as a means of making sure those services are available for their community.

Mr RIORDAN — My questions are not dissimilar to Luke's. I guess mine are similar around the needs and wants argument that is always a great way to fill a country hall when the latest rate notices come out. One of the measures that communities often want to measure their council by compared to other councils, and it is a measure that I did not see a slide for, is the percentage of employee costs versus the actual rate revenue, excluding grants and other incidentals. I think that is an interesting one, and anecdotally I understand that certainly some shires in my area are looking at 70 to 80 per cent of rate revenue raised just going in wages alone. I wonder if you have any work or comments on that as a universal measure across particularly rural and regional shires.

Dr EMONSON — Thank you for your question. I do not have data today that I can point to very specifically about the proportion of labour costs as a proportion of their total expenditure.

Mr RIORDAN — Not total expenditure but of rates raised — so excluding all other grants.

Dr EMONSON — Yes, okay. Again I do not have that indicator in front of me today. I would say, though, that that indicator can be distorted by the extent to which councils outsource functions compared to the extent to which councils employ day labour to provide services. Some councils, for example, have made conscious decisions to outsource service delivery, and that has replaced their labour cost with contract cost. Other councils, for various and quite often localised reasons, have made decisions to maintain service delivery by maintaining a labour workforce, and that of course will add to a higher proportion of labour costs compared to rates. So it is an indicator, but it is an indicator that I would propose needs to be understood in terms of the context of the composition of service delivery mix across contracted-out services versus day labour-provided services.

Mr RIORDAN — I would suggest they need to be combined because, you are quite right, many other day-to-day council services are in fact being wrapped up in the contract. But just my final question on that is: one of the slides you had there referred to the satisfaction surveys and suggested the small rurals were slightly higher, and I think the lowest ones were the large shires. I wonder what your thought is on one of the issues in my electorate with six councils, three of which would fit this bill I think, which is around the sea-change method. So you have traditional rural shire values of roads, rates and rubbish versus an influx of new people that want indoor heated swimming pools and 24-hour baby gym care. So these are sort of conflicts that some of these shires have. They do not have the endless revenue stream of the metropolitan area, and so there is this growing tension on what a shire should be doing — so those that want the shire to stay a traditional shire versus those that want a more metropolitan service. Do you have any research or comment on that tension that tree-change and sea-change shires have to deal with?

Dr EMONSON — Local Government Victoria does not maintain any data that would meaningfully measure the types of tensions to which you refer. However, some of the anecdotal evidence that we see would suggest that the tensions where particularly those councils that have smaller rate bases are seeing demands for an increased and broadening range of services, is one that does cause quite a significant challenge for councils that may not be in as strong a financial position as perhaps some of the larger or metropolitan councils.

What we are seeing of course is local democracy being played out at the local level, and local councils are in the main, from my perspective, doing their very best to respond to their local communities' needs and

expectations. Those needs and expectations, as evident in the types of councils that you are describing, change over a period of time, and local governments I think are very well placed in terms of responding to their local communities' needs, albeit where you have got competing needs and competing interests in a finite financial environment it is inevitably going to create some tensions. But local government, being locally elected representatives, in my mind are well placed and well suited to making those relative choice decisions.

The CHAIR — Dr Emonson and Mr Grant, we have come to the end of the time allotted to us. On behalf of the committee, can I thank you for being here this morning.

Dr EMONSON — Thank you, Chair.

Witnesses withdrew.