

# TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Budget Estimates 2019–20 (Local Government)

Melbourne—Tuesday, 11 June 2019

#### MEMBERS

Mr Philip Dalidakis—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge



**WITNESSES**

Mr Adem Somyurek, Minister for Local Government,

Mr Terry Garwood, deputy Secretary, Local Infrastructure, and

Mr Graeme Emonson, Executive Director, Local Government Victoria, Department of Environment, Land, Water and Planning.

**The CHAIR:** All right everybody, it is to my sad, sad displeasure to tell you that this is the last hearing for today. But the good news is we are back tomorrow. In the meantime we still have one portfolio to cover, the local government portfolio. So allow me to declare open this hearing of the Public Accounts and Estimates Committee. On behalf of the Parliament the committee is conducting this inquiry into the 2019–2020 Budget Estimates. Its aim, as it always has been, is to scrutinise public administration and finance to improve outcomes for the Victorian community today, tomorrow and into the future.

The committee will now begin consideration of the portfolio of Local Government. I welcome the Minister for Local Government, the Honourable Adem Somyurek, and officers from the department. I thank you all for appearing before the committee.

All evidence given is protected by the Parliamentary Committees Act. This means that it attracts parliamentary privilege and is protected from judicial review. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Minister, I invite you to make a brief opening statement or presentation of no more than 10 minutes. This will be followed by the most intense scrutiny in questions from this committee that you will have ever had in your PAEC life. Minister, over to you.

**Visual presentation.**

**Mr SOMYUREK:** I can hardly wait. The Victorian government supports local government through a number of funding initiatives that help fund local infrastructure and services. I look forward to sharing some of these initiatives with the committee tonight.

I would like to start my presentation with an overview of the local government sector. Victoria's 79 councils raise rates revenue to the tune of \$5.7 billion. Rates revenue accounts for more than half of all revenue received by councils in Victoria. There are 79 councils in Victoria, 48 rural and regional and 31 metropolitan. These 79 councils, as we can expect from such a large population, are very diverse. This diversity is highlighted in the slide above, which shows the disparity of population between Casey, which is Victoria's most populated council with a population of 340 419, and Queenscliffe, which only has a population of 2989 residents.

Now, Chair, this diversity also creates challenges which are unique to each category of council. For example, in the two councils that I have just quoted to you, the City of Casey experiences the stresses of having one of the fastest growing populations in the whole of Australia. On the other hand, Queenscliffe also has challenges due to population, but this time the challenges are due to a population decline or stagnation. Obviously having a declining or stagnant population base means that source revenue is therefore decreasing, which means that critical local infrastructure—in the case of rural municipalities or shires, they have got a lot of roads and a lot of bridges, and when you have got your source revenue decreasing, as does Queenscliffe, for example, you can have massive sustainability issues. As will be apparent in my presentation today, our programs are tailored to meet the diverse challenges and needs of all our councils.

I would now like to highlight several achievements in my portfolio in 2018 and 2019 by my predecessors. The review of the local government management framework, as we can see up there, is about increasing accountability and transparency to the public. In 2018–2019 extensive consultation was undertaken with significant input from the local government sector. This resulted in a strategic directions paper being released. This paper outlines the next stage of development for the local government performance review framework as

part of a process of continuous improvement and with an intention of moving towards an integrated performance reporting system that provides the best value to local government and to the Victorian community.

The next item is funding of community infrastructure, and obviously we speak of the Growing Suburbs Fund here. In 2018–2019, 45 projects were funded through the Growing Suburbs Fund. Investment in library infrastructure: this government has continued to invest heavily in council library services by investing more than \$18 million over the last four years in critical library infrastructure projects, resulting in a combined project investment of \$154 million. So our \$18 million investment has leveraged about \$136 million from other sources.

In the key output measures I am moving on to we can see there the performance measures for my portfolio are outlined in budget paper 3 and are detailed on the slide. The performance measures in 2019–2020 demonstrate the performance expectations for the portfolio, and in particular I would like to highlight the expected increase in submissions to the Growing Suburbs Fund that fully meet the program guidelines, and they have increased from 70 per cent to 80 per cent. This reflects the increased engagement by the department with councils for this particular purpose.

Now, to budget outcomes—moving on. I am pleased to announce strong investment in the local government portfolio in the 2019–20 budget, with the continuation of support to the communities in our outer suburbs by investing a further \$50 million to the Growing Suburbs Fund to build and upgrade new community facilities like new parks, playgrounds, sports centres and community centres. This fund is available to Melbourne’s 10 rapidly growing, developing interface councils. We can see there the second one is a \$2.7 million investment to continue the roadside weeds and pests program to assist the protection of the state’s \$14 billion agricultural industry and reduce the impact of invasive species on farming communities and the environment. We have also made a \$1 million commitment to Pipemakers Park, \$600 000 to conduct the inquiry into local government rates and \$300 000 for lighting at Banjo Paterson Park, providing a safer and more secure place for the Lynbrook Community Centre. I know this is in Ms Richards’s area, but it is in my estate, so there you go.

**Ms RICHARDS:** Yes, I know.

**Mr SOMYUREK:** Moving on to the next slide—financial assistance grants. Finally, I will now touch on grants and transfers from budget paper 3, as there is, on the face of it, a significant variance of \$342 million, or 43.2 per cent compared to the previous year’s estimate of \$787 million in the 2018–19 budget. The \$309 million is the rephrasing of financial assistance grants to 2019–20 into 2018–19 due to the commonwealth government deciding that approximately half, or 50 per cent, of these grants will be brought forward in the 2019–20 commonwealth budget. I am not sure how we are going to go with getting that budget through by 30 June, but anyway.

We can see from the slide that, with the exception of 2015–16, from 2014–15 onwards the federal assistance grants have been brought forward by the commonwealth government every financial year, and that is represented by the areas shaded in grey in the slide you can see. Now, this practice is not desirable. It is not desirable for two reasons. First, it creates mayhem—absolute confusion—in the sector. Councils have to prepare their budgets by 30 June, and it is often late in the piece that the federal government informs the sector and the state that they are bringing forward these grants. It is probably one of the most complained-about issues that I have come across in my travels across regional Victoria. Second, it is disadvantageous to Victoria, since these grants are based on population statistics. With Victoria having the fastest growing population in the country, bringing forward these payments means funds are based on the previous year’s financial population data in which the grants payments were made, thus effectively cutting short Victorian councils.

In conclusion, Chair, this budget funds the Victorian government election commitments and continues the government’s support for councils through a number of funding initiatives that help councils fund local infrastructure and services tailored to suit their unique needs.

**The CHAIR:** Thank you, Minister—right on time. We appreciate that. We will move to the first round of questions, to Ms Richards.

**Ms RICHARDS:** Thank you, Minister and departmental officials, for your time here this evening. Unsurprisingly, Minister, there is something that is close to your heart and my heart and perhaps even Mr Maas's as well, and that is that little slice of heaven in Lynbrook. I am interested in—

**The CHAIR:** The cemetery?

**Ms RICHARDS:** No, a particular slice of heaven. I refer you to budget paper 3, page 44, and the allocation of \$300 000 to Banjo Paterson Park, something that has been met with great excitement, even last weekend in our area. Can you outline what that funding is for? And thank you for the indulgence.

**Mr SOMYUREK:** Thank you, Ms Richards, for your question. Ms Richards, it is your electorate; it is my electorate too, by the way.

**Ms RICHARDS:** I know.

**Mr SOMYUREK:** And it is in my estate, but I have got to say: I cannot take any responsibility for it. I think it is all yours. I think you are the one that probably lobbied for it, but I can tell you that as a resident I am grateful.

**Ms RICHARDS:** A callout to Lynbrook Residents Association. They have been working hard.

**Mr SOMYUREK:** But we need to do something about the swooping birds, too. That is a bit of a problem—very dangerous, by the way. Ms Richards, Banjo Paterson Park is a very popular local park with an expansive lake and open space. It has barbecue facilities, sheltered picnic tables, public amenities, large wooden playgrounds and a walking track that encircles the park. The park is a popular pathway which is used by commuters from the surrounding housing estates to access Lynbrook railway station located in the south-western corner of the park. Local concerns about safety and security at night, especially for children and young parents who use this park regularly, have created widespread support for this lighting project. The safety of the Victorian community is a foremost consideration of this government. By providing new lighting in Banjo Paterson Park, local residents will have a safer and more secure environment. The funding will be provided to the City of Casey, who will deliver this particular project.

**Ms RICHARDS:** I am interested: is that similar to the type of investment that is being made at Pipemakers Park, which is referred to on page 45 of budget paper 3?

**The CHAIR:** Thank you, Ms Richards. The main similarity is that the funding is being provided to the council, who are in turn responsible for the park upgrades.

Pipemakers Park is a historic pipe-making industrial site, which has been transformed into a park and wetlands. Historic bluestone factories have been recycled for community use, a wharf has been built, barbecue and picnic tables installed and an important link formed in the Maribyrnong River Trail. The multiuse trail leads 15 kilometres upstream to bring Brimbank Park in East Keilor and 4 kilometres downstream to the stock bridge in Kensington. The government's commitment to Pipemakers Park will provide a new sensory park and upgrade to the gardens. This will make the park more appealing for local residents and visitors by providing safe and accessible open spaces, which will celebrate the rich cultural heritage of the park and offer a variety of leisure experiences within a sustainable river parkland setting. The government is pleased to be working in partnership with Maribyrnong City Council to deliver the great project for the Maribyrnong River and surrounding communities. The cost of this election commitment is \$1 million. I look forward to getting out to visit this site to see the works in the next few months.

**Ms RICHARDS:** Thank you, Minister, and having got that incredibly important message onto the public record I would like to cede my time to Mr Maas.

**Mr MAAS:** Thank you, Ms Richards, and thank you, Minister, for your attendance and for your presentation. I would like to take you to the rating system review and refer you to budget paper 3, page 39, which provides \$600 000 to support the delivery of the rating system review. Can you inform the committee how this review will be carried out?

**Mr SOMYUREK:** Thank you, Mr Maas, for your question. Victoria's local government rating system is being put under the microscope with a review of the rating system for the first time since its inception. The rating system review is designed to ensure councils are held accountable to the ratepayers they represent, and that changes to the system can be made in order to make the system fairer and more equitable, or as fair and as equitable as it can be. The review is an election commitment by the government and the first recommendation of the joint parliamentary inquiry into the sustainability and operational challenges of rural and regional Victoria. That is a committee that Mr Richardson is very familiar with. Indeed I think Mr Richardson sat on this particular inquiry.

**Mr RICHARDSON:** I did.

**Mr SOMYUREK:** The 2019 budget allocated \$600 000 to support the delivery of the review and enable broad community consultation and comprehensive research into the current rating system and other comparable systems. Victorians will be able to put their views to the panel and participate in the review process with the panel in order to deliver their recommendations to government by March 2020.

**Mr MAAS:** Will the rating system review look at the current exemptions and discounts?

**Mr SOMYUREK:** Thank you, Mr Maas. The terms of reference for the rating system review are sufficiently broad to enable the panel to examine the local government rating system in its entirety. This will involve the close examination of current government rates and charges; current rate exemptions; discounts and concessions; application of differential rates to various classes of land including farmland; the interaction of the rating system with the taxation and valuation systems; the autonomy of local government to apply a rating system—and that takes into account local factors; and the impact that any recommended changes would have on councils, ratepayers and indeed residents.

The review will look into the current system as a whole as well as other jurisdictions to seek out ways to make our rating system more fair and equitable for ratepayers. The proposed changes to the rating system are contained in the Local Government Bill 2018. The 2018 bill, as you would know, Mr Maas, did not quite get through the upper house because Parliament was prorogued. However, what we will be doing is putting on hold any changes to the rating system in any new local government bill we bring into the Parliament. We will make sure that the rating changes that were proposed in the 2018 bill will not be a part of any new bill because we would want this inquiry to do its job first.

**Mr MAAS:** Can you tell us who has been appointed to do the review and what expertise they bring to that role?

**Mr SOMYUREK:** Thank you, Mr Maas. The review will be undertaken by an independent panel led by the former chief executive officer of the Royal Children's Hospital and the former chief executive officer of the City of Melbourne, Dr Kathy Alexander. She will be supported by Dr Ron Ben-David, who has just finished his tenure as chair of the Essential Services Commission, and Mr John Turner, who was part of the commission of inquiry into Ararat council after councillors there tried to increase farm rates overnight by 50 per cent.

**Mr MAAS:** Minister, is there a reason why the rate cap is not included in the terms of reference for the rating system review?

**Mr SOMYUREK:** Thank you, Mr Maas. Look, to include the rate cap in terms of reference would have been misleading because we will not be removing the rate cap; we are just not removing the rate cap. We will not be removing the rate cap because it has actually been a phenomenal success. Let me explain why. In the last 10 years leading up to the introduction of the Fair Go Rates cap in 2016, rates on average in Victoria increased by 6 per cent. Now that is well above inflation, that is well above national average—a 6 per cent increase a year in our rates is massive—and what I have picked up on my travels across rural Victoria is that there were massive capacity-to-pay issues.

I point to the Essential Services Commission's report into the outcome of the rate capping released on 23 May. It concluded that rate capping has achieved its goal of reducing rate increases for the average ratepayer without compromising service delivery and infrastructure maintenance. This does not mean that the individual ratepayers will not experience increases that are higher or lower than the average rate due to the relative

movements in their property prices—property valuations. We are not claiming that at all. What we are saying is—and I want to make this absolutely clear—the rating system review will look at how the rate burden is distributed fairly and equitably within the rate cap. We are not about lifting—jacking up—the total amount of rates revenue that a council can get. Lifting the rate cap will actually achieve that purpose. If we wanted to do that—if we wanted more rate revenue for councils—we would be lifting the rate cap.

**Mr MAAS:** Thanks for that answer, Minister. I would now like to take you to the topic of the Growing Suburbs Fund, and I refer you to budget paper 3, page 39. This provided \$50 million to continue the Growing Suburbs Fund into 2019–20. This fund boosts the number of community infrastructure projects delivered in Melbourne’s interface councils, be it for structures such as parks, community centres, town centres, swimming pools and cultural facilities. Minister, how will this funding improve the lives of people living in Melbourne’s outer suburbs?

**Mr SOMYUREK:** Thank you, Mr Maas. The Growing Suburbs Fund will improve the lives of people living in Melbourne’s outer suburbs by providing better community facilities and services and creating jobs in Melbourne’s rapidly growing interface councils. The Growing Suburbs Fund had its genesis in the Outer Suburban/Interface Services and Development Committee of the Parliament and its reporting on livability options in outer suburban Melbourne. In late 2012 the committee made 132 recommendations to improve the livability of the suburbs. The committee found—finding 2.7, as I recall—that the delayed provision of infrastructure in Melbourne’s growth areas had a negative impact on livability throughout metropolitan Melbourne. At the same time, the councils that are the interface councils came together and highlighted the infrastructure gap that existed in their communities. Their advocacy resulted in the government committing to the Growing Suburbs Fund in 2014 and funding it in the 2015–16 budget.

Since becoming the Minister for Local Government I too have been lobbied extensively by the interface councils singing the praises of the GSF. I am therefore pleased that this budget has allocated another \$50 million to continue this important fund in 2019–20. This brings our total investment to \$250 million for the Growing Suburbs Fund and \$200 million over the last five years, and I am pleased to report that the investment of \$200 million over the last five years is so far expected to leverage another \$340 million of investment through other sources—that is, councils themselves, the federal government and actually private money coming into these projects, to these interface councils. So we have assets to the value of \$540 million as a result of our \$200 million investment through the Growing Suburbs Fund into critical community infrastructure projects.

So, Mr Maas, the GSF enables Melbourne’s diverse and fast growing interface councils to deliver critical local infrastructure to their communities, such as parks, community centres, town centres, swimming pools and cultural facilities. GSF grants are targeted towards high-priority community infrastructure projects that contribute to the following: stronger, more resilient and livable interface communities; improved local economic conditions in Melbourne’s interface communities; and improved capacity for councils to respond to changing community needs and demands.

**Mr MAAS:** Thank you, Minister. If I could take you to the project overview of that, could you talk us through the total number of projects that have been funded by the Growing Suburbs Fund since it was established and how many of these projects have been completed?

**Mr SOMYUREK:** Thank you, Mr Maas. The Growing Suburbs Fund has so far contributed to 161 projects since its inception in 2015. These projects are put forward, as I said before, by the councils themselves for consideration and include multi-use sporting pavilions, community centres, play spaces—I think I have said this before—recreation areas, precincts and developments. Let us just say that it contributes to all types of community and critical local infrastructure. Sixty-seven of these 161 projects are now completed and open to the community. Construction has commenced on a further 51 projects, Mr Maas, and the remaining 43 projects, which are predominately those funded in the 2018–19 funding round, are due to commence construction by the end of 2019.

I recently had the pleasure of opening the Strathaird Family and Community Centre in Mr Maas’s electorate of Narre Warren South, which also happens to be in my electorate of South Eastern Metropolitan. The centre includes a new kindergarten and maternal and child health facilities. The \$2.8 million project was delivered by Casey City Council with the support of a \$1.4 million grant from the Growing Suburbs Fund. It is a very good

example of what can be achieved when the state government and councils work together in partnership to deliver for the community.

Once the projects receive funding they often have to undertake more detailed planning and then undergo tendering for construction. GSF also supports more jobs in the interface councils and has resulted in the creation of more than 5400 jobs, not just in construction but also some ongoing jobs in service delivery as well.

**Mr MAAS:** I might take you to rural council now—to the topic of rural council—and refer you to budget paper 3, page 405. This refers to the Rural Councils Transformation Program. Can you please give us more details about this program and whether the money allocated in the 2018–19 budget has been spent?

**Mr SOMYUREK:** Thank you, Mr Maas. This program is another way the government is actually supporting rural and regional councils to create and implement new regional service delivery models for their communities.

In the 2018–19 budget \$20 million was allocated to the Rural Councils Transformation Program to support rural and regional councils to work together to find innovative service delivery solutions on a scale that has not previously been attempted in this country before. The Rural Councils Transformation Program encourages rural and regional councils to work together to set-up collaborative service delivery and/or procurement opportunities to support long-term financial sustainability issues that I previously mentioned.

This program consists of two phases. The first phase commenced in 2018 and enabled councils to get together and put forward their proposals for large-scale, transformative projects on a regional level in order to receive funding to further develop their projects into a business case. The second phase is now underway, and that will provide grant payments of between \$2 million and \$5 million to fund the successful business cases. The Treasurer and I will make an announcement on the successful applications later on this month. The business cases put forward demonstrate a genuine commitment from the rural councils involved to work with their neighbouring councils to find efficiencies and support each other. This fund is not about attenuating the autonomy of rural and regional councils. It is not about job losses. It is about councils exploring ways that they can actually work together to share expertise, plug skills gaps and reduce costs by combining their purchasing power to take advantage of scale.

**Mr MAAS:** Can you talk us through how many councils participated in the business case phase of the project?

**Mr SOMYUREK:** Thank you, Mr Maas. Thirty-eight councils have participated in putting forward proposals during the first phase. That is a lot—38 councils is a lot of councils in the rural area. These 38 councils put together seven proposals, and obviously those seven proposals involve teams of councils. I might also make the point right here and now that some of these councils—38 councils—have been involved in multiple sorts of applications, and that is fine. They work on their community of interest, where they are the most compatible to. I am very happy with the take-up in this particular program.

Many of these councils have passed resolutions that they will participate in the implementation of the business cases regardless of whether they are successful in receiving state government funding through the Rural Councils Transformation Program. This demonstrates the value in what we are doing and the lasting impact that the councils involved believe it will have on how they operate going forward.

**Mr MAAS:** What outcomes do you expect to see from the successful projects? Will this assist in the broader issue of rural council sustainability?

**Mr SOMYUREK:** Thank you, Mr Maas. Since coming into office in December last year I have been particularly concerned with the findings of the Auditor-General's report a couple of years ago, which found that Victoria has about 17 or so small rural councils that have got potential sustainability issues going forward. One of the very first things I read was also the joint parliamentary investigatory committee's report into the sustainability and operational challenges of rural and regional councils. Again, Mr Richardson, was a part of this—

**Mr RICHARDSON:** I think Mr Riordan might have been on it too.

**Mr SOMYUREK:** Mr Riordan was too. That was a good piece of work, Mr Riordan. Congratulations.

**Mr D O'BRIEN:** I was very upset you did not mention it before actually.

**Mr RIORDAN:** I shared the odd country mixed grill with—

**The CHAIR:** I do not understand. You either spend half of your life in Broady or you spend half of your life in the country areas. Which one is it?

**Mr D O'BRIEN:** Pubs either way.

**Mr RIORDAN:** Pubs either way. I am a truck-stop man, truck-stop kind of guy.

**The CHAIR:** I do not want to know what you do at the truck stop. That is between you and the truck stop. Continue on.

**Mr RIORDAN:** Mixed grill and the sausage roll is what I look for.

**The CHAIR:** Mr Maas continue.

**Mr RIORDAN:** That is probably not clearing it up at all.

**The CHAIR:** We have been doing this for nearly 12 hours.

**Mr RIORDAN:** A jaffle—okay, it is a jaffle, not a sausage roll.

**Ms VALLENCE:** Wait till Friday night.

**The CHAIR:** Minister, you get the ability to just come for your hour or two. We have been doing this for 12 hours.

**Mr SOMYUREK:** What I will not be doing is making a reference to Mr Riordan again. I have forgotten where I was up to. Therefore I took it upon myself—

**The CHAIR:** Start again from the beginning.

**Mr SOMYUREK:** I will start all over again. Since taking office—

**Mr D O'BRIEN:** Can we just table your answer? We all know what it is going to be, so it would be easier.

**Mr SOMYUREK:** I have taken it upon myself to actually visit all these 17 small rural councils who have got financial sustainability issues—the issues that have been identified in these reports. These issues are structural issues, and they are faced by these rural councils. Not all small rural councils are facing the same sustainability challenges. What I found is that eight or nine or so of the more remote rural councils are experiencing population stagnation and decline, affecting their revenue base and all the complications and challenges that comes with that. When your source revenue is on the decline in one of those small rural councils with the massive geography that you have to service there is a real problem with sustainability. These councils have fixed services and infrastructure costs and they need new ways of doing things to cut costs without cutting services, quality or jobs in the area.

This is not an easy fix, and looking for efficiencies through projects like the ones that are put forward by the Rural Councils Transformation Program is only a part of the solution. I think there is a structural issue. I think it needs to be a systematic fix, but the Rural Councils Transformation Program is a step in the right direction.

**Mr MAAS:** Unfortunately there is not any time for some questions on roadside weeds and pests, but—

**The CHAIR:** That could be a segue. That is an unkind segue from you, Mr Maas, to leave on road pests and weeds, but nevertheless we will move forward to Mr O'Brien.

**Mr D O'BRIEN:** No, Mr Riordan.

**The CHAIR:** Oh, Mr Riordan is taking over. Well, in that case, maybe it was an apt segue.

**Mr RIORDAN:** Minister, each year the state receives more than \$200 million in municipal and industrial landfill levies. Over half is allocated to state environment agencies and the remainder is transferred to the Sustainability Fund. The state budget did not include funding assistance for those councils hit with the additional costs due to facility closures, and no funding was allocated to compensate councils for extra contract costs to implement the state's e-waste landfill ban that starts on 1 July. How does the government expect the local government sector to fund recycling collection? Or is it expected that this cost will be passed on to local residents in affected areas?

**The CHAIR:** Minister, before you answer I just wanted to let you know that your time expires at 9.14 and you have the additional time of Mr Hibbins as well.

**Mr SOMYUREK:** So if I could just get to the end point of your question, what exactly were you asking?

**Mr RIORDAN:** The question is: how are you expecting these extra landfill costs to be maintained or who is paying for them? Do you expect local government to charge more or is the state government going to help pick up the tab, considering that you collect over \$200 million a year? If I might use an example of a shire of mine, a small country shire that only has a \$22 million rate base collects more than \$1 million a year in landfill levies and has only received \$50 000 a year back on the \$1 million investment, so the ratepayers are already paying \$1 million for that—and it is still not enough. So who is going to pay: the government or the ratepayers?

**Mr SOMYUREK:** Thank you, Mr Riordan, for your question. If I can just firstly establish that the minister for the environment has legislative responsibility for the waste sector—

**Mr RIORDAN:** She made it very clear to us this morning that this is entirely your problem.

**Mr SOMYUREK:** and is leading the government's response to the issue.

**The CHAIR:** Minister, just one second. No, she did not. We were here.

**Mr RIORDAN:** She would not answer one question.

**The CHAIR:** Deputy Chair, I love you dearly, but we were here for her testimony and she did not say that in any sense. In fact the wildest interpretation of what the Honourable Lily D'Ambrosio said—

**Mr RIORDAN:** She said it was local government.

**The CHAIR:** could not even get you on the same side of the moon as that comment.

**Mr RIORDAN:** No, no. Absolutely it is. She made it very clear that who charges and who is responsible for paying and collecting the rubbish is entirely the responsibility of the local government sector. She had no capacity to have any say over it. She said it was local government's responsibility.

**Mr SOMYUREK:** That is fine. I think we agree.

**Mr RIORDAN:** There we go. Problem solved.

**Mr SOMYUREK:** We agree. But it is a long bow to say that the Minister for Local Government is responsible. The councils may be responsible, but the councils are—

**Mr RIORDAN:** But the councils are looking to you for direction, Minister.

**Mr SOMYUREK:** The councils are self-governing, autonomous entities underpinned by a democratic mandate.

**Mr RIORDAN:** But you take \$200 million a year off—

**Mr SOMYUREK:** I as the Minister for Local Government am responsible for regulating and supporting the local government sector.

**Mr RIORDAN:** So are you supporting them?

**Mr SOMYUREK:** I regulate through acts of Parliament. I support through programs. I support through advice and advocacy. But what I do not do, Mr Riordan, is get involved in their operational—

**Mr RIORDAN:** No, but you do. The government—hang on! This is really important—

**Mr SOMYUREK:** No, no. I do not get involved.

**Mr RIORDAN:** because I have got six local governments—

**Mr SOMYUREK:** Well, you have asked me a question.

**Mr RIORDAN:** and they all have the same problem. You are ripping hundreds of millions of dollars out of local communities for landfill levies, and you give almost none of it back.

**Mr SOMYUREK:** You have asked me a question. If I can answer the question: what I do not do is get involved and intervene in their operational matters in an ad hoc way.

**Mr RIORDAN:** So you do not advocate for them?

**Mr SOMYUREK:** Mr Riordan, local government or councils themselves are highly sophisticated, complex modern entities. They are self-governing. They have the ability—

**Mr RIORDAN:** Who are groaning under the weight of the financial costs imposed by the recycling crisis.

**Mr SOMYUREK:** They have the capabilities to be able to find solutions to their problems. Now, the fact of the matter is we have a crisis in not just Victoria but globally. Internationally we have a crisis because of the policy decisions made by China. That was a shock to the international waste sector—

**Mr RIORDAN:** No, no. The fact that you have allowed China to solve our problems, that is your—

**Mr SOMYUREK:** China is a sovereign nation. It is entitled to make its decisions.

**Mr RIORDAN:** Absolutely.

**Mr SOMYUREK:** But that has severely impacted—

**Mr RIORDAN:** Minister, please. The question was: \$200 million is taken from people in landfill levies now. You give almost none of it back. The only way forward is increased costs, and the question is: will you be charging ratepayers more or are you going to help support the tab with some of the \$200 million you take, because just in one shire alone they pay \$1 million and you give them \$50 000 back. There is plenty of room for you to do more.

**Mr SOMYUREK:** If I can finish, to answer your question in terms of government funding, I do not have access as the local government minister. I do not have access to funds. Let me go through what Minister D'Ambrosio has done. This is not my portfolio—

**Mr RIORDAN:** No, I have already spoken to her. Minister D'Ambrosio said the cost to local government is their problem, not hers.

**Mr SOMYUREK:** She would have said to you that this government has invested more than \$135 million to support the recycling sector.

**Mr RIORDAN:** So \$35 million out of \$200 million.

**Mr SOMYUREK:** As part of this investment, we have supported councils through a number of measures, including through temporary relief to councils of \$10.5 million in 2018 to cover sudden increases in costs and to assist councils in renegotiating their contracts, Minister D'Ambrosio's \$37 million recycling industry

strategy plan, which seeks to stabilise the recycling sector and improve the market's productivity, and \$800 000 from the council collaboration fund from the Sustainability Fund for 15 projects.

**Mr RIORDAN:** Minister, we will move on because Minister D'Ambrosio has already told us the marvellous thing she does. The problem is that there is a crisis out there—

**Mr SOMYUREK:** Well, she has given you the answer.

**Mr RIORDAN:** Local government is groaning under the pressure. You are saying you have got no money and you cannot do anything about it. She says it is not up to her to regulate and that it is for you.

**Mr SOMYUREK:** No, it is not.

**Mr RIORDAN:** So clearly there is a problem. She has got the money; you have got the power.

**Mr SOMYUREK:** If Minister D'Ambrosio has quoted these figures to you, she has nailed it. Look, the fact of the matter is—

**Mr RIORDAN:** Let us move on to the next subject. Let us move on to the rate review. Minister, the question was asked before: why had you excluded the rate cap? How can you have a full review of local council rates, particularly in rural and regional Victoria, where again, despite a rate cap of 2.5 per cent, we saw in my electorate rate increases of nearly 35 per cent across some farming areas—under a rate cap. How can you possibly do a fully comprehensive review when you leave one of the biggest components out that is really complicating the issue today?

**Mr SOMYUREK:** I cannot see how it is complicating the issue.

**Mr RIORDAN:** Well, would you like to come and visit rural and regional—

**Mr SOMYUREK:** Well, I would like you—

**Mr RIORDAN:** For example, Minister, I will explain to you quite simply. In a shire where you have land that goes up in value and a shire that also has land going down in value, with the way they strike the rate in the dollar and you put the cap on—the cap is across the whole shire—therefore some will go up exponentially and some will go down a lot. So in the whole northern part of my shire, where the land values have increased, they have got 30 and 40 per cent rate increases, and where the dairy area is a bit depressed and prices have gone down or moderated, they have got negligible rate changes. That has been deliberately and specifically caused by the rate capping, so how can you keep that out of a review?

**Mr SOMYUREK:** There is no causal effect between the rate cap and the valuations of land going up.

**Mr RIORDAN:** And what advice have you had on that?

**Mr SOMYUREK:** What we are experiencing in rural Victoria at the moment—

**Mr RIORDAN:** What advice have you had to say that, because that is not what local government CEOs are saying?

**Mr SOMYUREK:** I have actually met with the valuer-general. I wanted to know why the valuation of farmland was going up so much.

**Mr RIORDAN:** And what did he say to you?

**Mr SOMYUREK:** He agreed that it is going up exponentially, and we were trying to get to the bottom of why that was the case.

**Mr RIORDAN:** And what was the answer?

**Mr SOMYUREK:** It is an interesting phenomenon, because what intrigued me was that farmers were doing it tough in parts and some were actually booming, but the value of farmland was going up. This is what I found

in my travels to about 18 or 19 small rural councils across Victoria. I was trying to get to the bottom of this. I met with the valuer-general and I asked him that question. He had a couple of different theories, but the fact of the matter is what we have got is values of farmland going up exponentially. So if you did not have a cap, I contended that those farmers' rates would have gone up much more than what they are going up right now. In fact—

**Mr RIORDAN:** But, Minister, a 2.5 per cent cap is not a 2.5 per cent cap if you can have a 35 per cent rate increase.

**Mr SOMYUREK:** Well, it is a cap on the average.

**Mr RIORDAN:** That is right: it is a cap on an average. It is a cap that does not work—

**Mr SOMYUREK:** It does.

**Mr RIORDAN:** In complex rural environments. You are saying that you want to have a rate review, and you are excluding this one element that has completely made the problem worse.

**Mr SOMYUREK:** It has not made the problem worse. Give me some evidence. I have just quoted to you an ESC—

**Mr RIORDAN:** Sorry, a 35 per cent rate increase is the evidence.

**Mr SOMYUREK:** Well, I contend to you—

**Mr RIORDAN:** I mean, you accept it is there.

**Mr SOMYUREK:** That might be 45 per cent had the cap not been there. Give me a causal link. Provide some evidence to support your assertions. You have none.

**Mr RIORDAN:** The assertion is that in one part of the shire the land has gone down, so the shires have to make up their land, and they make it up by charging the others extra.

**Mr SOMYUREK:** It is the vibe of the thing, is it? You do not provide any evidence for your assertions. It is nonsense.

**Mr RIORDAN:** Well, the evidence is from all the shires, Minister.

**Mr SOMYUREK:** No, it is not.

**Mr D O'BRIEN:** Ask the VFF, Minister.

**Mr RIORDAN:** Ask the VFF; ask anybody outside of your electorate.

**Mr D O'BRIEN:** It is why you announced the review, and you are not doing the one thing that—

**Mr SOMYUREK:** Because there is no causal link between the caps and rate rises—

**Mr RIORDAN:** Minister, moving to another anomaly that exists—

**Mr SOMYUREK:** I mean, provide some evidence, and I will look at it.

**Mr RIORDAN:** Happily. We will provide you—

**Mr SOMYUREK:** Please do.

**Mr RIORDAN:** Well, we will send an email out to all the 79 rural shires and they can tell you. Minister, the other anomaly of course is that country ratepayers pay disproportionately more per rateable property than their city colleagues. Will your rate review be taking this into account? So the situation: if you have, for example, an average \$300 000 property in a country town such as my home town, Colac, you will be paying not only more

in dollar value than a similar house in Melbourne but you will be paying percentage. And from the review that Mr Richardson and I were on, many country shires are paying five to six times what you would be paying in Melbourne for a similar property. Is your rate review going to look at striking a similar rate across Victoria?

**Mr SOMYUREK:** Well, of course what I will not be doing is pre-empting recommendations coming from the rate review. It is a genuine review, and it will look at everything, except for the rate cap. But, Mr Riordan, I am not about to defend the system, because I am not about to defend the status quo. If I was about to defend the status quo, I should not be doing the rates inquiry. We are doing a rates inquiry to actually look to try to find the most equitable and fair system. You have got a point in some parts of what you say. The principle behind our system is the rate in the dollar is indexed to the value of your property. Now, that might not be the fairest and the most equitable way to go. It might be a system that is based on income. It might be a system that is a sort of combination of those, or it might be some other system or methodology that I am not familiar with. I am not about to sit here and defend the status quo, but what I will do is wait for the recommendations of the rate review, and then we will make an assessment after that comes. We might get a total, sort of, innovative system that comes our way that we all agree on. So I can see that you have—

**Mr RIORDAN:** So you concede that at the moment by and large country ratepayers are severely disadvantaged?

**Mr SOMYUREK:** Well, I can see how—

**Mr RIORDAN:** It would be good if you could add the rate cap.

**Mr SOMYUREK:** indexing the rates to the dollar can create a problem. By the way, it is not just for country people. Consider a—

**Mr RIORDAN:** Minister, you have answered the question. We need to move on because we have got a few more questions to go. Changing tack to Melbourne now; something dear to my heart is the City of Melbourne. Minister, the City of Melbourne, particularly its Lord Mayor, Sally Capp, seem obsessed about making the CBD of Melbourne a 30 kilometre-an-hour zone over the forward estimates. Minister, have you had the opportunity to counsel the Lord Mayor that while she might like all of us on a pushbike, some of us actually need to do a car for our job, and the virtue signalling on these matters is becoming tedious for mainstream Melburnians and indeed country folk that come to Melbourne—for country Victorians?

**The CHAIR:** Deputy Chair, again, I will express my love for you as I have earlier in the evening, but I do not see how this question is in any way relevant to public accounts and estimates. The speed limit of the City of Melbourne is directly relevant to public accounts and estimates how?

**Mr RIORDAN:** Budget paper 3, Chairman, page 100. It is under the 'safer sites, safer speeds'. I think the minister should be over this, because it is getting tedious in Melbourne with the amount of perfectly good roads taken over to bikes, and I think it will be interesting to see what the minister—

**The CHAIR:** You are spinning this harder than my washing machine at home.

**Mr RIORDAN:** I am perfectly happy to walk or drive.

**The CHAIR:** I still maintain that this has no relevance. It is of relevance to public policy interest, no doubt, but it has no relevance to public accounts and estimates.

**Mr RIORDAN:** Finally, can the minister confirm he has no desire to return this beautiful state capital of ours back to speed limits reminiscent of the horse-and-buggy days?

**The CHAIR:** Minister, as colourful as that question was, I am not in a position where I can again rule that question in order because it has no relevance to PAEC before us.

**Mr D O'BRIEN:** Point of order, Chair, we all sat here—I do not even know when it was; two Fridays ago—as you spent nearly half an hour talking to the Auditor-General, and I am saying 'talking' lightly, about his audit plan. I would put to you that that had even less to do with the budget than the question that

Mr Riordan, the Deputy Chair, has just asked. All we are seeking is some consistency. I do not think the minister has any problem in answering the question. It is a fairly straightforward question: is he going to rule it out or overrule the City of Melbourne? Given he is the Minister for Local Government and the City of Melbourne is the biggest local government in the state, I think it is fairly relevant for him to answer the question.

**The CHAIR:** But, again, as I said to you before, Mr O'Brien, these questions in and of themselves are not necessarily bad questions; they are just not relevant to PAEC.

**Mr RIORDAN:** Safer sites, safer speeds.

**Ms VALLENCE:** It is in the budget papers—budget paper 3, page 100.

**Mr RIORDAN:** Anyway, I cede my remaining time to Mr O'Brien.

**Mr SOMYUREK:** I am happy to answer it.

**Mr D O'BRIEN:** You are happy to answer it?

**Mr SOMYUREK:** Well, you will not like the answer, but I am happy to answer it. My answer is going to be a non-answer because I am going to again point to the fact that local governments are autonomous entities underpinned by a democratic mandate and I do not get involved in their operational matters. And the issue of the other stuff is transport anyway—the roads.

**Mr D O'BRIEN:** Thank you. Minister, budget paper 3, page 163, has the outputs for the department, and under 'Sustainable and effective local governments' the 'Local Government' output has been cut by 23.8 per cent. Why is this?

**Mr SOMYUREK:** Budget reference again, please, Mr O'Brien.

**Mr D O'BRIEN:** Budget paper 3, page 163. It is the output for the department for your portfolio. It is from \$163 million to \$124 million this year—a 24 per cent cut. What is going to be affected by that reduction in funding?

**Mr SOMYUREK:** Right, okay. If I can just sort of explain why we have got that figure, the deficit there, you have got \$20 million of the rural council transformation program. That was a one-year fund in 2018–19, so that inflates the figure for the 2018–19. That is not in this year's budget.

**Mr D O'BRIEN:** How much was that?

**Mr SOMYUREK:** \$20 million. And then you have got a rephrasing of the GSF of \$25 million. You may recall in 2017–18, I think, that the GSF was split. There was \$25 million and \$25 million—was that right?—over two years and then another \$50 million came on board, so that makes it \$25 million inflated compared to this budget. So that is \$45 million there. Then the differential is basically the new initiatives, the new money, in this budget, and I refer here to Lynbrook, Pipemakers, \$300 000, \$600 000, and we have also the rates review of \$600 000, so I think—

**Mr D O'BRIEN:** So even with those additional initiatives it is a 23.8 per cent reduction in the output?

**Mr SOMYUREK:** Sorry. No, it is not. The figures that I have just taken you through basically balance that. Take away from the 18–19 budget the \$25 million rephrasing of the GSF. Take away the rural councils transformation funding, that was—

**Mr D O'BRIEN:** So that was rephased forward, was it?

**Mr SOMYUREK:** That is back to \$45 million—forward. Yes, initially it was forward, that is right. So that is \$45 million. Then start taking away the new initiatives and that sort of gets you around about that ballpark figure. There might be a couple of other little things in the system.

**Mr D O'BRIEN:** That is a nice segue to my next question, which is about the GSF, the Growing Suburbs Fund. So you brought forward funds into the election year—I mean, sorry, 18–19; I did not mean to say election year, Minister. You have just told us in the answer to Mr Maas, I think it was, that you have been lobbied extensively by councils to continue the funding for this because it has been so wonderful and you talked about it being critical community infrastructure, so why is it then that there is \$50 million but only for one year and nothing in the out years?

**Mr SOMYUREK:** Not in the out years? Well, let us go back to the history of this fund. It has always sort of been funded over one year, then there was push over a couple of years—

**Mr D O'BRIEN:** You talked about it before being \$200 million over four.

**Mr SOMYUREK:** Yes, but that is what it has ended up being, so if we look at it in four years, we might look at \$200 million over four years too. But if I can go to the department here, as I recall it was \$50 million initially and then sort of progressively every year we sort of contributed \$50 million. Graeme can take us through the history of it.

**Mr D O'BRIEN:** So it is done that way historically—it has got nothing to do with the fact that the budget is under pressure and you had to have the out years look a bit lighter?

**Mr SOMYUREK:** Well, you know, there is a lot of savings. All I know is I am grateful for the \$50 million because I think it is great public policy. Look, it is an election year. There are a lot of election commitments and, as you know, we are very keen on implementing our election commitments.

**Mr D O'BRIEN:** It was a very big pork barrel.

**Mr SOMYUREK:** But I would take \$50 million today.

**Mr D O'BRIEN:** Yes, okay. Minister, budget paper 3, pages 407 and 408, has the grants to local government effectively. It indicates about a \$369 million writedown of grants to local government, some due to phasing by the federal government—I think \$309 million due to, again, funding being brought forward by the federal government. Can you explain what the other \$60 million is, which was presumably state money that has been reduced to local government? I am happy to take that on notice if you prefer.

**Mr SOMYUREK:** Sorry, Mr O'Brien, if I can just go back, you are referring to page 407, table B.1?

**Mr D O'BRIEN:** If you look halfway down page 408, there is a reference to a decrease of \$369 million, and that is explained in part by a rephrasing of \$309 million of the commonwealth funding, which is mentioned on page 407. I am just seeking a list of the other \$60 million. What has been reduced? There may be some explanation on pages 408 and 409, but I would appreciate a breakdown by dollars if we could.

**Mr SOMYUREK:** Mr O'Brien, I think what you are referring to there is the aggregate—the total for grants transfers to local government—is that right? The \$802 million figure? Yes, that is what you are referring to? That is a differential there of \$369 million—

**The CHAIR:** Minister, I am sorry to interrupt you, but that is done. We are done. We are finished for the day. We all get to go home and start again tomorrow morning. I thank you very much for appearing before the committee. The committee will follow-up on any questions taken on notice in writing and responses will be required within 10 working days of the committee's request.

I also thank all of the ministers and officers who gave evidence to the committee today, Hansard and indeed the secretariat. The committee will resume consideration of the 2019–2020 budget estimates on Wednesday, 12 June, at 8.30 a.m. Be here or you will miss out. I also wish Sam Hibbins the best of health so that he may be back here and share in this wonderful, joyous occasion with us tomorrow.

I declare this hearing adjourned.

**Committee adjourned.**