

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 22 May 2013

Members

Mr N. Angus

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mrs J. Powell, Minister for Local Government;

Mr D. Yates, Secretary, Department of Planning, Transport and Local Infrastructure;

Ms K. Pope, Acting Executive Director,

Mr M. Grant, Acting Director, Sector Development, Local Government Victoria, and

Mr G. Forck, Chief Finance Officer, Corporate Services, Department of Planning and Community Development.

The CHAIR — Thank you, ladies and gentlemen. We will resume with the local government portfolio. I welcome Mr Dean Yates, Secretary, Department of Planning, Transport and Local Infrastructure; Ms Kendra Pope, Acting Executive Director, Local Government Victoria; Mr Mark Grant, Acting Director, Sector Development, Local Government Victoria, and; Mr Foreck, who is still with us.

I also need at this point to make a declaration in that I need to remind the committee that I am also the parliamentary secretary for local government, and it is not my intention to ask any questions in this session. I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance matters related to the government portfolio.

Mrs POWELL — Thank you, Chair, for the opportunity to present to PAEC today. It is an honour to be here as the Minister for Local Government. Most of you will be aware that I have served as a former elected councillor, shire president, commissioner and shadow Minister for Local Government, and I bring my local government knowledge and experience to this portfolio. I have a very strong commitment to local government. Each member of the committee has been provided with a copy of the slides.

Overheads shown.

Mrs POWELL — The statistics on this slide demonstrate the scale and diversity of local government. I also wish to point out the increase in the number of female councillors following the 2012 council elections: of the 631 councillors, 214, or 34 per cent, are female; of those, 30 are currently mayor.

Grants and transfers to local government in 2014 will be \$187 million more than was budgeted for in 2010–11, when this government came into office. I will begin with the key achievements for 2012–13. The Victorian Electoral Commission ran elections across 78 councils, at which 2004 candidates nominated. As well, in honouring an election commitment, the Greater Geelong City Council now has its first directly elected mayor. We have been consulting over the past year and are about to commence a trial performance reporting framework from July this year. This will provide greater transparency on councillor performance. This will become mandatory in 2014–15. After extensive consultation, ministerial guidelines on differential rates have been implemented.

A range of amendments to the Local Government Act 1989 were passed by Parliament in October 2012, including the introduction of a probity auditor for CEO complaints, providing for greater transparency in elections and allowing guidelines to be issued on the use of differential rates. I made a commitment to improve the relationship and communication between state and local government. As part of that, I have met with the mayors and CEOs of more than half of the councils in Victoria to develop options for an improved Victorian state-local government agreement. A discussion paper will be developed and released in the second half of 2013, as basis for further consultation with the sector. I have also reconvened the third Ministerial-Mayors Advisory Panel to enhance the advice that I receive on local government matters and to improve consultation with the sector. This year the membership has been expanded to nine mayors. This is in addition to the regular consultation with sector peak organisations and with councils.

The bipartisan ministerial advisory council on public libraries is undertaking a major review of Victorian public libraries. I was delighted to launch the review's stage 1 report in December 2012, which outlined the Victorian library concept. Stage 2 is now under way. The government is providing \$17.2 million over four years under the Living Libraries infrastructure program. We are also continuing to roll out the very popular \$4.4 million Premier's Reading Challenge Book Fund program. I have released the new Victorian Local Government Best Practice Procurement guidelines. These outline best practice and processes for councils to comply with. Fifty-nine councils have now received funding under the roadside weeds and pest management program. This funding is double the funding provided by the previous government.

The Local Government Investigations and Compliance Inspectorate has completed 428 investigations for breaches of the Local Government Act, and it has prosecuted 7 cases for criminal offences. Turning to emerging issues and priorities, the vast majority of Victoria's councillors are committed and responsible community representatives who work together for the benefit of their community. However there have been a number of issues relating to councillor conduct. Disputes between councillors, disrespectful conduct and bullying are highly damaging and disruptive and can quickly damage the reputation of a council. I have initiated a review of councillor conduct and governance arrangements to ensure that high standards of councillor behaviour are

maintained and governance is improved. This may result in legislative change, the development of guidelines, training support and capacity building.

A range of issues arose from the 2012 local government elections. The government will review those to ensure the integrity and fairness of future elections. The government acknowledges the growing community concern around increased cost of living, including increased local council rates and charges. My department has been working with the sector to drive costs down and achieve efficiencies wherever possible. We have two examples, which are shared procurement and improving asset management.

The library ministerial advisory council will complete its review later this year and provide advice on future directions for public libraries. The Victorian Auditor-General's recent report on council rating practices in early 2013 highlighted some deficiencies in council practices. The report coincided with the development of the ministerial guidelines for differential rates, which we are already undertaking. I have committed to developing best practice guidelines on rates and rating strategies for councils. My department has formed a partnership with the MAV to develop those guidelines. Thank you, Chairman. That ends my presentation.

Mr ANGUS — Minister, I refer you to page 339 of budget paper 3 and in particular table B.1, 'Grants and transfers to local government'. Can you advise the committee of the level of financial support provided to Victoria's local government sector by the state and commonwealth governments?

Mrs POWELL — The coalition government has continued its strong support for Victoria's local government sector in the 2013–14 state budget. The coalition sees local government as a key partner in responding to the challenges of a growing population and providing an environment that fosters future prosperity.

Victoria's local councils will receive \$187.3 million more in government grants in 2013–14 under the coalition government's third budget, compared to what was inherited in Labor's last budget in 2010–11. Between 2010–11 and 2013–14, total grants and transfers to local government from the state and federal governments increased from \$672.2 million to \$859.5 million, which is an increase of 27.9 per cent. Significantly, the increase in funding from the state government in this period is \$109.4 million. That equates to a 54.1 per cent increase in funding from the state government.

Reflecting the government's strong financial support of councils, the budget papers report the share of total local government recurrent revenue obtained from rates and charges levied by councils has fallen from 69 per cent when we came to office down to 62 per cent in 2011–12. State and commonwealth grants have increased from around 15 per cent of the total council revenue in 2010–11 up to some 22 per cent in 2011–12. This represents a dramatic shift in funding from state and commonwealth sources to the local government sector. The remaining 16 per cent of council ongoing revenue comes from maternal and child health and home and community care program payments as well as revenues from interest on bank deposits and rental income from assets owned by local government. The coalition government has made record investment to support local government sustainability and to help build for growth in challenging economic conditions.

We have had a number of signature reforms introduced by this government to support councils, which have included the establishment of the \$1 billion Regional Growth Fund; the \$160 million Country oads and Bridges program; the \$100 million local government infrastructure account, which is funded from the Regional Growth Fund; the provision of grants to local councils associated with the repair of roads and bridges and other community infrastructure following the 2010–11 and 2012 floods under the national disaster relief and recovery arrangements.

The government is also assisting councils to deliver in many other areas, including the \$17.2 million Living Libraries infrastructure program over four years and the roadside pests, weeds and rabbits program, which is \$7.9 million over three years. We have also funded 25 positions within councils across the state to deliver emergency management and associated functions in preparing regional and rural communities.

As I indicated earlier, the 2013–14 budget estimates that Victorian government grants to local government in the coming year will be more than 54 per cent higher than was set in the Labor budget in 2010–11. This is in stark contrast. We actually do support local councils and our government does absolutely support local councils.

In last year's federal budget, the commonwealth government estimated that \$526.6 million would be made available to councils in Victoria as financial assistance grants for 2012–13. In July 2012, I was disappointed —

The CHAIR — Minister, given the limited time we have, could I ask you to conclude your answer on this matter, please?

Mrs POWELL — Thank you, Chairman. I was disappointed to be notified by the commonwealth that the amount allocated for that budget would be \$515.8 million, or \$10.8 million less than the budget estimate published over two months before and this was due to a technical adjustment to Victoria's population following the 2011 census. Also we were told that the Victorian councils were overpaid by \$13.6 million for the same reason.

Mr PAKULA — Table it. Just table it.

Ms HENNESSY — Table it, really.

The CHAIR — Order!

Mr PAKULA — If she is going to read an answer, she should table it.

Mr ANGUS — Don't interrupt the minister. Come on.

The CHAIR — Order!

Mrs POWELL — Chair, I have finalised my answer but it goes to show that there has been a reduction in funds that go to councils from the commonwealth government, and it has been very difficult for councils to be able to wear that cost.

Mr SCOTT — Minister, I note you just touched upon the financial relationships between the commonwealth and local government. However, you did not touch upon the issues related to the proposed referendum question on constitutional recognition of local government that will enshrine financial transfer arrangements between levels of government. In the context of the support shown by key stakeholders in local government, including the MAV, could you please explain why the government has opposed this referendum?

Members interjecting.

The CHAIR — Order! It is related to the portfolio.

Members interjecting.

The CHAIR — Order. I allow the question and I call on the minister to respond.

Mrs POWELL — The Victorian government is not supporting the question in the referendum whereby local government will be in the commonwealth constitution. We put a submission in to the 2010 expert panel when the expert panel travelled around Australia. We stand by the comments made in that submission. I do note that the commonwealth government has now said that it is committed to a referendum in 2013 to recognise local government in the constitution. It is important to note that local government is an effective voice within the commonwealth and that we already recognise local government in the Victorian constitution. So it is clear to say that local government is recognised in the Victorian constitution and it is not yet clear what form local government recognition in the commonwealth constitution might take and any possible impact it might have.

The Victorian government has concerns that an amendment to the constitution to include local government may in fact blur the roles and responsibilities between the three tiers of government, leading to poorer overall outcomes. The government's view is that constitutional reform should only be pursued if it offers certainty of improved outcomes, and to this date we have received no guarantees that Victorian councils will be better off; in fact we are concerned that Victorian councils may be worse off. The real issue to be addressed in the Australian federation is how to rebalance it by reducing the vertical fiscal imbalance and allowing the states to compete amongst themselves to improve economic, social and environmental conditions to their communities.

Can I also say we have a very good Victoria Grants Commission, where the grants go from the commonwealth government to the state government. They get distributed to all councils on a very good formula that is agreed by local government. The commonwealth government has put I think about \$55 million in their budget to fight this question, and the Australian Local Government Association is putting \$10 million, and of that they are asking Victoria to voluntarily contribute \$3 million of their ratepayers funds to support this. The Victorian government does not support it. We do not believe it will bring any certainty to Victorian councils. The Roads to Recovery can still continue to be given from the commonwealth government to the state government and to the local councils. If there was any will to change it, I am sure that there could be a change of legislation rather than a change of the constitution.

Members interjected.

The CHAIR — We have got half an hour. Let us just concentrate on what we are here for, okay? Mr Scott, is there a quick supplementary?

Mr SCOTT — I do have a supplementary. I ask the minister to respond to the views of Cr Bill McArthur, who stated:

Financial recognition would ensure the continued flow of commonwealth funding to local community services and infrastructure without fear that a High Court challenge would shut off the financial tap.

Minister Powell's assertion that constitutional recognition may result in Victorian councils receiving less funding holds no weight. Her argument just doesn't stack up.

Members interjected.

The CHAIR — Order!

Mr PAKULA — Do you really think your ministers are so incompetent that they cannot answer questions themselves, David?

The CHAIR — Order!

Mr PAKULA — All day long you are running defence for a minister.

The CHAIR — Order!

Mr PAKULA — They actually can handle it all themselves.

The CHAIR — Order! Deputy Chair! Thank you.

Members interjected.

The CHAIR — Order! Let's just cool it, okay? Mr Scott has asked his question, the minister to respond.

Mrs POWELL — While I am sure the local government sector is hoping that being recognised in the constitution to allow the funding to go in certain programs from the federal government straight to council government, there is no support that says that this will be the case. We believe that the sector is hopeful that they will get increased financial recognition. When that was put to the expert panel, we were advised that funding will probably go where it is most needed.

Our concern in Victoria, and the Victorian government's concern, is that if funding goes where it is most needed, it will go to those states north of Victoria. We do have a concern that there is no requirement to say that there is no — —

As I have said before, the proposal to send Roads to Recovery, which is the one that the councils really like to have — and I am sure that they do like that funding; it is very good funding — will not be in jeopardy. They will still be able to receive funding from the federal government for the Roads to Recovery, as they have done over the last 10 years.

Mr O'BRIEN — Minister, I refer you to page 272 of Victoria's budget paper 3 and to output measures for local government relating to the payment of grants to the public library service. I know you touched on this in your presentation. What is the government doing to improve library services in Victoria?

Mrs POWELL — As I said earlier, the government is providing a total of \$38.6 million in recurrent library funding to councils, regional libraries as well, corporations and Vision Australia in 2013–14. This is through the public libraries funding program. In addition to this there is \$17.2 million being made available over four years through the Living Libraries Infrastructure program to improve public library facilities right across Victoria.

Under the Living Libraries Infrastructure program councils and regional libraries are able to apply for grants of up to \$750 000 to be used to enhance their public library infrastructure. Applications for funding under the 2013 round closed recently, and I look forward to announcing the successful projects shortly.

A further \$4.5 million is being provided over four years through the Victorian Premier's Reading Challenge book program, which enables public libraries to purchase additional resources. The government is delivering on its commitment to undertake a comprehensive review into the future of Victorian library services and funding arrangements. The review is being led by the re-established ministerial advisory council — or the MAC — on public libraries, which for the very first time is a bipartisan committee. It includes three members of Parliament and broad representation from local government and from public libraries. But I pay particular thanks and acknowledge the chair of the MAC and the member for Mornington and my Parliamentary Secretary for Local Government, Mr David Morris, who has led the review. I also acknowledge the member for Macedon.

Ms HENNESSY — You're not pushing the dump button now!

Members interjected.

Mrs POWELL — I also acknowledge the Labor member for Macedon, Ms Joanne Duncan, MP, for her contribution, and The Nationals member for Mildura, Mr Peter Crisp, for giving so generously of their time and contributing to this important work. The first stage of the review was completed in December last year and recommended the future concept The Victorian Library, and that has been developed. The Victorian Library will be a seamless network of public library services across the state. It would enable every Victorian to have access to a high-quality public library service, regardless of where they live. For public library users, this would mean one library card to use at any public library in Victoria, the ability to borrow a book from any public library in Victoria and to return it to any other library in Victoria and access to every book and resource in the state.

Stage 2 of the review has commenced and is comprehensively assessing The Victorian Library concept and the public library funding. A discussion paper has been sent to all councils, regional library corporations and peak bodies seeking submissions on The Victorian Library concept and public library funding. To support this, the MAC has undertaken an extensive program of consultation with all library services in Victoria to find out firsthand the response to The Victorian Library concept. I understand that over the last two months the chair, Mr Morris, has travelled to and met with every one of Victoria's 52 public library services. A community consultation paper has also been developed to seek the public views on the initiatives identified in the stage 1 report. The MAC is currently reviewing the feedback from the stage 2 consultation, and I look forward to receiving their recommendations later this year.

Mr PAKULA — Minister, I want to refer you to a couple of bits of your presentation. In slide 5 you talked about the Local Government Investigations and Compliance Inspectorate, and I note that budget paper 3, page 198, has an output cost for public sector integrity. You also talked about the governance and conduct review as an emerging issue for 2013–14. Minister, there has been an apparent breakdown in governance at the Rural City of Wangaratta. We have seen a young, promising councillor resign after less than seven months, we have seen WorkCover claims and we have seen a total breakdown in relations between the CEO and the mayor. I am wondering, given what you have talked about as a priority for 2013–14 in terms of governance and conduct, why that council has not yet been placed under administration.

Mrs POWELL — I will probably go more to your question about IBAC, then I will go on to the Wangaratta council. I think you did it in two parts.

Mr PAKULA — No, my question was about Wangaratta council.

Mrs POWELL — In that case, my decision about the Wangaratta council — —

Members interjecting.

The CHAIR — Order!

Mrs POWELL — I am happy to answer the question. I have recently appointed an inspector of municipal administration to oversee the activities and performance of the Wangaratta Rural City Council. This is because, obviously, there have been a number of letters to me, a number of emails and a number of media reports about conduct at the Wangaratta Rural City Council. I wrote to the mayor to require that the council review its councillor code of conduct and to reinforce the need for their adherence to these standards. A new code was adopted on 29 April and sent to me. It is my expectation that all councillors will commit to the code and demonstrate a capacity to work in the interests of the Wangaratta community rather than pursuing personal agendas. Recent events at Wangaratta, including a range of conflict and conduct allegations, led to this decision. The allegations are of a serious nature, relating to bullying, intimidation and other inappropriate conduct. I understand that there are also a number of investigations in train at the moment, so it is not appropriate for me to comment on those. Those processes are independent.

In making the decision to appoint an inspector I was deeply aware of the concerns that were being raised directly with me by members of the community about the council. On one night there was a councillor who came back from stress leave and tendered her resignation, the CEO was taken ill and two senior officers went on sick leave. So I guess with all of that happening I felt it was really important that I put in place an inspector. The inspector, Mr Peter Stephenson, will report directly to me on the conduct of the council, including the councillors and the officers.

The acting executive director of Local Government Victoria has also recently met with the council to clarify council's responsibilities under the Local Government Act 1989 and also to outline the community's expectations of their council and the importance of councillor behaviour. She also emphasised the importance of councillors demonstrating leadership and good governance and representing the best interests of their communities. The inspector will be there for a period of three months. In that time I would be expecting regular reports from the inspector on the conduct of the council and of the councillors. He will be reporting if there are any circumstances that warrant further input. I am also bound by the provisions of the act regarding suspensions and dismissals of councils, and I am fulfilling those obligations.

The CHAIR — Thank you, Minister. Is there a supplementary?

Mr PAKULA — Yes, just a quick one. An inspector is not the same as an administrator, but you have talked about the inspector and you have talked about the inspectorate. Obviously this is of concern because there does seem to be a degree of confusion now about the role of the inspectorate in a post-IBAC world. I talked about the \$48.8 million as the output cost for anticorruption and public sector integrity for 13–14. In the context of the answer you have just given, can you tell us what proportion of that output is being directed to resource the local government inspectorate?

Mrs POWELL — The Victorian government has put in place a comprehensive integrity framework, and there will be an announcement dealing with the issues that you are raising about the role of the local government inspectorate. The role of the inspectorate is a very important one. As I said earlier in my presentation, there are a number of investigations going on at the moment. People can have faith those investigations will continue. The Local Government Investigations and Compliance Inspectorate will continue to deal with those allegations. Can I also say that the government has foreshadowed that it will soon be making further announcements on the future of the local government compliance inspectorate functions, so I will not be making any announcements today about the role of the inspectorate, because the government will be making —

Mr PAKULA — You cannot even tell us if it is going to continue?

The CHAIR — Order!

Members interjecting.

The CHAIR — Order!

Mrs POWELL — The role of the inspectorate and the staff will continue until 30 June this year.

Mr ONDARCHIE — Minister, I refer you to page 337 of budget paper 3, ‘Appendix B — local government financial relations’. Minister, you are introducing a performance reporting framework for local government that will be voluntary in the next fiscal year and then compulsory in the following financial year. Could you explain what measures are proposed to be in place to assist councils with that reporting burden and how it will assist in councils driving down the costs to their ratepayers?

Mrs POWELL — I am sure that members of PAEC would agree that ratepayers have a reasonable expectation that they should be informed of local government performance in a robust, useful and transparent manner. I have asked my department to strengthen existing performance reporting requirements to develop, together with the local government sector, a mandatory performance reporting framework. My department has already engaged two former council chief executive officers, Mr Michael Ulbrick and Mr Mark Davies, to bring senior leadership and a local government perspective to the development of a new performance reporting framework for local government. The appointment of these highly qualified and experienced people has already added immense value to the early planning stages of the project, and will help ensure a smooth transition to mandatory performance reporting under the new framework.

There has already been extensive consultation with the sector to develop the individual performance indicators that will be trialled. There will be a trial from July this year. In an increasingly tight fiscal environment the issue of reducing red tape is also an important consideration for all levels of government, so over the past 12 months my department has been leading a whole-of-government exercise, and phoning all of the departments to see what reporting requirements local government has to make to those departments with a view to streamlining and removing unnecessary reporting burdens.

Through this process about 100 existing reporting requirements have already been identified and over one-third of those reporting requirements are no longer required and can be either streamlined or removed, and that will reduce red tape. Further, the new performance reporting framework will mostly utilise existing reporting arrangements, where appropriate, to avoid duplication of effort and to add value to existing reporting requirements. The framework will include measures of financial, service delivery and governance performance. Councils, the community and the government will be able to compare their councils’ performance against the performance of broad categories of similar councils.

The CHAIR — Thank you, Minister. That concludes the consideration of the budget estimates for the local government portfolio. I thank you and your departmental officers for your attendance today. I do not believe there were any questions on notice so we do not need to follow up with those. Thank you again. That concludes the hearing.

Witnesses withdrew.