

**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**Inquiry into budget estimates 2009–10**

Melbourne — 18 May 2009

Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr R. Wynne, Minister for Local Government,  
Mr Y. Blacher, secretary,  
Ms P. Digby, Deputy Secretary, Planning and Local Government, and  
Mr S. Gregory, Chief Financial Officer, Department of Planning and Community Development.

**The CHAIR** — I now welcome the Minister for Local Government, Richard Wynne; again Mr Yehudi Blacher, secretary; Mr Stephen Gregory; and Ms Prue Digby, deputy secretary, planning and local government, Department of Planning and Community Development. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information relating to the budget estimates for the portfolio of local government.

**Mr WYNNE** — Thanks very much, Chair. Can I start by saying that we strongly argue, as I am sure both sides of this committee would argue, that the community has a right to expect good government from its local councils — and we expect it. We expect them to act responsibly in the interests of their communities.

As you know, last year we had a series of reforms to the Local Government Act through the Local Government Amendment (Councillor Conduct and Other Matters) Act 2008, which as you know defines the standards of conduct expected of councillors. We are putting in place the councillor conduct panels, and the subsequent powers which will be extended to VCAT to discipline councillors who fail to meet those standards.

We have also made significant reforms in relation to conflict-of-interest rules for councils, providing clearer direction about what is and what is not a conflict of interest. As the Premier indicated earlier this year in his statement of government intent, further legislation is proposed for later this year to amend the penalties for offences under the Local Government Act which have not been reviewed for a number of years.

As members know, we went to the election on 29 November for four-year terms. Whilst we had significant interest from people seeking to contest the local government elections — we had 1975 nominations for 631 vacancies — I am not pleased to report that we had a drop in the number of female councillors who got themselves elected, down from 30.5 to 29.8. I was hoping for a better result. The Office of Women's Affairs is going to have a look at this and do some further work in this area because we want to see if there were impediments to women seeking to stand. Anecdotally, I would indicate that there seemed to be some reluctance by women candidates to stand because of the four-year term. I think that is something we will need to get some assessment of through the Office of Women's Affairs.

Post the council elections we put in place an extensive induction and training program where we invested \$600 000 to ensure that going forward councillors understood their obligations and responsibilities under the act. We have a kit which has now been distributed which is an outcome of that work. Between February and April over 400 training places were taken up by councillors, which I think is a terrific result.

We continue with our \$4.7 million Councils Reforming Business initiative, which is really about trying to change the way that councils work, in terms of both shared resourcing and a new range of strategies around procurement. As you know, we have released the Ernst and Young report which indicates that there are potential savings on procurement of the order of \$350 million per year going forward if we can do it better and smarter.

Neighbourhood houses are, as you know, a great success story for all of us; we all have neighbourhood houses in our areas. We had more than \$19 million in recurrent funding in 2008–09, and that will increase to over \$20 million in 2009–10. I am pleased to say that in the fire-affected regions we provided one-off grants of an extra \$10 000 to 23 neighbourhood houses and one of the networks to provide a bit of further assistance for those communities that were devastated by the fires. Needless to say, you are all great supporters of neighbourhood houses and they do a fantastic job.

The final area I want to briefly touch upon is public libraries. Again this is a wonderful opportunity for us to take up the opportunity that has arisen through the extraordinary investment of the federal government in school refurbishments, and I would be pleased to talk a bit further

about some of the examples that we have now seen coming forward where municipal libraries are twinning with schools to provide terrific outcomes. Indeed in Mr Noonan's area we were down turning the first sod at — —

**Mr NOONAN** — Altona North.

**Mr WYNNE** — Altona North Secondary College, where the council and the school have come together to provide a comprehensive library service for the broader community.

**Mr NOONAN** — Outstanding.

**Mr WYNNE** — Yes. There is more than \$32 million in recurrent funding in 2009–10, and there is a terrific program of \$2 million for wireless internet in public libraries. So you can take your laptop in and hook into the internet. That is a terrific initiative which we are rolling out across our public libraries.

There is \$6 million for the Premier's reading challenge. For anyone who has young children or knows people with young children, the Premier's reading challenge is a very simple idea but a fantastic outcome in terms of encouraging young kids to read. It has been a wonderful initiative over the last few years.

**The CHAIR** — It has been.

**Mr WYNNE** — And there is \$15 million over four years for the Living Libraries program, which has so far funded 106 projects across the state to improve and expand library facilities. Public libraries are a great success story, and I am delighted to have them as part of the portfolio, obviously along with neighbourhood houses.

**The CHAIR** — Thank you, Minister. I had complaints about the Premier's reading challenge; it only allows for 99 books.

**Mr WYNNE** — Only 99? Not bad, though.

**The CHAIR** — That is a lot.

**Ms HUPPERT** — Minister, this is similar to a question you have been asked in previous portfolios. Could you please outline what federal grants or funding your departments and agencies will receive in the budget, and can you provide the committee with a list and description of the grants and also outline the accountability mechanisms that are in place in respect of these grants?

**Mr WYNNE** — Thank you very much, Ms Huppert. The big-ticket item for local government direct from the commonwealth is the financial assistance grants. We have talked about this in the past. In 2009–10 we will get an estimated \$451 million; it will be provided by the commonwealth to Victorian councils through the grants commission. That is an increase of about 1.5 per cent over 2008–09, but by any measure the pool of funds is still too low. You have heard me speak in the Parliament about this before. In 1996 the share of federal government outlays was 1.02 per cent. It is now down to 0.64 per cent, as I indicated. That is a shortfall for Victoria of near enough to \$250 million.

If you look at that in the context of a range of our smaller councils, where the community's capacity to pay is limited and where you have dwindling populations, infrastructure asset issues and environmental issues, there are a number of our municipalities that are reliant on rates to the order of 50 per cent of their entire income. Not only is this a big problem for local government in Victoria, it is a big problem going forward for the sustainability of local government more generally. In that context, as you know, the Auditor-General indicated in his monitoring of local government that whilst all of our local governments, particularly our smaller ones, are in good

shape, the broader question of their ongoing sustainability really cannot be supported unless you do something about the financial assistance grants.

We had a big seminar of local governments only a couple of weeks ago here in Melbourne, and it was the topic of conversation. So with the 20 smallest municipalities this is a major issue for us and it is a major challenge for me going forward. It is one that I will and must continue to advocate for on behalf of local government, because if you look structurally at some of those small councils, they simply do not have the capacity. I have had numerous representations from people associated with the Victorian Farmers Federation and a whole range of other rural — —

**Dr SYKES** — The member for Benalla.

**Mr WYNNE** — The good member for Benalla, Mr Delahunty and a whole range of rural members who are really quite concerned about this systemic problem that we have got going forward. But I guess in that context my obligation is to continue to advocate for two things: both the quantum and the formula. I think they are the two key issues that we have to talk to the commonwealth about. I think that if we can get them to a space where they really, truly understand that it is in fact a national problem — it is not a Victorian problem; it is a national problem — and a systemic problem, we may be able to get better outcomes.

Finally, I just want to indicate for the benefit of the committee that the Auditor-General's report for 2007–08 noted that no council received a high risk rating for that year, which is important. Of the three councils identified as being at high risk in the last report, Colac Otway and Moorabool have moved to a medium risk rating and Central Goldfields, which was the third, is now categorised as low risk. The number of local governments rated at medium risk has reduced from 18 last year down to 15 this year. I think that is a pretty good result.

**The CHAIR** — Thank you, Minister. I refer members to appendix D of budget paper 3, where there is a discussion of local government financial relations.

**Mr WELLS** — Minister, I refer you to budget paper 3, page 179, in relation to local government accountability and in particular Brimbank council. I note with interest that last week you announced that Bill Scales had been appointed to be the municipal inspector.

**Mr WYNNE** — Yes.

**Mr WELLS** — Given that you said that Brimbank was such a vital issue and needed to be resolved, I am concerned that you are allowing the factional warlords to dictate to your department in regard to that.

**Mr WYNNE** — Sorry, just say that again. Factional?

**Mr WELLS** — Factional warlords to dictate to your department.

**Ms MUNT** — And how does this relate to the forward estimates?

**The CHAIR** — I am not sure it relates to the forward estimates, Mr Wells. Do you want to rephrase your question?

**Mr WELLS** — Just wait; I am just about to ask.

**Ms MUNT** — There is no mention of Brimbank on page 179.

**Mr WELLS** — Just wait; I am about to ask the question. I know you are very keen to shut down this part of the hearing.

**The CHAIR** — I do not shut down anything, Mr Wells.

**Mr WELLS** — I just want to be able to get my question out.

**The CHAIR** — Get on with the question.

**Mr WELLS** — Given that the actions of the municipal investigator will take place over the period of the forward estimates, can you explain why you have failed in your duties in Brimbank council and allowed Bill Scales to take three weeks leave?

**The CHAIR** — I am not sure this actually relates to the estimates.

**Mr WELLS** — Of course it does.

**The CHAIR** — It does not, actually.

**Mr WELLS** — Hang on a minute. His actions are going to take place over the forward estimates.

**The CHAIR** — Mr Wells!

**Mr WELLS** — And we want to know, if it is so important, why he is allowed then to take three weeks leave.

**The CHAIR** — Minister, I would like you to answer questions in relation to the forward estimates. I do not regard that particular question as relating to the forward estimates. Mr Scott?

**Mr WELLS** — Hang on. On a point of order.

**The CHAIR** — Mr Scott has the floor.

**Mr WELLS** — We want to call a point of order.

**The CHAIR** — There is no point of order.

**Mr WELLS** — You have not heard the point of order.

**The CHAIR** — We do not have points of order during hearings, supposedly.

**Mr WELLS** — I would call a point of order.

**The CHAIR** — What is your point of order?

**Mr WELLS** — The point of order is very clear: I referred the minister to budget paper 3, page 179 — —

**Ms MUNT** — Which makes no mention of Brimbank at all.

**Mr WELLS** — It talks about accountability. He is responsible for local government accountability.

**The CHAIR** — There is no point of order.

**Mr WELLS** — You have not heard the point of order, and I want to be able to put my point of order.

**Mr DALLA-RIVA** — Are you saying there is no accountability by this minister?

**Mr WELLS** — The minister is responsible for accountability. We want to be able to support the issue of accountability.

**The CHAIR** — Mr Scott has the floor.

**Mr WELLS** — We have raised a point of order.

**Ms MUNT** — Chair, can I raise a point of order?

**Mr WELLS** — Hang on.

**The CHAIR** — Just a moment, please.

**Mr WELLS** — I am calling for a point of order.

**Ms MUNT** — And so am I.

**Mr WYNNE** — Mr Chairman, I am happy to answer the question.

**The CHAIR** — Okay, Minister, you can answer. But before you answer the question let me just make it very clear to the committee and to you that I do not regard the question, as finally phrased, as relating to the budget estimates. I do, of course, regard the issue of accountability as very important.

**Mr WYNNE** — Absolutely.

**The CHAIR** — But in terms of asking about — at the moment — individual councils or individual organisations and somebody's leave, I think is really not something regarding the budget estimates. Minister, if you are willing to answer this question, I am happy for you to answer it. I wish for you to answer it as succinctly and quickly as possible before I pass to Mr Scott.

**Mr WYNNE** — Thank you very much, Chair. The appointment of Mr Bill Scales was welcomed. It is welcomed, I think, more generally by every person around this table. I do not need to remind members of the committee that Mr Scales comes to this job with a very distinguished record as a public servant at the highest level of the Victorian public service. He is well known to both the previous government and this government. I do not hear anybody suggesting to me that Mr Scales is not a person of substance, a person with a track record in governance and a person with an impeccable public service record. To be able to get Mr Scales to take on responsibility as a municipal inspector, in my view, is a coup to actually get him. Can I indicate — —

**The CHAIR** — Very quickly, please.

**Mr WYNNE** — Can I say to the committee that at the time that Mr Scales indicated that he was prepared to take on this duty — and I remind the committee that Mr Scales will be taking on this duty for a period of four years — he indicated to the secretary of my department that he already had in place some overseas leave or some leave arrangements that were for a duration of about three weeks. Prior to that, in taking up the position, he met, along with senior officers from Local Government Victoria, with the mayor and the CEO last week. He also met with the full council last week to outline what his role and what his expectations of the Brimbank council were going forward. He has also indicated, as I understand, to the CEO and the council that he is certainly available to be consulted over the short period of time whilst he will be away.

**Mr WELLS** — What is your definition of 'short period'? He is away for three weeks.

**The CHAIR** — The minister to answer, please.

**Mr WELLS** — He is away for three weeks. What is your definition of 'short period of time'?

**Ms MUNT** — Does he have to call you up to check leave arrangements before he goes away?

**The CHAIR** — The minister, to answer.

**Mr WYNNE** — He has indicated that he will be available whilst he is on that period of leave. I remind the committee that Mr Scales will be in place until 2012.

**Mr WELLS** — If sorting out Brimbank was so important, why didn't you cancel his leave?

**The CHAIR** — Mr Scott has the call.

**Mr WELLS** — If sorting out Brimbank was so important, why didn't you cancel his leave and make it a priority, Minister?

**The CHAIR** — Mr Scott has the call.

**Mr SCOTT** — Minister, I refer to your presentation relating to the progress of Councils Reforming Business initiative. Can you tell the committee how this reform program is changing the way local government works over the estimates period?

**Mr WYNNE** — Thank you very much, Mr Scott. The Councils Reforming Business program, as I indicated in my introductory comments, is a \$4.7 million program which really goes to try to dig down into local government and seek some systemic reform. It does provide a platform, in my view, for collaborative arrangements between state and local government to improve the efficiency and service delivery at the local level.

It is my view that the release of, in particular, the reforming business program has led to 13 projects, as I indicated, across a broad range of councils which have collaborated together to deal with three key areas. The first is procurement, and I indicated earlier that we think there is a huge body of opportunity for systemic, ongoing cost savings to local government from new and different procurement strategies.

The second is local laws. Anybody who deals with local government across the board would know about the inconsistency in terms of local laws for particularly, say, the building industry. It is a major problem for them: when can you start, when can you finish, when can you work on Saturday, can you work on Sunday? There are things like crossovers — you name it. From the very minutiae of building industry issues through to the broadest level of reform, this is what this program is about.

The third area is shared services, and I think this is one that offers tremendous opportunity, really building upon the conversations we were having earlier about the sustainability of some of our smaller councils. Where you have got the opportunity for a smaller council to have shared services with, say, a larger regional council we think there are great opportunities in that area as well, particularly where there are skill shortages. Some of the big skill shortages as, for instance, Dr Sykes knows, are in regional Victorian planners. That is a really big problem for us. How do you go about thinking about opportunities for shared service delivery in planning is one of the classic outcomes that we would be looking for through this program. It has been very successful to date, and we think it is very strongly in place in local government and we are going to see some big reforms in this area.

**Mr DALLA-RIVA** — No automated toilets as part of the business plan? I know a former councillor who can fix them up.

**The CHAIR** — That is true; in some councils they are quite controversial.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, page 180. It relates to the total output costs in the forward estimates and in particular the fact that the expected outcome of this financial year is \$46.2 million. In the forward estimates there is a total output cost of \$41.7 million, so there is a drop in the amount of money for community value and accountability in that performance indicator of \$4.5 million. I draw you to the Ombudsman's report on Brimbank

City Council of May 2009 and the impact that this will have on the forward estimates specifically given that there is a reduction of \$4.5 million in the forward estimates.

**The CHAIR** — Make sure the question is in regard to the forward estimates.

**Mr WELLS** — It is a direct quote.

**Mr DALLA-RIVA** — There is a \$4.5 million reduction in money available for local government. The Ombudsman in his report said:

My investigation identified concerns about the way in which Local Government Victoria discharged its statutory responsibility to investigate potential breaches of the Local Government Act in relation to Brimbank.

At page 929 he stated:

I note in this context that Local Government Victoria does not appear to be sufficiently resourced to discharge its statutory responsibilities.

Given that in your previous answer you indicated that you have now, all of a sudden, discovered corruption in Brimbank, despite the fact that we on this side of the table are having difficulty understanding that you are having difficulty with what has occurred given that these issues were raised over the years by the local residents group, in Parliament, in the media and by individuals who live in Brimbank, the question is: firstly, what have you been doing, why have you put your head in the sand in relation to what has been occurring in Brimbank as the local government minister?

**Ms HUPPERT** — How does that relate to the estimates?

**Mr DALLA-RIVA** — Why have you got a reduction in money for accountability if the reduction — —

**The CHAIR** — One at a time, please.

**Mr DALLA-RIVA** — Can I finish?

**The CHAIR** — Mr Dalla-Riva has the floor.

**Mr DALLA-RIVA** — There is a reduction of \$4.5 million for this department.

**The CHAIR** — I think the question is clear.

**Mr DALLA-RIVA** — It is a department that has its head in the sand, with you, Minister, in relation to Brimbank. It is an issue that has been ongoing for year upon year upon year, and you have got no money available to investigate all these allegations.

**The CHAIR** — I think the question is clear. The minister, to answer in respect of the forward estimates and action going forward.

**Mr WYNNE** — In any year Local Government Victoria receives about 1500 pieces of correspondence and not surprisingly many phone calls. Most, as I am sure the committee would be aware, relate to minor concerns that do not warrant investigation, but serious allegations are carefully assessed by the department. Where there is a prima facie case, a formal investigation is undertaken. I can indicate to the committee that since early 2007 there have been 36 formal investigations, many involving multiple complaints.

**Mr WELLS** — This is for Brimbank?

**Mr WYNNE** — No, this is more generally.

**Mr DALLA-RIVA** — How many for Brimbank?



**The CHAIR** — The minister, to answer.

**Mr WYNNE** — I am answering the question, Chair. Seven current investigations involving 10 serious complaints are under way and there have been seven completed prosecutions since 2007. There are five current prosecutions. In Local Government Victoria we have seven inspectors of municipal administration, and as I am sure the committee is aware for particularly complex cases it has always been the department's policy to supplement resources by drawing on people with particular specialist skills. You would be well aware of the work of Chris Wren, a barrister, and the current Crown counsel, Karin Emerton, who have both undertaken inquiries.

The unit cost is about \$1.29 million in 2007–08 and \$1.71 million in 2008–09, so that is a substantial increase. I can also indicate to the committee that in 2008–09 an additional \$300 000 was made available to Local Government Victoria to ensure that it did have sufficient investigative capacity — another \$300 000. I also want to indicate that a dedicated investigation team was established before the Brimbank report was tabled in the house — this was some months ago — that includes a manager of investigations and a senior inspector.

**Mr WELLS** — That was to investigate Brimbank?

**Mr WYNNE** — No.

**The CHAIR** — No? It was after?

**Mr WELLS** — It was not? Then what were you doing in Brimbank?

**Mr DALLA-RIVA** — This is Labor mates.

**The CHAIR** — Mr Wells!

**Mr DALLA-RIVA** — Did the ministers come to you and tell you to shut down the investigation?

**The CHAIR** — You are out of order.

**Mr DALLA-RIVA** — Minister, somebody must have shut him down.

**The CHAIR** — Mr Dalla-Riva, you are out of order, and so are you, Ms Munt. The minister, to answer, and particularly also to cover the issue of adequate funding and resources going forward.

**Mr WELLS** — What happened in Brimbank?

**Ms MUNT** — Chair!

**The CHAIR** — Let me make it quite clear to the members of this committee that when the Chair is standing, no-one else says anything. That is the normal practice of Parliament. Mr Wells, you are a senior parliamentarian. You should be aware of the rules and the precedents in Parliament. I ask you to respect the Chair and respect the proceedings of this committee. The minister, to continue.

**Mr WYNNE** — Thank you very much, Chair. We have also recruited a senior investigator from the Ombudsman's office.

**Mr WELLS** — To investigate Brimbank?

**Mr WYNNE** — Can I indicate to the committee also that, as the Premier and indeed I have indicated in the house, all of the recommendations of — —

**Mr WELLS** — The horse has bolted.

**Mr WYNNE** — Of the Ombudsman's inquiry will be — —

**Mr WELLS** — You knew about it for years and you did nothing about it. We are waiting for you to tell us what you did.

**The CHAIR** — Continue, Minister. Finalise your answer.

**Mr WYNNE** — All of the recommendations of the Ombudsman's report will be implemented in full. I can advise the committee that today, on the recommendation of the Chief Commissioner of Police, we will be appointing Mr David Walker — —

**Mr WELLS** — Is he on annual leave?

**The CHAIR** — Thank you, Mr Wells! The minister, to answer.

**Mr WYNNE** — — to investigate matters relating to the recommendation of the Ombudsman's report on Brimbank. This appointment will be made today and Mr Walker will commence tomorrow. Mr Walker — —

**Mr WELLS** — So how long before he goes on leave?

**Mr WYNNE** — Chair?

**The CHAIR** — I agree with you, Minister. I am just sick — —

**Mr WYNNE** — I am trying to answer the question in an open way, Chair, and trying to respond, but this provocation really — —

**The CHAIR** — The minister, to conclude this so we can finish the session.

**Mr NOONAN** — They do not care.

**Ms MUNT** — They are bullies.

**The CHAIR** — Thank you!

**Mr WELLS** — We are just asking important questions.

**Mr DALLA-RIVA** — We are not bullies. You have got some councillors who are bullies!

**The CHAIR** — Thank you!

**Mr WYNNE** — Mr David Walker is a highly experienced investigator, having spent 23 years with Victoria Police, with the last 10 years as a detective at the fraud squad. In his time at Victoria Police he investigated many types of fraud, including financial institutional fraud, secret commissions, government corruption and most other known frauds. Can I say to the committee that Mr Walker comes with the strong recommendation of the Chief Commissioner of Police. He will commence tomorrow on implementing the recommendations of the Ombudsman.

**Mr DALLA-RIVA** — He is a serving police officer?

**Mr WYNNE** — No, he is not. Can I indicate he is a former police officer.

**The CHAIR** — That concludes the consideration of budget estimates for the portfolios of housing, Aboriginal affairs and local government. I thank the minister and departmental officers for their attendance today. It has been an interesting session. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you.