

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 25 June 2002

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Witnesses

Mr R. Cameron, Minister for Local Government;
Ms P. Digby, Executive Director, Local Government; and
Mr R. McDonald, Chief Finance Officer, Department of Infrastructure.

The CHAIRMAN — I declare open the Public Accounts and Estimates Committee hearings on the budget estimates for the portfolios of Local Government and Workcover. I welcome the Honourable Bob Cameron, the Minister for Local Government, and Ms Prue Digby, Executive Director, Local Government, Department of Infrastructure, departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. Any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence being given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of local government.

Mr CAMERON — Thank you, Mr Chairman and committee members. I have with me this morning Ms Prue Digby, who is the head of the local government division, and also Mr Bob McDonald, who runs the finance department within the Department of Infrastructure.

Overheads shown.

Mr CAMERON — The government wants to empower local government, which is of course the third tier of government. Very clearly as a community we all have a vested interest in there being efficiency, effectiveness and accountability within the local government sector. We want to grow Victoria, and in doing that we believe it is important to have a strong, independent local government sector. Of course the state works with local government on various projects and outcomes; and economic growth, social justice and infrastructure outcomes are clearly part of the work that occurs between the state and the local government sector. However, one of the things that we believe there needs to be more of is transparency and accountability. When you think about it, local government is not only government but also Parliament wrapped in one — you do not have a formal opposition — so transparency and accountability is very critical for local communities.

The promotion of continuous improvement and value for money is a key. Livable communities are very desirable, but if we can empower communities to bring about greater degrees of democracy and local involvement, that helps improve the local network and makes communities more livable. We want to promote participation in community decision making and bring about greater accountability, as I have already discussed.

There are key challenges in the priorities for the coming financial year. They include a continued and ongoing emphasis on increasing local government's focus and effort on infrastructure renewal. In 2001–02, the financial year just about to finish, \$400 000 was allocated to assist councils to enhance the management of their infrastructure assets. It is now well identified that over the decades local government has built up assets but for a long time there has been an issue about the renewal of those assets, the funding of depreciation. Of course if that is not done, what will ultimately happen is that those assets will come to the end of their lives, the whole deck of cards will come down around the ears of local councils and there will be a huge gap.

You will recall the report of the previous government, *Facing the Renewal Challenge*, which was kept in the cupboard. We released that. It is important to bring about transparency — to admit that there is a problem — because the more that is recognised, the more can be done about it.

Approximately \$300 000 in grants was made available to smaller rural councils to develop asset management plans. A workshop was held for councillors and CEOs to discuss the management and leadership roles that they play around that matter within their councils. A further \$300 000 will be allocated for that purpose in the 2002–03 financial year.

There is also a key challenge in local government around resolutions of governance issues. We recognise that there are statutory appeal processes and complaint-handling avenues and bodies whose expertise and specific legislation make them the preferred, if not the mandatory, complaint approach, but also appropriate inquiries, and if necessary investigations, will be undertaken if prima facie evidence of breaches of the Local Government Act have been brought to our attention. The government recognises that the proper management of complaints entails efficiency, flexibility, thoroughness and also a degree of sensitivity.

Best-value implementation is a priority. Best value replaced compulsory competitive tendering, as you will be aware. Councils have appreciated the greater flexibility they now have in the delivery of their services, but that

delivery has to be done in a framework that is responsive to the community and focused on the provision of decent services and facilities.

A Best Value Commission was established in December 2000 to help councils with the implementation of those principles and to monitor them. You might want to inquire about that.

Another priority is for the local government division to work in partnership with the peak bodies such as the MAV, LGPro and the VLGA that are very keenly involved in local government issues. There is also the rural and regional summit, the local government consultative council and the various library meetings which occur. One of the things we are doing this year is establishing a ministerial library group to be headed by the honourable member for Essendon.

As you know we have introduced the rural and regional summits. I think they have been a very effective demonstration of the government's commitment to work with local government, particularly in rural and regional areas, and that has been greatly appreciated in country Victoria. We have also established the consultative council to identify and discuss very broad issues relating to local government.

Monitoring the performance of the local government sector is important, and councils have agreed to report on 11 local government indicators under five broad headings in their annual reports. The first one those will be in the 2001–02 report under the five headings of affordability, cost of governance, sustainability, services and also infrastructure and governance. The division will collate the indicators and publish them annually. A first report of the last lot of annual reports has been published and copies have been made available with various comparative data. Those comparisons are important. Of course there are explanations around them, but it helps to bring about that greater degree of transparency.

The government has also provided \$190 000 in 2002–03 to achieve this work. There will be a lead department role in the two of the government's community building pilots, and the executive director of local government is the Department of Infrastructure's representative on a community building IDC — interdepartmental committee — and the pilots on new ways of engaging communities in local government decisions.

The next overhead is a snapshot of what was in the local government report. You might see there various groupings of councils, what their rates are, which groups of councils are paying the highest rates, which groups are paying the lowest rates, and what the residential rate is, because the residential rate is consistent of course across all councils. Whereas some councils are made up of residential and farming, others are residential and industrial and others are residential, industrial and farming. The infrastructure cost and the debts to the council are there, as is the overall operating result. You will see that some groups of councils have operating results that are in the negative.

The CHAIRMAN — What does the final one say?

Mr CAMERON — 'Operating result'. So these days we require depreciation to be put into the accounts of councils, so while a lot of councils may be okay on a cash basis they are not funding their depreciation. Including depreciation forces councils to recognise that their depreciation is underfunded, so that is something they can address over a period of time.

I see the time so I will move through the next ones quickly. Another key priority is the Local Government (Update) Bill that is currently before Parliament. We hope it goes through Parliament and is then implemented by the department.

The next overhead shows the key issues raised. We wanted to address in the act concerns about the conduct of councillors, lack of transparency in council decisions, inadequate consultation about council directions, a greater accountability framework, and also making sure that the electoral systems are transparent and independently arrived at. The government has responded to all of those issues as part of the act update process, where in general there is a broad consensus across the sector and also the community.

In terms of implementing it, the provisions will be implemented up to the end of the financial year. There will have to be some changes to regulations, and also the conflict-of-interest guidelines and a model code of conduct has to be prepared.

I refer now to local government grants. Local government receives grants every year. The biggest grant comes from the Victoria Grants Commission, which, as the committee will be aware, is effectively the Victorian office of the Commonwealth Grants Commission. Local government also receives some other funds via the state for libraries

and language services. The state uses some of its NCP — national competition policy — moneys to give to local government. It does not come directly from the commonwealth; there is no obligation on the state to do that, but it does do that. Also, there are various infrastructure grants with various programs across government. That is just a brief look at what has occurred with library grants.

The graph on the overhead shows the level of recurrent grants. There have also been other capital funds. For example, we have a Living Libraries program over three years. That is not included in that graph, which is just on recurrent funds. We also have the language service grants. The overhead gives just an indication of what has occurred there. Another graph shows the national competition policy grants and what has occurred there over the past couple of financial years.

The next overhead shows the highlights of the 2001–02 year. The Local Government Act update process was successfully undertaken. Best-value principles were successfully implemented, with the commission producing its first report. A program was initiated for infrastructure renewal and library grants; and the Living Libraries program was brought into existence, with \$12 million over three years. There was also what was known as a book bonanza, where \$1.276 million of funding was given for libraries, essentially for books, so suddenly there are many more books going or about to go into the system. Also the comprehensive report on local government sector performance has been produced. That is a little bit of a thumbnail sketch of what has occurred in local government, and we will take it from there.

The CHAIRMAN — You referred to two aspects of library funding — some \$24 million for recurrent and capital funding, and additional Living Libraries program funding of some \$12 million. Can you just take the committee through that and provide some further detail of library funding — what is being aimed at, how the recurrent capital is being used and distributed, and how the Living Libraries grant is being used and distributed?

Mr CAMERON — The recurrent library grants come about each year. They are essentially done on a per capita formula, with some allowance for isolation and remoteness, and they continue each year. In addition to that the government wanted a Living Libraries program for three years. It is about capital works for libraries that are worn out and need to be replaced, extended or revitalised; so it is for existing libraries that are under some strain.

We recognised that local government did have an issue around that because library capital works are purely for local government, so we put in place a three-year program where up to \$500 000 would be provided for each project. Of course, most would be a lesser amount if they were extensions, but if it were a replacement it may well be the upper amount. That program has proved very successful because suddenly, whereas library capital has tended to be put on the backburner in a lot of municipalities, the program has now provided the opportunity for decent physical library facilities to provide for the next generation of library users.

In addition to that we had the book bonanza, as I said, which provided \$1.3 million just for books. That was allocated on the basis of \$15 000 per council, and also an additional \$15,000 for each of the non-metropolitan library services. On a per capita basis that ended up being weighted considerably in favour of the country. But when you think about it, that makes sense because if you are going to have a library you need so many books; and if you are in a small town and you have a small library, if you do not have many books it does not make the library all that attractive. So if we can boost the volume of books in libraries in those areas we can make them a lot more relevant by having a lot more reading material.

Mr DAVIS — To follow up on the library grants, as I understand it there is the recurrent library grants record — the additional Living Libraries and the resource funding for upgrades, and so forth. I have not seen it pulled together in a systematic way. Do you have a list that would enable us to understand where those grants have been made, which grants have been made to which library in some systematic way and how they are linked?

Mr CAMERON — We provided a list last year. We will provide an updated list of the Living Library grants and which municipalities they went to. We can also provide you with a list of what funds went to which library entities.

Mr HALLAM — Could we ask for it to be demystified one step further: you have shared responsibility for libraries, so can we get a chart that shows the total source of state government funding to municipal libraries? That would be a major breakthrough.

Ms DIGBY — Including local government's contribution?

Mr HALLAM — Yes, please.

Mr CAMERON — You would like, say with the library corporation, a list of what the local government division grants are and the council grants?

Mr HALLAM — Yes.

Mr CAMERON — I think we should be able to do that. We have some rough material about it, and we will put together what we have.

The CHAIRMAN — Are any of those grants on a \$1-for-\$1 basis?

Mr CAMERON — The Living Library grants require at least \$1 for \$1, but the normal recurrent grants are made and there is a large discrepancy across the state. Some councils put in quite a lot per capita — for example, Mildura puts in \$20 per capita and other areas may put in \$8 per capita. There is a great variation in library services across the state.

Mr DAVIS — With the applications for grants, is there a high ratio of applications to the ones that you end up funding?

Mr CAMERON — In the initial stages there were, but as time goes by they peter away as some fall over the edge because they have been dealt with or funded, but there is certainly a great degree of interest.

Mr DAVIS — Is that list of the ones that have applied but been put out on a schedule into the future available?

Ms DIGBY — There is a list that the assessment panel considers and there is a list of projects that are funded. They also have a list of projects they are considering for the next round of funds. I do not believe it would be appropriate to release those until a decision has been made, but once a decision has been made that could be released.

Mr CAMERON — We have tried to take the politics out of this by using an independent body to assess them.

Mr DAVIS — I am trying to get an idea of the requirements for the future.

Mr HALLAM — Minister, I take you to the Auditor-General's report on public sector agencies, particularly the comments of the Auditor-General about the number of qualified audit opinions that he issued in respect of last year. I note appendix B lists those councils that have had their financial statements qualified and the rough detail of why those qualifications have been applied.

What has happened in the supervision of local government in that context generically, and what particular action has been taken in respect of those councils that received a qualified report from the Auditor-General?

Mr CAMERON — I will get Ms Digby to answer that.

Ms DIGBY — This is an area of constant concern with respect to individual councils. The division encourages the councils who have received qualified audits to spend a considerable amount of time with the Auditor-General in an attempt to understand the issues that led to the qualification and how they could rectify their practices for the following year. The division has discussions with the Auditor-General around those issues.

We have attempted to address some of the questions that lead to qualifications as part of the update of the act, and that includes the necessity to bring into line the financial statements of councils, from their corporate plans to their budgets and then through to their audited statements, because at the moment there is no consistency in those statements. We believe that will assist councils' performances in actually meeting their financial reporting requirements. We intend, with the Auditor-General's assistance, to run very intensive training sessions when the act is updated and passes through Parliament on best practice financial reporting.

Mr HALLAM — I would have thought, however, it does not need a change to the Local Government Act for there to be concern about, for example, Indigo Shire Council, which had its financial reports qualified on both bases — its performance statement and its financial statement. Are you confident that, for instance, Indigo Shire Council will overcome whatever problems confronted it to receive that sort of basic qualification?

Mr CAMERON — I am confident that councils, in their discussions with the Auditor-General, have the problems very much highlighted to them so they can address them in the coming year.

Mr HALLAM — We will not see Indigo Shire Council mentioned next year?

Mr CAMERON — I hope not.

Mr HALLAM — So do I, but you are the minister.

Mr CAMERON — I am the minister, but I am not the Indigo council.

Mr HALLAM — Indigo council is part of your responsibility.

Mr CAMERON — Yes, but I am not the Indigo council. The Auditor-General will have had discussions with Indigo to point out its problems.

Mr HALLAM — Has the Minister for Local Government had discussions with Indigo Shire Council about its problems?

Mr CAMERON — I have not personally had discussions with the council about it. I have had a range of discussions with other councils around other broader financial issues.

Mrs MADDIGAN — In your presentation you referred to making local government's processes more transparent and understandable for the community, which I am sure the community will be pleased to see. Could you give more detail about what the state is doing to try to achieve that end result?

Mr CAMERON — As I mentioned, one of the things we have done, and this came out recently, was to publish *Local Government Victoria in 2001*, where we collected data, in agreement with the sector, which was reported in annual reports. That has data around what the average rates are, what the average residential rate is and what the average debt is per assessment. That is a snapshot in time. On the face of it you may be interested and able to compare where your council is against another, but there are reasons for that; some are historic, some are current.

We want to build this up over time so that over the years you will be able to build a picture and see a trend. For example, instead of picking up 78 annual reports you can pick up this one document. For example, let's say you had it over a few years, you may say, 'Why is the operating result of this council deteriorating?'. You may want to know the reasons. If it was in the red and continued to get further into the red, you would be able to see how many councils were doing that and how many councils were going the other way. You can get a picture of the health of the sector.

But there are other issues that we have identified and wanted to improve. If you take financial transparency and accountability, at the moment there is a mishmash because you have to do a corporate plan that lasts for three years. You have to do a corporate plan, an annual plan, a budget and an annual report. These things are not required to be linked to each other in a systematic way.

We wanted to link all of those things in the Local Government Act update, so that you have got your output measure, for example, in your budget. You are able to report against that later, which will then be auditable. So that puts a bit more tension in the system and keeps a much broader focus at the governance level for councillors as to what is occurring within their municipality. We see that as important.

Also that they do their three-year plan immediately after the election, so effectively there has to be some community consultation and you set out the agenda for the council for the coming term, because one of the difficulties with councils is often that you elect your local councillor but you do not precisely know what is going to be the platform of the council. It is not like it is at the state level, where you know if you elect Labor you get these wonderful policies and if you elect the National Party you get a different set of policies. Of course at the local government level you generally do not have those parties or teams, so we want to try to get that consolidated early on in the term of the council so there is that plan.

The CHAIRMAN — One of the things this committee is always insistent on with state government and in the budget papers is that appropriate performance indicators are attached to the budget so you can actually see where the level of government is striving and then perhaps judge what its outcomes are. It seems to me that that is not widely a facet of local government. Are any councils picking up that sort of thing and starting to produce —

Mr CAMERON — Some councils do those things well — they interconnect those documents — but there is no requirement to do it, and we believe there should be a requirement to do so. Inevitably, assuming that goes through, there will be some teething issues, and the Auditor-General will make some comments, of course, but that will, again, put tension on the system to bring about the improvement in the transparency. If councillors see that this is what they are accountable for, then very clearly their minds are going to be a lot more attuned to it.

Mrs MADDIGAN — Are councils required to publish their three-year plans?

Mr CAMERON — Yes.

Mr CLARK — On public liability and councils, as you would know, councils and the Municipal Association of Victoria have expressed concern about councils' potential liability for the condition of bridges, roads and other infrastructure. More recently there has been concern about possible council responsibility for warning signs, or lack thereof, at facilities such as beaches and swimming pools. What actions are you taking or planning to take to help councils deal with this issue?

Mr CAMERON — There is the broader issue around public liability and there are the issues that are more specific to local government, essentially around roads. The *Brodie v. Singleton Shire Council* situation said that non-feasance no longer exists. That is a matter of great interest to local government, as it is a matter of great interest to Vicroads as a road authority.

Recently the department put out a discussion paper around road standards. Some people say, 'Bring back the old non-feasance rule to the extent that that may have existed' — all sorts of people argue about that — but what we believe is that a better way forward is to identify road standards. There is going to be a difference in road standards from the Tullamarine Freeway to a dirt road out past Hamilton, but if you have got road standards in place and then a requirement that councils have to go about checking those standards, then if councils are going about doing that or Vicroads is going about doing that they have an immunity. For example, there may be some problem with a road that is below the standard, but if the council has appropriate systems in place that immunity can be afforded. That is the direction of the paper, but that is open for comment and we will wait to get it back.

Mr CLARK — In other words, if inspections were conducted in accordance with the schedule but they did not detect the defects — as I think happened in the leading case to which you referred — then you are saying that the Parliament will be asked to give immunity to councils in those circumstances?

Mr CAMERON — The case of *Brodie v. Singleton Shire Council* was essentially an argument that the council had not performed and that the law said that it had no requirement to have a system. There was no requirement for the council to do that. If the council did it or did not do it, it did not matter; it did not need to. The thrust of the discussion paper is that there is a defence if a council goes about its business properly, but if it does not go about its business properly there will not be a defence.

Mr CLARK — In the recent High Court case they inspected the bridge but the inspection had not detected the defects and they were held liable, so the question is will they or will they not be protected in circumstances such as that?

Mr CAMERON — If you have already inspected the bridge I think you are out of the realms — —
You are asking me to put on my hat as an old lawyer.

Mr CLARK — That is the question. Which way do we go on this issue?

Mr CAMERON — You are asking me on the spot. For example, some bridges across the state have weight limits. A bridge might have, say, a 10-tonne weight limit, and the council might have put that there in recent years because it thought the bridge was shonky or for fear of litigation post *Brodie v. Singleton Shire Council*. They went there and an engineer tapped it and said, 'This bridge is a good bridge for cars and small trucks, it's good for 10 tonnes, but don't bring the big 40-tonne milk tanker'. Some people would say that you could waive the non-feasance and take the sign down, but that would not happen if the council has a report which says that the bridge is only up to 10 tonnes, because the council is going to be liable.

The CHAIRMAN — Does that answer your question?

Mr HALLAM — No, it does not go to the central point.

Mr CLARK — Using your example, if the bridge collapses when a caravan weighing 2 tonnes is on it, can the council be liable if the engineer had not inspected the bridge properly?

Mr CAMERON — Had not inspected the bridge?

Mr CLARK — Had not inspected the bridge properly.

Mr CAMERON — He would not have gone about an appropriate maintenance regime, so I suspect the council would still be liable, but I am hazarding a guess, and obviously this is all dependent on the feedback that we get over time when these issues will be fleshed out.

Mr HALLAM — It also depends on the question of whether the New South Wales precedent applies in Victoria, does it not?

Mr CAMERON — There is a whole range of legal arguments. I think what is appropriate is that we say that there is a whole series of question marks around these things, it is time for a new regime and we can chop that and cast it aside.

Mr HALLAM — Construct a real defence?

Mr CAMERON — Yes.

The CHAIRMAN — It might keep half a dozen QCs arguing for a couple of years.

Mr CAMERON — The law over the years has whittled down non-feasance as much as it can because it runs counter to the general proposition in the law.

Mr THEOPHANOUS — I want to ask about the Delatite Shire Council. I have been up there a few times, and this is a significant issue as far as the locals are concerned. I know through discussions with the local member up there that there are a set of significant issues, and I am sure you are aware of them. Will you advise the committee of the status of the proposal to de-amalgamate the Delatite Shire Council and to create two new councils centred around Benalla and Mansfield?

Mr CAMERON — As you know, the council and the community in Delatite would like to bring about two municipalities from one. Our approach as a government has been that we are not going to go down the path of examining that matter — because it is time-consuming and has an expense attached to it — unless there is that broad support. In Delatite that broad support was demonstrated to us and as a result of that we appointed a panel under the Local Government Act, which is a requirement if you are going to bring about any external boundary change. That panel, comprising Roger Male and Julian Stock, is in place. They will provide a report back to us shortly. The council in its preparations did a lot of work and put together a plan and financial assumptions. The panel essentially has to test all of those and will come back and provide with us a report. Assuming that it is in the ballpark of what the council said, it will be able to proceed.

Mr THEOPHANOUS — You expect if the report is favourable for a division that that will proceed?

Mr CAMERON — Yes, if the report comes back and says that their assumptions were right, it will proceed. Clearly one of the things we will require is for the council to have essentially made arrangements itself as to who is going to get what assets and what liabilities. We will effectively give sanction to what would have already been put in place at the local level.

Mr DAVIS — What is the time line on that?

Mr CAMERON — They have asked for us another couple of weeks. I think it is around mid-July.

Mr DAVIS — So it is very soon?

Mr CAMERON — It is very soon. We are expecting it within the next few weeks.

Mr DAVIS — And you are satisfied that both of those parts would be economically viable; I am not familiar with the ins and outs of it?

Mr CAMERON — That is the thing that they will get back to us on, but from what they originally put to us around the level of support and people's acceptance of it, that was the proposition that was put to us. That is not without its cost, though — not without a rate cost.

Mr DAVIS — I am just meaning the whole unit.

Mr THEOPHANOUS — You are not opposing it, are you?

Mr DAVIS — No, I am just seeking clarification.

Mr CAMERON — I suppose anything is viable if the rates are high enough. It is a question of whether that is viable with the community.

The CHAIRMAN — I am not quite sure what the estimates implications are here.

Mr DAVIS — No, I think there may be well be. I support some of these steps, and I am interested to get the detail. But on an entirely different matter, I want to talk to you about rates. You will recollect I asked you a number of questions about rates last year.

Mr CAMERON — Yes.

Mr DAVIS — I am interested, first of all, in your response to a number of Municipal Association of Victoria arguments that I have heard put that the state government is not meeting its full share of responsibility and is so-called starving local government of money. I have had this put to me by a number of MAV associated people. I would be interested in your response to that.

Mr CAMERON — I think what they say is that there has been cost shifting by the state government, but the MAV will say there has not been cost shifting by this government. I am sure that is what they say, don't they?

Ms DIGBY — In the main.

Mr CAMERON — That is what they have said in the past. That is our view — that there has not been cost shifting with this government.

Mr DAVIS — You wrote on 27 May to most councils, as I understand it, about the Victorian local government rating. You said it remained your expectation that governments will set rate increases at or below the underlying rate of inflation. I just wonder how you respond or will respond or have responded to planned rate increases, I understand, of up to perhaps 18 per cent in the City of Monash, and I understand perhaps — —

Mr CAMERON — Glen Eira, that was.

Mr DAVIS — In Glen Eira I understand there is also going to be a significant rate increase of perhaps over 20 per cent. I would be interested in what — —

Mr CAMERON — Sixteen, I think.

Mr DAVIS — Sixteen?

Mr CAMERON — So I see from the paper.

Mr DAVIS — Anyway, they are very significant rate increases for ratepayers and will no doubt have a significant impact on many individuals, families, older people who have properties and businesses as well.

Mr CAMERON — Yes.

Mr DAVIS — I wonder what your planned action is in that respect.

Mr CAMERON — As you know, we respect the autonomy of councils, but certainly the state government has an expectation of other levels of government, as other levels of government have expectations of other levels. When we look at the issue of rates, I advise councils that I and the public expect rates to go up by around the CPI or average weekly earnings, or in that range, and that if they are to go beyond that they need to explain that very clearly to their communities why they are doing it. That was the purpose of my letter. If councils

go beyond that and they are not capable of explaining very clearly to their communities what they are going to do, that will have significant repercussions for them at the ballot box.

Take, for example, Nillumbik shire, which had very high rates. It did not clearly explain to its community why it had high rates when its neighbours did not, and most of the councillors were not re-elected. That is what will happen with councils unless they can communicate and articulate very clearly what they are doing and why they are doing it.

Mr DAVIS — Notwithstanding that — there is an electoral cycle, and I understand the point you make — considerable hurt and impact can occur in a cycle of three years. If you have a council, and I certainly do not mean all councils, but a council or two that have very large rate increases, do you support, for example, those rate increases in Glen Eira that have been mentioned, or the Monash ones?

Mr CAMERON — I do not know about Monash; I have only seen Glen Eira. I have seen it in the newspaper where the council I do not think has explained what it is doing, and I would not be surprised if people are unimpressed with their council.

The CHAIRMAN — The other issue around rates is that the way some councils proceed with this is to say, ‘Well, we have held our rate to inflation’, but then introduce or increase a whole raft of charges, so the effect on the ratepayer is precisely the same as a large rate increase. Is that a continuing practice across councils? It has been in the past.

Mr CAMERON — You do see it — and you see it regularly. It has been there for quite some time. The rates and charges are included in this calculation, so it is going to be transparent over time. What we want to do with the Local Government Act update as part of issues like Mr Davis raised is put in place a rating impact statement, so that the council has to consciously turn its mind as to what it intends to do and the impact of what it intends to do.

The CHAIRMAN — That rating impact statement will pick up both the actual rate and those charges?

Mr CAMERON — Yes. You have to be conscious of what you are going to do.

The CHAIRMAN — It has been one of the difficulties in the past, where even though you have a cap or a fixed rating — —

Mr CAMERON — What people might say is, ‘We are not going to increase your rate, but we are going to increase the municipal charge’, or the like. But if you are the person who pays, you are not particularly fussed if you are paying the rate of the municipal charge if you are writing a cheque.

The CHAIRMAN — It is what you write the cheque out for that you feel.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the funding of your output group. I note that the budget for 2002–03 is basically static compared to last year’s budget at \$40.5 million and that according to the budget papers there is in fact a slight decline. At the same time the department-wide figures indicate there will be some significant cost increases in infrastructure, with employee entitlements up by 2.5 per cent, supplies and services up by 8.5 per cent, et cetera. What are the implications for service delivery to local government, given that you have a static budget and rising costs?

Mr CAMERON — I might get Mr McDonald, the finance manager.

Mr McDONALD — In relation to the budget estimates there have been some across-the-board wage movements and adjustments for normal inflation factors that have been built into the estimates, but for the comparison you have identified included in the budget for 2001–02 were a number of one-off items. When they are deducted there actually is an allowance for the increases you referred to.

The deductions are the one-off items related to funding for the Castlemaine library that was approved in the 2000–01 budget. That had a flow of funds, if I recall, of \$200 000 in that first year of 2000–01, and \$800 000 included in the 2001–02 budget. Therefore, if you are using that comparison, you could say there is \$800 000 more in 2001–02 when you compare it against 2002–03, because that \$800 000 is no longer present in the 2002–03 budget.

There is also a one-off funding item, which the minister referred to in the presentation, which is the infrastructure renewal challenge in local government. Funding was provided as a one-off in the 2001–02 budget. Again that

follows the same principle around the Castlemaine library. Once that is removed, those funds are no longer available in 2002–03. So the increases you referred to have been fully flowed on into this output group. It is just the impact of those one-off items that shows that flatness in the comparison of the two figures.

Mr RICH-PHILLIPS — Are you able to provide the committee with the net figure for 2001–02 when you take out the one-off items? You mentioned \$800 000 for the Castlemaine project. Can you give the other figures?

Mr McDONALD — From recollection the other figure was around \$400 000 for the infrastructure renewal funding.

Mr RICH-PHILLIPS — So there was around \$1.2 million of one-off items in last year's budget?

Mr McDONALD — That is correct.

Mr RICH-PHILLIPS — That amount is now absorbed by cost increases in this year?

Mr McDONALD — That would equate to roughly the allowance for wage increases that you referred to and also the CPI adjustments for things like library grants. There is the normal CPI adjustment that occurs from year to year, which is included in the library grants.

Mr RICH-PHILLIPS — Thank you.

Mr CAMERON — We run a tight ship, though.

The CHAIRMAN — Minister, during your presentation you referred to, and it has just been mentioned again, that aspect of infrastructure within local government and appropriate asset management practices throughout the sector. Unfortunately in a number of areas we have seen that asset management practices are not good, and I would even say in some cases are probably non-existent. It would also seem that a push for better asset management practices is meeting some resistance in some places. Can you tell us what you are doing to promote better asset management practices within the local government sector, or given that I think some of them are fairly low anyway, not just better but appropriate asset management practices throughout the sector?

Mr CAMERON — Thank you, Mr Chairman. The issue of asset management is very critical to a lot of councils. The reason for that is obvious — it is that there is an underfunding of depreciation over time. So they have to make sure they are funding their depreciation and attending to their renewal gap or making some arrangement around that.

Having in place an appropriate asset management regime is critical. For example, take a road. If you attend to certain maintenance at a certain time you will get a lot more life out of the road, and it is the same with buildings or other council infrastructure. You will be aware from the Auditor-General's report — which was a good report because it highlighted that we are coming from a low base in Victoria on this issue — that work has been done, but we still have a long way to go. I think that is a fair assessment. Work is happening, there is improvement, but we need to see further improvement. Putting out that *Facing the Renewal Challenge* report at the start of 2000 was part of saying, 'Look, here's a problem. You've got to do something about it'.

In the 2001–02 year, the year just finished, we put in place a \$400 000 program. There was \$300 000 spent on asset management practices within the local government sector, there were grants to specific local government bodies to attend to an asset management class and there was \$50 000 towards building asset management awareness and skills among elected representatives, chief executives and practitioners.

One of the issues, of course, for local government is that while some people — for example, staff in the engineering department or the CEO — might be attuned to it, you have to have this elevated to an issue at the council table. If it is a governance and management issue it will be able to be addressed because it will be at the forefront of councillors' minds. We are all politicians; if we are to spend some cash we would like to spend it on something that might be grand, but you have to look after your base first. Otherwise, if you have a deteriorating base and you are extending your asset base, you are just making your problem all the greater for the future. Also allocated was \$50 000 for asset management improvement and financing options and guidelines. That work is coming to an end in the near future.

This year we will again be pursuing the issue. I will give you an example of that work around asset management, which was done or is being done in a cooperative way in the north-east. A number of councils there came together;

their focus was on the issue of skills. Because there were skills shortages in each of them they came together to combine to look at a class of assets and to share that information between them to improve their skill base. Often making sure you have the appropriate skill base in place is an issue.

Mr HALLAM — In the time we have available, Minister, I would like to register my concern at the government's response to a recommendation we made last year. We recommended that you review the performance indicators across local government. That was accepted in part, but in part it was rejected on the basis that you needed to wait until the work of the Local Government Best Value Commission was completed to frame performance indicators in respect of one particular area we had focused on.

Mr CAMERON — Which was?

Mr HALLAM — Well, it was that part of local government's performance that you saw as being relevant to best value.

Minister, I do not accept that response, and I don't think anybody in this chamber, irrespective of where they sit in the political spectrum, would accept that response. I do not think it is reasonable for government to simply say that this should be put off for another couple of years until it has heard from someone else. Can you give us a commitment that you will go back and look at those performance indicators again, in the spirit of the recommendation we framed last year?

Mr CAMERON — Yes. Just give me a moment. We have the Best Value Commission, which is monitoring it and publishing a report. We are putting in further indicators this year for infrastructure and government that will come out in this round, but I am happy to take it up and have a look at the issue of best value.

Mr HALLAM — In your presentation you gave us 11 criteria that you were monitoring, and I accept that. That is not consistent with the formal response to our recommendations last year. I just ask you to look at it again.

Mr CAMERON — We will look at it again.

The CHAIRMAN — That completes the time allocated for questions on the local government portfolio. I thank Mr McDonald and Ms Digby for their attendance.

Witnesses withdrew.