

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2017–18

Melbourne — 2 June 2017

Members

Mr Danny Pearson — Chair

Mr David Morris — Deputy Chair

Mr Steve Dimopoulos

Ms Fiona Patten

Ms Sue Pennicuik

Ms Harriet Shing

Mr Tim Smith

Ms Louise Staley

Ms Vicki Ward

Witnesses

Ms Natalie Hutchins, Minister for Local Government,

Mr Terry Garwood, Deputy Secretary, Local Infrastructure, and

Dr Graeme Emonson, Executive Director, Local Government Victoria, and

Ms Carolyn Jackson, Executive Director, Finance and Planning, Department of Environment, Land, Water and Planning.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2017–18 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Local Government, the Honourable Natalie Hutchins, MP; Mr Terry Garwood, Deputy Secretary, Local Infrastructure; Dr Graeme Emonson, Executive Director, Local Government Victoria; and Ms Carolyn Jackson, Executive Director, Finance and Planning, Department of Environment, Land, Water and Planning.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege.

Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audiorecord or videorecord any part of these proceedings.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Ms HUTCHINS — I draw the committee's attention to slide 2 of our presentation around the role of local government in Victoria and just what it is that the local government sector contributes to our economy. The sector manages \$84 billion worth of community infrastructure and employs 43 000-plus people. In the left-hand corner of that slide you see what the differentiation is between the male and female workforce, and I will come back to that.

We are also looking here at the output of local government in terms of the overall cost output, and I think that is something worth having a good look at for the committee to put into perspective how the sector delivers.

These are our pillars of focus in terms of government reform at the local government level. Our three pillars, as I mentioned at last year's presentation, include integrity and good governance, building capacity and performance, and delivering for communities. With each one of those pillars we have a raft of reforms underway. The committee might be aware last year I did draw the attention of public accounts and estimates to the Know Your Council website that has now been built upon and is in its second year, so we actually have comparisons on the services year upon year across councils.

We have gender equity in local government as a major priority of this government, and the reason we have put this on the agenda as such a high-stake issue is that when you have a look at the facts of the splits around the numbers of women and men in the workforce of local government, you will see that there is quite a significant difference in terms of women being overwhelmingly the dominant sex in the workforce and unfortunately that is not reflected in the leadership positions. We know that there is a direct link between the elected officials in the council — the councillors — and the gender balance there and leadership roles within the council. So we have a number of initiatives that are being supported out of last year's budget and this year's budget to look at ways to increase the number of women in local government and to really promote diversity and gender equity in the leadership roles across local councils.

Finally, we have our fantastic Growing Suburbs Fund, which is continuing this government's commitment to community infrastructure investment with a particular focus on the outer suburban councils — the interface

councils on the urban fringe — who are really at the forefront of dealing with the state's increasing population. They have constantly seen growth every year upon year, and this is expected to continue forward with 1 million additional residents living in Melbourne's interface in 2031.

This program is really about investing in the facilities that are needed to cope with that growth and partnering with local government and in some cases third parties along the way who are contributing to the establishment, to the upgrade of new community centres, new maternal and child health centres, parks — things that really contribute to the livability of the outer suburbs. We currently, through that fund, have 76 projects either underway — some of those are completed — representing a total infrastructure investment of \$235 million and creating during the life of these projects 2700 local jobs. It is a fantastic project and one that I am happy to talk further about.

The next slide goes to our rural and regional councils commitments, and the Andrews government is making sure that our regional cities and towns and rural communities have the infrastructure and services they need to thrive. Maintaining the livability of all Victorian communities is extremely important, whether it is the outer suburbs or our regions. In particular rural councils are being supported through this budget through the initiative to establish a new rural and regional council sustainability program. It is the first step in scoping out how it is we ensure that our small rural councils are financial into the future and how they can grow their income base but also how they can better deliver services and shared infrastructure.

Finally, on that slide, we have our commitment to roadside weeds and pests, which is a big issue in the regional areas, and the budget has committed 5.4 million. Finally, we have, as our last slide, Chair, a commitment to the Munarra Centre for Regional Excellence, which was a priority out of the Goulburn Regional Partnership, which will be managed by my department over the coming years. This is a process of looking at how we can develop a regional excellence centre in Shepparton to deliver an educational, sporting, cultural and community centre for the region's Aboriginal community. I will leave it there.

The CHAIR — Thank you, Minister. I refer to your presentation on gender equity in local government, and I should declare at the outset that I am married to one of the councillors at Moonee Valley.

Mr DIMOPOULOS — A wonderful councillor.

The CHAIR — She is wonderful. I am wondering, Minister, whether you could outline to the committee what steps have been taken to encourage and promote greater female representation both within the senior ranks of local government but also within the ranks of councillors.

Ms HUTCHINS — I do acknowledge that your council in your local area does have some very strong female personalities and has set a benchmark for the number of women councillors in this state in one single council, both in the previous council and in the current. In the course of my being minister for the last two and a half years, we have really tried to champion a real change in the sector, because clearly we have so many women working in the sector — just over the 60 per cent mark. That is higher in some councils in terms of female employees, but we do not see that reflected in the leadership roles of the council or at the CEO level. In fact the CEO level can fluctuate from year to year from as low as 13 per cent up to 19 per cent, depending on how many female CEOs are in positions at the time across the 79 councils.

In setting that scene, we did see quite a large increase at the last council elections of female representation across the state and across all parties in councils, and it is now time to see that reflected in the workforce of local government. We are working with local government to see how it is that we could improve that but also in partnership looking at a commitment that we made before Christmas last year when we launched the gender equality strategy for the state on how we can further build upon the goal for gender equity within our councils of 50 per cent by 2025. That is for the elected roles, but we know that when there is change at an elected level in councils we see that change reflected in paid organisation positions as well.

I am pleased to say that we launched a ministerial round table to discuss how we can better gender equity in the paid workforce in the local government sector late last year, and that committee comprises all the female CEOs and the peak organisations from across the local government sector, who are coming together to look at best practice but also reform. We are reviewing the Local Government Act. There are things that we can embed in that act that would support more women in leadership roles across local government.

The CHAIR — Are you looking at specific targets as part of that work or greater levels of gender representation?

Ms HUTCHINS — That is part of what we are looking at. We have a new program called Listen, Learn and Lead Gender Equity Program, which has been trialled in four councils so far, and the government has now stepped up with a \$5000 contribution to any council that wants to undertake that program for a facilitator to run that. What we anticipate is that some targets will come out of those programs, but it really requires, for genuine change at a council level, the council to set those targets internally within their workforce plan. As part of the review of the Local Government Act we are looking at changing how a council does do workforce planning and embedding that as a way forward. That will definitely assist in seeing women in more senior positions in that area. So there are a number of initiatives. There is that program, there is the ministerial round table and there are also the funds: the government has been supporting some of the peak bodies, including LGPro — Local Government Professionals — to undertake training and leadership programs. They also do a fantastic annual women's conference for the sector and they also support mentoring through that conference.

So there are a number of initiatives underway and a long way still to go. As I said, 60 per cent of women make up council staff, but that is not reflected in leadership. I am pleased to say, though, that out of last year's council elections and the subsequent mayoral elections we now are at 41 per cent with women mayors across the state, which is the best result that we have had. I am pretty sure it is leading the nation in terms of percentages of female mayors, so we are seeing real change in the sector.

The CHAIR — Terrific. Thanks, Minister.

Ms WARD — Good morning, Minister. Welcome, everyone. Minister, I want to talk to you about the Growing Suburbs Fund, which you referred to in your presentation and which I need to put out there that I absolutely love. I love this fund and what it can do for people in the outer suburbs. The investment that can come into the outer suburbs, which are often neglected, is just terrific. It has made real difference in my own community in terms of the investment that has gone in. We are about to open up the Eltham Community and Reception Centre. That is completed. We are about to have that opening. The pool is part way through being built — the frame and everything is up. Research Park is underway, that you funded last year. There are just so many different things that are going on that would not be able to happen without this investment. It is incredibly important, and I thank you for having the foresight to actually invest in our growing suburbs.

There is \$100 million that we have already invested, and you have got a further \$50 million over the next two years for the Growing Suburbs Fund. You have already funded and significantly invested in communities, so what is this additional \$50 million going to do?

Ms HUTCHINS — Really the \$50 million commitment that has come out of this year's budget is a two-year commitment which allows us to look at programs which actually can put more money up front over that two-year period and potentially fund some more substantial programs to what we have had in the past. But let us not forget we have got 76 either underway or close to completion. I think that this is a fantastic commitment, and overall \$150 million going into the fastest growing suburbs in this state is a really good step forward.

The results that we are seeing of the completed projects are quite astounding. One in particular in Wallan — it is called the Hadfield Play Space — we actually got feedback from the local community that it is now a bit of a tourist attraction. People are coming in from local regions to be part of that.

Mr T. SMITH — Minister, I refer to page 65 of budget paper 3 and also to page 70 of the 2016–17 budget paper 3 and page 56 of 15–16 budget paper 3. Is it not a fact that in each of the last two years 50 million was expended on growth area communities, that over the next four years you will spend in total 50 million and that this represents a cut in expenditure of 150 million over the forward estimates?

Ms HUTCHINS — I do need to say and put on the record that this is a \$150 million commitment by this government into the interface growing suburbs.

Mr DIMOPOULOS — Compared to what?

Mr T. SMITH — It is a cut, Minister. It is a cut.

Ms HUTCHINS — Compared to the previous government, who put zero into this area.

Ms WARD — Considering it never existed, Mr Smith.

Mr T. SMITH — We do not need commentary. You do not need any help, Minister. You can answer the question yourself. This is a cut of 150 million over the forward estimates.

Ms HUTCHINS — It is not a cut of 150 million. It has actually been an investment of 150 million over the last —

Mr T. SMITH — Fifty?

Ms HUTCHINS — couple of years. That is 100 million, and 50 million going forward over the next two years.

Mr T. SMITH — That is the last two years — 25. Twenty five is a cut over the forward estimates.

Ms HUTCHINS — I am very proud of this fund, and I think the work that it is delivering is fantastic. Having 76 projects in play compared to the previous four years before we made this commitment — the previous government made no commitments despite the reports coming from the Parliament. We had an inquiry into the livability of the outer suburbs, and that was not responded to by the previous government. It has been responded to by this government.

Mr T. SMITH — So you had 50 million in the budget last year, and now it is 25 this year. Why has there been a \$25 million cut from this financial year to the next financial year over the forward estimates?

Ms HUTCHINS — There is no cut. There is a commitment for \$50 million going forward over the next two years, and there is also capacity for my department to begin the works on those projects for the entire 50 million in the next 12 months.

Mr T. SMITH — Fifty million last year, 50 million this year, 25 million next year. It is a \$25 million cut.

Ms HUTCHINS — There are many, many projects that are in play, and we have partnered successfully with local governments to deliver those in the community.

Mr T. SMITH — That is great, but there is a \$25 million cut. Why?

Ms HUTCHINS — I do not agree with you. I think that the overall program of \$150 million invested into the outer suburbs is a fantastic program and builds upon what the previous government did, which was nothing, and we have — —

Mr T. SMITH — Did you personally tell the sector that you were going to double the fund to 100 million?

Ms HUTCHINS — I did not personally tell the sector anything. We worked on strategies, and I asked those interface councils to bring forward as many projects as they have in the lead-up to this budget and to work with their local communities to identify what the needs are. We know that growing suburbs has huge demands on it — there is no doubt about it — and there could be many, many more projects funded into the future. This government actually has put its money where its mouth is in establishing this fund in the first place.

Mr T. SMITH — Yes, but we know the issues of population growth, particularly in interface councils. You had 50 million in last year's budget; it is now reduced to 25 million. You have not indicated to me why that has happened. Given that we are growing by 123 000 people a year or something, I would have thought the smartest thing to do would be to double the funding?

Members interjecting.

The CHAIR — Order!

Ms HUTCHINS — I disagree with you. I think having 76 projects underway is a fantastic step forward, and it is in such stark contrast to the previous government's work in this area. Look, there is a lot to do. We know the suburbs are growing. We are working with our communities to ensure that we partner with them and

sometimes in some cases with third parties to ensure that we are getting those community facilities there in time. We know that these are really important to breaking down things like isolation to improve health and wellbeing. These are things that are absolutely vital to our growing suburbs, and we will continue to partner with local government into the future.

Mr T. SMITH — The Treasurer on budget day said in a statement to Raf Epstein, ‘What we have found was some of these growth communities were encountering difficulty in putting away funds for community assets. What we have found, we are starting to dry up in terms of the capacity of councils to bring forward what we see as being quality offerings’. Minister, given you were talking up doubling the Growing Suburbs Fund this year, is it not a fact that the Treasurer’s statement is a complete untruth designed to cover the government’s \$150 million cut to interface council communities facing massive growth pressures?

Ms HUTCHINS — I thank the member for his question, but of course, treasurers being treasurers, they are absolutely entitled to say they want to get more return from their investment. I think that is the role of a treasurer — and he would not be doing his job if he did not. But certainly the return that this government has got on investing in these 76 projects so far has been phenomenal in terms of both social and economic return. Just to give you a sense of the breakdown of the investment that has gone on: 25 projects are delivering community centres and integrated facilities focusing on social and health outcomes; 29 were built upon the new facilities to improve physical activity — that absolutely slices some of the bottom-line costs of our health costs across the state. Nine projects will improve accessibility and livability of the precincts and open spaces, with economic outcomes — like I was talking about with the Hadfield play space, where local businesses were seriously selling out of stock over summer because of the attraction of people coming to that particular place, let alone the locals enjoying that — nine recreational projects, many of these are underway. Councils are working hard on them. I have asked councils to start to prepare for the next round of funding, to bring forward their projects and to look at ways of partnering with the state government to deliver bigger and better projects but also to engage third parties in the local area.

Ms STALEY — Minister, just to clarify on that, you have just given evidence to the committee that in relation to this project and to the growing suburbs there are huge demands. Many, many more projects will be funded into the future, you said, whereas the Treasurer has said that there are a lack of quality offerings coming forward. So is it not just the case that you cannot stand up for your sector to the Treasurer?

Ms HUTCHINS — No, I absolutely refute the question that has been put forward. The Treasurer himself is a representative in this Parliament of a growing suburb — the suburb of Wyndham.

Mr T. SMITH — He does not live there, though. What a joke. He is a snob.

Ms HUTCHINS — He hears what the pressures are every day from his local council and certainly from his — —

Ms STALEY — Which local council would that be, where he lives?

Ms HUTCHINS — The City of Wyndham, where he represents his constituents.

Mr T. SMITH — He has been there once in about six months.

Ms HUTCHINS — I think you would find that the Treasurer has actually had a lot of meetings with his local council and his constituents, but we are not here to discuss that.

Ms STALEY — How do you think they feel about him saying that there is a lack of quality offerings?

Ms SHING — Sorry, are you asking for an opinion? That is a point of order, then; you are asking for an opinion.

Ms STALEY — So have you been rolled by the Treasurer?

Ms HUTCHINS — The Treasurer is entitled to make comments around whether he thinks that he could be getting additional funds inputted to a program, and that is where his comments have focused. My comments are about assuring that the growing suburbs, our interface councils, are supported into the future, supported 150 per

cent more than the previous government ever did — in fact the previous government, I would say, ignored the outer suburbs during their term of government.

Ms STALEY — The Treasurer went onto radio to say that the projects are starting to dry up. You have directly contradicted that today in evidence. Which is it?

Ms HUTCHINS — The growth is evident. The growth is there. No-one doubts the growth. But when councils are balancing, across 10 councils, 76 projects to implement now, now is the time for the government to say, 'How can we look at partnering better going forward?', and that is why this commitment has been given over two years and not over a simple one year.

Mr T. SMITH — So will you apologise to these communities for this cut?

Ms HUTCHINS — I am very, very proud of the Growing Suburbs Fund. I think it is one of the best things that we have done as a state government in the local government sector.

Mr T. SMITH — You have cut their funding. With population growth going through the roof, you have cut their funding.

Ms HUTCHINS — Being able to partner — —

Mr T. SMITH — It is a vicious, savage cut.

Ms HUTCHINS — I find it absolutely appalling that the opposition could attack us over our investment in this fund when in the four years they had an opportunity to step up on this they invested absolutely zero.

Mr T. SMITH — You still have not indicated to me why there was \$50 million in this fund for this financial year and only 25 in it for next financial year. Why?

Ms HUTCHINS — The \$50 million is a commitment over the next two years to partner with local government to bring forward the projects on top of the 76 projects that are currently in place.

Mr T. SMITH — No, it was 50 million for this financial year. Next year there is 25. Why?

Ms HUTCHINS — There is a commitment to spend 50 million over the next two years in the Growing Suburbs Fund.

Mr T. SMITH — There was 50 million committed for one year; 50 million over two years is a \$25 million cut.

Ms HUTCHINS — When you contrast that to what the previous government did, you have got zero versus 150 million.

Mr T. SMITH — Do you not understand me? Fifty million for this financial year, 25 for next financial year. That is a \$25 million cut. Why?

Ms HUTCHINS — Let me restate: if you cannot read the budget papers, then maybe you should get some advice.

Mr T. SMITH — I can read the budget papers. You cannot. You do not understand.

Ms HUTCHINS — Fifty million dollars over the next two years is a fantastic commitment to be investing in local communities, and I am not going to apologise for that; I think that is something that this government should be proud of. We are delivering in local communities what they need.

Ms PATTEN — I am looking at budget paper 3, page 222, and the objectives of objective 8. There seems to be an extraordinary number of local government planning decisions that are being overturned by VCAT at the moment, and it really shows that there is some sort of problem, so I am wondering, as far as looking at effective local governments, is your department doing anything to address the causes of the significant number of VCAT appeals, particularly with councils?

Ms HUTCHINS — I thank you for the question. I think one of the first things that I would point to our department being successful on in this area is actually establishing the Know Your Council website, because for the first time we have a comparison between councils. And when you actually look up a council under that database, you are actually looking at like councils. You are not comparing Buloke with Melbourne. You have actually got like councils — similar sizes, similar budgets — and you can actually see how long it is taking for planning applications to go through but also the numbers of challenges as well.

Quite often I will have people raise with me individual councils, and when we look at that site actually some councils are tracking really well. Some have areas to improve. Part of it comes down to our planning regulations, and I know that the Minister for Planning has been working with the sector on that. But I might ask Graeme to supplement in terms of our department.

Dr EMONSON — Thank you, Minister. Through you, Chair, the Know Your Council website has a very specific performance measure around land use planning applications. As a result of now having two years of data — and we are about to launch into the collection of the third year of data — we, through Local Government Victoria, are in a much better position now to be having an evidence base around relative councils' performance in particularly the processing of land use planning applications. The planning department, under the Minister for Planning, is doing a considerable amount of work in terms of trying to streamline the planning system. The issue about third-party appeal rights through to VCAT obviously is a significant part of Victoria's planning system. Creating opportunities for streamlining the system but still obviously protecting what is important about land use planning in Victoria is obviously a key criteria for them. So there are a number of aspects to continuing to look at the improvement of the planning system and local government's role in that. Local Government Victoria's perspective very much is one about having reliable, credible evidence that we can now use as a comparator and through that drive performance improvement over time.

Ms PATTEN — Thank you. Going back to the Growing Suburbs Fund and the 76 projects that are in process, I noticed that VAGO, in their asset management by local council report, noted that the asset management and spending on renewing those assets could definitely be improved. I do note that you mention that town centres and cultural facilities will be built or upgraded. So I am wondering what percentage of the Growing Suburbs Fund is actually going into that renewal of those assets and if there is any management that your department does to ensure that that spend is made.

Ms HUTCHINS — Thank you for that question. It is a really good question because in many of what are deemed growth area councils they actually have quite a substantial amount of infrastructure in middle suburbs as well as growth suburbs. So if I take Whittlesea as an example, they are trying to cope with the growth in the north in Mernda and further north of there. Then in the south of their municipality you have got places like Epping and Mill Park that need a lot of investment in infrastructure. Residents, particularly in new areas, are reliant on the old infrastructure closer into town, whether it be health services or parks or child and maternal health.

Ms PATTEN — Just in the 30 seconds left.

Ms HUTCHINS — With the percentage — I might have to get back to you around a specific percentage of that, and I am happy to come back to you on that. But certainly we have done a lot of work in ensuring that part of this investment process of growing the suburbs goes into those middle suburbs as well, because we know that growing suburbs is dependent on that infrastructure.

Ms WARD — Minister, I also quickly just want to go back to growing suburbs. I suspect that our comrade opposite, living in a leafy inner-city suburb, does not understand the pressures on outer suburban councils and the challenges that they have in pulling projects together even though they do have a long list of them.

Minister, I see that in your presentation you talk about 2700 local jobs. How many of those are short term and how many of those are long term? Obviously there is short term in construction, but is there going to be a flow-on in terms of permanent jobs in our communities, which is especially important in one like mine which has got something like 80 per cent of people in Nillumbik travelling outside of the municipality to go to work?

Ms HUTCHINS — The reference point to the 2700 local jobs is in the construction phase, but there are 220 ongoing jobs that we anticipate will come out of servicing of the centres that are being built or maintenance of some of the parks that are being overhauled or some of the walking tracks that are being invested in. So it is

growing local jobs. Certainly we have had feedback, in visiting some of the sites while under construction, from local businesses who are saying they are benefiting from having those construction workers around their communities at the time as well.

The jobs happen to be a by-product of our investment in this, and it is a really good by-product quite frankly. Then there is obviously the flow-on to councils in benefiting the council's bottom line by making investments in these projects. We have had many councils say to us that they would not have been able to go down the road of some of these projects without the commitment of this sort of fund.

Ms WARD — That is certainly the case for my municipality in Nillumbik.

Ms SHING — Minister, I might go to the question of rural councils and the support being provided to them. You have talked about that in your presentation. In budget paper 3, page 65, I think there is \$1 million allocated to the regional sustainability reform program. What is the interaction between this and federal government funding in relation to regional and rural councils, and are there any other programs that you oversee that assist with sustainability for rural local governments? It is an area which often does not get the sort of public attention that the interface and metropolitan councils do, but obviously it is a key part of life in rural and regional Victoria around the services that are provided at that level by local government.

Ms HUTCHINS — Thanks for the question. We are seeing more and more quite significant challenges for rural councils as they face some decline in population growth in some areas, and of course their responsibilities are not diminishing with a decline in population growth; in fact their costs in some areas are in fact increasing for the delivery of some of their services. We have seen this compounded by the freeze that occurred over the last few years by the federal government in returns to the federal assistance grants, and it has been estimated by Victorian councils that they have suffered around a \$200 million effect on their bottom lines over a four-year period of having that freeze.

Now, that freeze has just been lifted by the federal government in their budget, but that money that has been lost during that period has not been returned to the sector, and we are seeing that having a much greater effect on our rural councils. So as part of our discussions with Rural Councils Victoria and with some of the individual small councils that are struggling at the moment, we have looked at an investment to really look at how it is that we can make our rural councils sustainable into the future by investing a million dollars at this point in time to bring those councils together, to work with Local Government Victoria and to really see how it is that we could pave a way going forward for those councils to be able to survive.

Ms SHING — I might just ask then a question to you or Mr Emonson in relation to population growth. Obviously we have seen slow growth in some regional council areas, but for other areas, including in Gippsland, which is my area, there is population growth, and that is expected to continue to grow as we get those extra 3 million people to Victoria in the next 30 years or so. How are those regional councils going to be assisted to meet the challenges of population growth on the one hand with a historic perhaps underinvestment in a number of areas on the other?

Dr EMONSON — Thank you for the question. One of the challenges in terms of seriously considering options for the future sustainability of particularly rural councils is the very point that you raise — and that is the variability of councils. We have some smaller rural councils who have been suffering from population decline for a considerable period of time, yet we do have some other areas across the state of course that are seeing population growth. Local Government Victoria has quite a significant number of funding programs targeted at attempting to support rural councils across many fronts. The minister has already referred to some of those. In the current budget, the 16–17 budget, we have what is called the finance and accounting support team program. The FAST program provides a very specific funding stream with two components. The first is particularly for small rural councils that might be, for example, suffering from a skill shortage in a key area. We have a funding pool available to assist those councils to fill a short-term skill gap — for example, it might be an accountant during a peak financial period time during the year.

We also have a pool of funds to assist rural councils to work collaboratively, and they are able to make application to Local Government Victoria for specific funding to pursue business cases for joint working. We also assist rural councils in their emergency management responsibilities. The government has what is called the municipal emergency resourcing program, a \$4.6 million program per year goes to the 64 councils that are part of the CFA region.

Ms SHING — In partnership with EMV?

Dr EMONSON — In partnership with. We also have the roadside weeds and pests program, which is also current this year — \$2.7 million, very specific to 56 rural councils. It is probably worth highlighting the work of the Victoria Grants Commission —

Ms SHING — That is \$5.4 million, is it not — the roadside weeds and pests?

Mr EMONSON — That is correct.

Ms HUTCHINS — Yes, it is.

Dr EMONSON — Over the next two years; that is correct. The Victoria Grants Commission, through its very complex formula work, now has positioned the allocation of grants across the state whereby 13 per cent of the state's population, which is in the rural councils, actually receive something like 44 per cent of the total pool allocation through the Victoria Grants Commission.

Ms SHING — So positive discrimination for rural councils on the population challenges that they face?

Ms HUTCHINS — Yes. We have done a similar thing with our library funding, Living Libraries. We have actually changed the application process for small councils who no longer have to partner dollar for dollar in an application. Since we have made those changes we have seen rural libraries really come forward in putting their applications in on that program, and we have actually been able to announce funding this year for Mortlake, Hamilton and Drouin to upgrade.

Ms SHING — Yes, you have; thank you. It was lovely to see you on 4 May, and the force was with us at Drouin library.

Mr DIMOPOULOS — Minister, just going back to your presentation on the three pillars of support for local government. Integrity and good governance, I think, was the first, which is probably amongst the most important in terms of reputational damage or otherwise to local government. You also referred to the Local Government Act review, which is very comprehensive. I have not read it cover to cover, but I have read a fair bit of it. It is fascinating. Some of the things in there are quite out there but fantastic. I just want to get a sense from you in the last minute and a half on what policy proposals from the directions paper of that review you feel that the government will actually pursue; there is a lot in there.

Ms HUTCHINS — There certainly is. Is it 157, Graeme?

Dr EMONSON — Yes, one hundred and fifty-seven.

Ms HUTCHINS — Yes, 157 directions. So we have gone through a two-stage process. One was a discussion paper to put out to the sector, and then a directions paper which came up with 157 recommendations on a way forward. We are currently working through all of the sector's submissions and going through what the outcomes of that could be. Just to put it into context, this act is 27 years old now, it was subject to 101 amendments and it is not the easiest read act that this Parliament has. Given that the sector is so reliant in their day-to-day operations on this act, it is quite important that we deliver a review of this act and a new act that is actually, A, easier to read and use, and B, more concise in its directives.

Mr DIMOPOULOS — I agree, Minister, and also easier to read for interested citizens.

Ms HUTCHINS — Yes.

Mr DIMOPOULOS — Because in my experience of local government it was often misquoted as, 'Local Government Act says X, Y and Z', when it does not; it says otherwise.

Ms HUTCHINS — We will see a shift of some things that currently stand in the act into regulations, and we will see some guidelines come out of that. Often the code of conduct of councillors is something that is hotly debated.

Ms STALEY — Minister, I refer to page 155 of budget paper 5 and specifically the government's announcement that it will adjust property valuations annually instead of biannually and centralise this work in

the office of the valuer-general in Melbourne. Minister, do you have any assessment of the impact of this change on local valuers either employed or contracted by councils, and if so, could you share that with the committee?

The CHAIR — Before the minister answers the question, I think this area does traverse both the minister's portfolio but primarily the Treasurer's, so the minister may not be able to fully respond to the member's question. I will let the question stand, but I just want to give that context.

Ms HUTCHINS — And certainly the valuation changes are significant for the local government sector in terms of an on-flow but do sit in the domain, in terms of the bill, with the Treasurer. I am happy to say that the Municipal Association of Victoria, DTF and my department and Local Government Victoria have been working on the implementation and working through processes to ensure that this reform has a minimal effect in cost terms on local governments. In fact we have seen 18 councils over recent years move to having their valuations done by the valuer-general, and of those 18 councils we have actually seen a 30 per cent saving in the costs from what councils were originally paying. So there are significant benefits through this change for local government, but we do need to work through how that reform will affect local government and how we can best alleviate any unintended consequences of financial costs that come out of that.

Ms STALEY — Minister, as you probably know, I have eight local government areas covering Ripon, and I consulted with all of them in relation to this. For example, Loddon expects its council costs to double; Pyrenees, a \$30 000 increase; Central Goldfields expects this change to add half a per cent to their total rate base. What consultation did you take with rural councils prior to announcing this?

Ms HUTCHINS — Well, this is actually an initiative under the budget papers, as you would know, and the state government is commencing discussions and has commenced discussions since the budget papers were released with our key stakeholders — the peak bodies across local government — but I do note that this is an initiative that is not going to come into effect until the 2019–20 budget, and there is time still ahead before this change is implemented for us to continue to consult and work with councils.

Ms STALEY — So, Minister, are you suggesting there could be changes to what has been announced in light of the fact that, for example, Loddon mayor Neil Beattie wrote to the Treasurer, copying you into this letter, and in part said:

The proposals contained within the bill have not been well considered and there has been no consultation with the local government industry.

Are you now suggesting that through consultation we might see some changes to take these costs off?

Ms HUTCHINS — I am happy to say that the Municipal Association of Victoria has received a commitment from the Treasurer that the bill, once it passes Parliament, will ensure that councils are not worse off, and those details are currently being worked through with DTF and the sector.

Ms STALEY — So you are saying that the doubling in costs suggested by Loddon, the \$30 000 increase by Pyrenees and the \$65 000 increase by Central Goldfields will be directly refunded to them?

Ms HUTCHINS — We need to look at the detail around the claims that that is the additional cost. I think behind the scenes there are some councils that are financially benefiting through the data that they collect through the valuations, and they are claiming that that is a loss rather than a cost, a loss of income in some councils, and they are the things that we have got to work through with the sector before this comes into play.

Ms STALEY — You would be aware that the MAV have said small rural shires have limited capacity in property valuations:

... and moving to four-yearly valuations would save rural councils the equivalent of a 1 to 2 per cent rate increase.

Those councils could reinvest that money back into local services or ... road upgrades.

Minister, why is the government seeking to legislate against the best interests of the more remote rural and regional councils, and is this as a result of your failure to advocate for their best interests within the government?

Ms HUTCHINS — Thank you for the question, but I do not agree with the premise of the question in that small rural councils will necessarily be targeted through this change to a detrimental effect. I think on the flip side of this we need to ensure that ratepayers are well informed. We know every two years with the revaluations that there is sometimes what we call sticker shock from the rates that come in, in terms of the value of their property increasing. We are seeing this in huge amounts in the City of Monash at the moment, and their council have been in to see me this week around some of the large increases some of their ratepayers have experienced. Certainly we want to make sure that those effects are kind of taken down a peg for ratepayers, and the annualisation of the valuations is a way of doing that.

Ms STALEY — That is why the MAV has only suggested this for four rural councils who do not experience that kind of volatility but pay the costs, so I am specifically asking about the negative impact for rural councils.

Ms HUTCHINS — I think you find that certainly in rural councils there are still issues around valuation jumps for working farms and property changes where there is a bit of a valuation change around, I guess, the tourist trails and so forth. But, as I said in my first answer, there is certainly time for us to continue to work through the implementation of these changes.

Mr T. SMITH — Minister, I refer to the local government output initiatives on BP 3, page 65, and your rate capping program. The City of Yarra has recently announced substantial hikes in waste collection fees on top of general rate charges. The Essential Services Commission produced advice to you, which was published on its website, which laid out the action that it could take to block these significant increases. I put it to you that on another set of massive rises you have been silent, allowing the Minister for Planning to jack up planning fees and charges between 100 and 1000 per cent. Minister, why have you not called in the Essential Services Commission to block these extraordinary new charges on building construction and local communities?

Ms HUTCHINS — I thank the member for his question. Councils are entitled to put out draft budgets, and in fact this government asks them to and has reinforced that through our discussions with councils around the importance of putting out a draft budget for consultation, and that is what Yarra has done. The Fair Go Rate system certainly gives every council the opportunity to lower their rates, and in fact cap their rates to CPI. That does not mean that they cannot go even lower than that. But within those decisions councils then need to decide how their council is structured and what services they are delivering. Certainly the Essential Services Commission has a role ongoing beyond setting and implementing or making recommendations to me around setting the cap, but also ongoing oversight on their budgets.

Mr T. SMITH — Are you going to do anything about councils getting around the rate capping by increasing waste charges and the like?

Ms HUTCHINS — At this stage I have asked essential services to have a look at this particular case, but at this stage the decision has not been made in the City of Yarra, and in fact they are looking to make it — —

Mr T. SMITH — The planning fees and charges have been changed across the board.

Ms HUTCHINS — The Essential Services Commission will continue to overview each and every council's budget on a yearly basis and look at the overall income of a council and then make sure that they are setting their rates in line with the CPI, which is exactly what the Fair Go Rates system delivers. In terms of other fees and charges, if councils are looking to go down that track, then they need to offset it. I noticed that the City of Knox has managed to change its revenue arrangements.

The CHAIR — I would like to thank the witnesses for their attendance: the Minister for Local Government, the Honourable Natalie Hutchins, MP; Mr Garwood; Mr Emonson; and Ms Jackson. The committee will follow up on any questions taken on notice in writing. I believe Ms Pennicuik, who is ill today, may be providing some questions on notice via the secretariat. The response answering questions in full should be provided in writing within 10 working days of the committee's request.

Witnesses withdrew.