

ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

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

Melbourne — 12 September 2017

Members

Mr Josh Bull — Chair

Mr Tim Richardson

Mr Simon Ramsay — Deputy Chair

Mr Richard Riordan

Ms Bronwyn Halfpenny

Mr Daniel Young

Mr Luke O'Sullivan

Witnesses

Cr David Edwards, chair, and

Ms Paula Lawrence, executive officer, Peri Urban Group of Rural Councils.

The CHAIR — Good morning and welcome. I extend a warm welcome to members of the public and media if present here today. 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 those same things, those comments may not be protected by this privilege. I welcome Cr David Edwards and Paula Lawrence from the Peri Urban Group of Rural Councils. This evidence is being recorded, and you will be provided with proof versions of the transcript within the next week. Transcripts will ultimately be made public and hosted on the committee's website. I ask that you state your name and job title.

Cr EDWARDS — I am David Edwards. I am the mayor of Moorabool shire and also the chair of the Peri Urban Group of Rural Councils.

Ms LAWRENCE — I am Paula Lawrence, executive officer, Peri Urban Group of Rural Councils.

The CHAIR — I now invite you to make a short opening statement somewhere in the order of 5 to 10 minutes. That will then be followed by questions from committee members.

Cr EDWARDS — Thank you, Josh, for the opportunity to speak to our submission. The Peri Urban Group of Rural Councils represents Bass Coast, Baw Baw, Murrindindi, Macedon, Moorabool, Golden Plains and Surf Coast shires. We formed about 10 years ago as a result of the inadequacies that we saw for what we now call the ring of disadvantage that surrounds some of the metropolitan areas, but also they are the gateway to regional Victoria in many cases. It is also around the regional cities such as Geelong, Ballarat and Bendigo, for example.

There are probably three really key points to why we believe the peri-urban region is neglected. One is the sheer size. On average we are 2500 square kilometres per shire, which is nearly double that of regional cities and three times that of the interface councils, which are generally our neighbours. We have small revenue bases. Our revenue base is typically between 25 and 30 per cent of that of our neighbours, of our regional cities or of the interface councils, yet our growth is quite significantly greater than that of the regional cities. For example, at the moment the peri-urban region is expected to grow an average of 2.5 per cent compared to 0.67 per cent for the regional cities, yet the regional development funding seems to be relatively skewed towards the regional cities.

We contribute a lot of money into the regional cities, where we believe the population is, but the reality is — and I can use my region for an example — in the Grampians region, where you have got two peri-urban shires in Golden Plains and Moorabool, they make up about 32 per cent of the population of the whole region. Yet we are funded at about one-tenth of that of the regional city. So I put to the inquiry that there be some sort of direct funding mechanisms, as there are for the interface councils at the moment — for the last four years they had access to a \$100 million fund, and I believe this year the fund has been dropped down to \$50 million — for growth-specific issues.

We as the peri-urban region generally have growth equal to interface councils — whilst not in the sheer numbers that you will have with interface councils, because they are a lot larger — but we do not have the budgets. We do not have the capability within our planning departments. We do not have the expertise. We do not have access to developer contribution plans — standard DCPs. We are working with the state government bodies at the moment, such as DELWP, and we have had some very good discussions in those areas.

The Victorian Planning Authority has recognised this through from about three years ago, when it changed from the MPA to the VPA. They now do a lot more work with the peri-urban regions to make sure that we get better planning outcomes within those regions, but we need this to continue and we need to understand what the infrastructure shortfalls are so that we can manage that, so that we do not have second-class areas.

One of our biggest problems in general is 50 per cent of our capital works budgets go directly to the roads. I would argue there would not be too many shires that could say that, yet we have the growth to cater for on the other side. So we just do not have the financial resources or the expertise to do it well. We are doing

the job, but can we do it well? I do not believe we can. I would like to open to any questions that you may have of me or Paula. If I do not have them, I am sure Paula knows the technical details better than me.

The CHAIR — Thank you very much, Cr Edwards. I will take the opening question as committee Chair. How has the freeze to the federal government's assistance program impacted rural councils, and do you know how much councils within your group have lost?

Cr EDWARDS — I could not give you the exact figures. Paula, do you have that?

Ms LAWRENCE — I do not.

Cr EDWARDS — We have generally confined our issues to common issues across the shires that they have put forward.

Ms LAWRENCE — I can find out and come back.

The CHAIR — Take that on notice?

Ms LAWRENCE — Yes.

The CHAIR — That would be good. Just on the first part of the question, what has the impact been and how significant has it been? How have you felt the pain, or how has that been relayed through to you?

Cr EDWARDS — I can speak for Moorabool. I have not got a consensus from the seven shires and am reluctant to speak to anything where they have not got agreement, but from Moorabool's perspective the freezing of the grants has certainly caused us a lot of harm in the fact that we have a number of projects — for example, we are three football ovals, three soccer fields and six netball courts short of what statistics tell us we should have for our region. To try to bring forward some of those projects — such as one we have got that is called the racecourse reserve, which I think is around a \$22 million project in total — and to try to fund that directly on a \$40 million budget is very difficult.

By freezing those grants that means that we cannot borrow the money necessarily, because we would have to make the repayments, to ensure that we can build those not just for the future generations. This is actually to cater for our current growth, and this is the problem with some of these things. It is not necessarily the direct impact, but it is the side effect that we have. So what do we do? We put those things off for another two or three years, and in the meantime we grow our population by another 10 000 to 12 000 people. All of a sudden we are now not three short; by the time we actually build these things we are going to be just as far behind as we were four years ago.

The CHAIR — Thanks for that. How will the recent changes to the Living Libraries Infrastructure Program benefit your member councils?

Cr EDWARDS — Definitely. Once again I can talk for Moorabool. We have definitely benefited from the increase, and we are just about to open libraries for a longer period of time, because there is actually greater demand in there. Any of these increases that I see will benefit the community longer term.

Mr RAMSAY — Thanks, David. I could ask you about the impact of the loss of country roads and bridges programs and different state funding, or even the federal government's financial assistance grants, Josh, but I will not because they are not frozen anymore. They are unfrozen, I understand, and there were supplementary funds given in lieu of that two-year freeze that went on.

I am familiar obviously with your municipality and many others across western Victoria. The issue is about sustainable funding long term. This inquiry is about the viability and sustainability of local government — of regional councils — and we know you have got large assets, we know there have been cost shifts, we know that it is a struggle and we know there is an unfair burden on the demographic of ratepayers now. If you are in a farming community, the farmers are asked to pay a significant share of that revenue in that municipality. There are differentials and other tools and municipal charges that can be applied. Some councils do; some do not. At the end of this inquiry we need recommendations to the

government that will provide the long-term funding reliability, whether it is for the peri-urban rural councils or just municipalities generally.

The system is not working now. Councils everywhere are telling us that it is not. Rate caps are a good idea and to have councils review themselves how they can better provide a service on a more sustainable level without increasing rates. But at the end of the day many small rural councils are struggling to meet the cap requirements. In fact many have asked for an extension or an increase. It is not solving the problem. In relation to the recommendations we might make, can you tell me how we can give, say, your constituency a reliable and sustainable level of funding to provide the services that are expected of you?

Cr EDWARDS — Good question.

Mr RAMSAY — Politically, funding from the state and feds will change.

Cr EDWARDS — Yes, absolutely. One of the biggest challenges for the peri-urban region is this sheer volume of roads that we have to maintain. You can talk about regional cities; you can talk about your interface councils. The reality is that we have far more road networks and we have far more land that is unrateable — for example, there are all the national parks and catchment areas and you do not receive any rates for any of that land. What you are left with is a rate burden amongst the population, generally in your larger towns within those areas, and they have to then be able to manage the roads quite often well outside of what they would call their immediate district. The reality is that unless we come up with a system by which the government recognises the volume of roads that shires have to cater for, and that we come up with some sort of funding mechanism that will cater for that volume of road regardless of whether you are a small rural council with a budget of \$25 million or you are a large shire, there needs to be some sort of portion directly apportioned to local roads because those local roads are not necessarily always just local roads.

The examples I will give you are: if you have a look at Macedon Ranges, if you have a look at Surf Coast, if you have a look at Baw Baw shire, tourism is quite a significant industry within those areas. So it is not just the people that live in the streets that use those roads; it is primarily all Victorians and it is all of those outside Victoria, yet the burden to fix those local roads stays with local government. I know there is some funding available, but we need to proportion that to the volume of roads that shires have. If we can do that, then we can give some sort of sustainability to councils, because the biggest burden for the peri-urban group of councils is the road network — over 50 per cent of your capital works budget.

If you put that into context, of a \$50 million capital works budget you are spending \$25 million directly on roads, and that is before you cater for any growth that you have in your community. That is before you cater for any HACC services, and we know that we have older populations. We know that we have areas where towns are dying. We still have to look after that infrastructure. You know our area quite well. Could you imagine if we decided that we were going to rip the local football grounds out of Bungaree, Wallace or Gordon and said, 'You've now got to do this'? They are the heartlands of the communities, and these are the decisions that councils are going to be faced with as we go on. We are going to be forced down a path where we start to cut services.

I can give you some examples. In Moorabool in recent times we stopped providing childcare services, something the council had done for a long time. Why did we do that? Because it was costing council \$600 000 a year and there were service providers out there who can provide that. But what does that mean in the longer term to the communities, particularly to those who are the most vulnerable? That is my concern as a councillor. We will start to look at ways of reducing our costs. We will look at cutting gymnasiums; we no longer run a gymnasium as of last week, with a significant impact on the community. Why? Because we have to maintain our roads. We have to look at our core business. Who is that most likely to affect? The most vulnerable. The reality is we have to make hard decisions.

To answer your question directly, unless we look at giving some sort of recognition of the roads, whether it be a small rural council, whether it be a peri-urban council or whether it be a regional city, it does not matter. But it has to be equitable based on the amount of roads that you look after.

The CHAIR — A short supplementary, Deputy Chair?

Mr RAMSAY — I know we are short of time. I guess I am trying to work out whether we look at a fuel excise that is specifically tagged for local roads until we all run on batteries or a portion of GST that is totally dedicated to local government funding — as against the FAG grants that sort of run up and down, and even some of the Victorian funding mechanisms, of which there are a range. You talked about DELWP, and I understand they themselves are doing a similar type of inquiry at the moment into how to provide sustainable funding for local government, which is strange in itself given we are doing this as well, so we have two competing bodies doing much the same work. In the discussions with DELWP and your councils, is there any identified mechanism that would work better for you in providing this long-term sustainable funding? Do you see a GST component purely dedicated for local government funding, or do you see a fuel tax being dedicated or something else — tolls on roads maybe for visitation?

Cr EDWARDS — GST is one of the things that the peri-urban group did raise a number of years ago. It received very little support from either side of government at the time. From a councillor perspective one of our biggest issues is rates, and every time I get a revaluation that rate shifts, whereas a GST is appropriately arranged so that you have a consistent level of income. I know one of the reasons it was pushed back is that it is not. But we would welcome any inquiry into identifying mechanisms that would remove some of the inconsistencies that we currently have with the rate structure.

Ms HALFPENNY — Earlier when you were giving your presentation you talked about the peri-urban councils getting about one-tenth of the funding. What does that mean? Does it mean out of all state and federal funding or funding specifically for infrastructure? What does that mean?

Cr EDWARDS — It is total funding from rates, from government recurrent grants. It is dramatically smaller. The Know Your Council website is a useful tool that we often quote. I know, for example, Moorabool at the moment was receiving about \$200 per person less than similar-sized shires.

Ms HALFPENNY — Okay, I just was not quite sure how that worked. I guess the problem is that with population growth throughout Victoria, everywhere is struggling in terms of the infrastructure. Should I maybe ask you in terms of all the councils: what would be the proportion of their total budget that overall councils spend on infrastructure?

Ms LAWRENCE — In terms of capital works, on average across the peri-urban regions they are spending about \$18.5 million a year. When you look at your regional cities, they are sitting at about \$53.7 million a year, and your interface councils are up at \$63.5 million a year.

Ms HALFPENNY — So in terms of as a proportion of —

Ms LAWRENCE — The peri-urban is just over 25 per cent, give or take, so your average total income is about \$64 million across the peri-urbans, and your capital works are about \$18.5 million.

Ms HALFPENNY — In terms of the terms of reference, one of them is:

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

I know the state government's funding of the SES and others varies. That was not addressed in your submission as far as I could see. Is there any work being done there, or is that something that you are not responsible for?

Ms LAWRENCE — No. The individual councils are doing that piece of work. We did not have a consistent group view on it, so that is why it was not addressed in the submission. It is an area of concern for the councils in terms of cost shifting in terms of that work and liability if there was a flood, so it is a concern.

Ms HALFPENNY — So when you say cost shifting, what do you mean by that?

Ms LAWRENCE — One of our former councillors, Murray Cook, was very across this. My understanding was there used to be a funding mechanism to look at flood areas and levees and all sorts of things and that had disappeared. Then councils were more and more responsible for that sort of work. My understanding is that there has not been a great deal of investment in maintaining drains in terms of flood preparation for many years.

Ms HALFPENNY — Okay, thanks.

Mr RIORDAN — Great presentation. Two of the shires of course are in my patch: Golden Plains and Surf Coast. I wanted to focus my questions on the operational challenges. I just seek your comment — perhaps both of you — on one of the challenges I see, which is the growing suburban elements. In Surf Coast you have got Torquay, in Golden Plains you have got Bannockburn and you have got these diverse communities of interest. You have your traditional farming component — roads, rates and rubbish and broadacre — versus the people that essentially are just suburban commuters. I am wondering if you have put much thought into the viability and sustainability of the model for some of these shires. Essentially is there opportunity to review and realign boundaries? I am not an advocate for getting rid of local council, but is there an opportunity to realign the current boundaries to have greater communities of interest to help overcome some of these issues, because people in Bannockburn and Torquay want indoor heated swimming pools and art centres, and the farmers out on the broadacres just want their road graded, so there are increasingly different aspirations for these communities.

Cr EDWARDS — It is not something that the group has discussed. Whilst I can see merit in your question, as a local councillor it is something that we have often internally discussed and under the boundaries what would be the differences. I do not think there is any real easy solution. The realities are at the moment — and I can only speak for my shire, because I know the figures — is that 60 per cent of our rating revenue and our rates and charges come from one town, and that is Bacchus Marsh. We expend about 40 per cent of our expenditure backing that shire. That is no different to Victoria paying more share of the GST than what Tasmania does.

They are not figures that you generally bandy around, because people get on their high horses and say, ‘We should cut that part of the shire off’, but that is not the way it works. Residents within those larger towns quite often use those rural roads. It is not just the farmer that uses the road to go down to point A. We have got some magnificent areas, such as Lal Lal Falls. If you go into Trentham and you go into any of these areas, we are using those roads all the time — you go into Daylesford. It is a recreational vehicle for the whole shire.

So, is there merit in considering some of those boundaries? Potentially, but it is something you need to do very, very carefully, because what you do not want to do is lose the identity. I think that the one thing councils currently have at the moment is shires that do have a bit of identity. If you start to amalgamate shires, you can change an identity.

I got asked yesterday on radio, ‘Does Bacchus Marsh consider itself regional?’. I said, ‘Absolutely it does’. They said, ‘Surely not with the growth’. I said, ‘Let’s compare the growth in Bacchus Marsh, with a population of potentially 38 000 people by 2031, to a metropolitan suburb’. They are talking 100 000 to 200 000 people growth.

Whilst the financial difficulties are there and the pressures are there, you can change the culture. Maybe there is room for some of these areas to change, but do you really advantage everybody by doing that? It is something that would have to be done with careful consideration.

Mr RIORDAN — Thank you. The second question I have got is a complete change of tack: the wind farm epidemic that is sweeping across Golden Plains, Moorabool — I think you have got some — and Surf Coast. These are large, big one-off hits of rate revenue. I have not been able to sense from the shires that that gets targeted specifically, taking advantage of a new infrastructure income stream to sort of identify out. It seems that the peri-urban shires are just absorbing that into consolidated revenue. Is there

any evidence that, as a group, you are looking to sort of harness that new income stream, specifically identifying some of these cost pressures you have rather than being consumed into, you know —

Cr EDWARDS — Yes, I understand your question. I think that that is something we do not know the answer to as a shire at this stage, because we do not know what the revenue streams are going to be and we do not know what the costs are going to be to the shire. We have had this debate already. Moorabool debated this year: do we spend \$130 000 a year and get a person with the planning expertise to do compliance issues? We do not know what level of complaints we will have.

I have spoken to some of the other shires, such as Ararat shire, who believe it was a win for their shire. Moorabool — and I can only speak for Moorabool once again, because it is not a topic we have discussed as a group — is yet to receive any income. We are in a planning stage. You do not actually receive anything, from my understanding, until such time as you are actually generating power and it is going into the grid and all those things, so we do not know what that revenue versus the cost will be.

We do not know what the cost will be to our roads. For example, there are local roads that most of these trucks are going to service these things. We do not know how much damage that is going to do. We have road management plans in place. We are not the authority for that — the state government is taking responsibility for that — but we do not know as a shire what our costs will be. We have a lot of concerns that we believe there could be all these unhidden costs to council. We do not know the answer to that.

As for the revenue, let us hope it turns out to be quite a good revenue stream for the shires and it enables us to not just cover our costs but reduce the overall rate burden to everybody. I think that would be a win for communities, but we do not know the answer to that at this point in time. We would only be speculating.

Mr RAMSAY — Do you get paid on the kilowatts that actually goes into the grid from the generation of the wind farm, or do you get paid by the kilowatts that are actually produced but not sold? I never understand.

Cr EDWARDS — I have got to be honest. I do not know the answer to that question.

Mr RICHARDSON — Thank you, David and Paula. I just wanted to go to the discussion about infrastructure and shared infrastructure in particular. On your website on the economic development plan you discuss that there are aims to include the sharing of significant infrastructure which would reduce unnecessary duplication across the region. What is that pointing to? What kind of infrastructure is that pointing to, and what savings or potential to go further with that exist?

Ms LAWRENCE — The piece of work that we are looking to do is an infrastructure and economic development strategy. As you say, we are getting consultants in to work with us to identify the infrastructure gaps and also the necessary infrastructure for growth — things like saleyards and large pieces of infrastructure that could be shared across the region with shires that are located close by. This is rather than — and it is typical for local government — every shire wanting at least one of everything themselves and every small community wanting one of everything themselves. So in doing this piece of work we hope to identify larger pieces of infrastructure so that we can locate them in appropriate spots across the region so that they will be local employment generators and will build the asset base across the region.

Mr RICHARDSON — Just going to some of the infrastructure questions, the example I am very familiar with is Baw Baw Shire Council. The Casey-Cardinia region is the fastest growing in Australia, so you are competing for dollars with thousands, if not hundreds of thousands, of people moving over the coming decades as opposed to the 2.5 per cent growth. What is the message to government to try to bridge that gap in funding that you see? Also, what is the shortfall that you are talking about in terms of road infrastructure, and why was that not covered in, say, the Essential Services Commission submission process?

Ms LAWRENCE — Part of that piece of work we are still doing, and that is part of this economic development strategy that we are hoping to start in the next few months, so we have received funding for that, and that piece of work will kick off.

Yes, it is a challenge. The interface councils are coming off a much bigger base, they are growing faster and their populations will be enormous. The challenge is going to be that we will have these areas out from Melbourne that are well resourced, that are well funded and that have got all of the fabulous infrastructure, and then we will have communities sitting right on the periphery where half the population is commuting to work because there are not any local jobs. That is forecast to jump to at least 58 000 people by 2036. We will have communities where they still do not have access to wi-fi. You have got kids sitting on the steps at Bannockburn to use the wi-fi after hours at the library. We will have this area of disadvantage right on Melbourne's doorstep unless we can start to address some of it now.

The thing we are noticing, particularly out that way, is we have had people that have moved to Pakenham, but Pakenham is now too big. They are moving to Warragul-Drouin, and that is now too big. They are moving further out, so the burden is headed well and truly out to that hour out from Melbourne and beyond.

Mr RICHARDSON — Does that economic development plan envisage growth areas and interface councils, because it is okay to combine with the six — is it the six? — councils —

Ms LAWRENCE — Seven.

Mr RICHARDSON — Seven that fall into the catchment. But to link Murrindindi and Baw Baw is a long bow, but to link Cardinia or Yarra Ranges would be significant, but particularly Cardinia. Does that economic plan envisage tapping into —

Ms LAWRENCE — No, because the interface councils have already done a plan. They have identified their infrastructure shortfall, and part of that piece of work enabled them to get the growing suburbs funding. This is why we are doing a piece of work for our regions.

The challenge is also we have got regional growth plans that look at regions down to us. Our region is notionally the afterthought in most of those growth plans. The area you are talking to is very focused on Latrobe, with Baw Baw being an afterthought. There is not much work that has been done to look at the challenges of this region, and that is why we are doing that piece of work.

The CHAIR — Cr Edwards and Ms Lawrence, thank you very much for your submission and for being here this morning. The committee greatly appreciates your time.

Cr EDWARDS — You are welcome. Thank you for the opportunity.

Witnesses withdrew.