

REVISED CORRECTED TRANSCRIPT*

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2005–06

Melbourne — 3 June 2005

Members

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Witnesses

Ms C. Broad, Minister for Local Government;
Mr T. Healy, acting secretary;
Ms P. Digby, executive director, Local Government Victoria; and
Mr S. Gregory, chief finance officer, Department for Victorian Communities.

*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication date.

The ACTING CHAIR (Ms Romanes) — Good morning, everyone. I declare open the Public Accounts and Estimates Committee hearings on the 2005–06 budget estimates for the local government portfolio and the housing portfolio. I welcome Ms Candy Broad, Minister for Local Government; Mr Terry Healy, acting secretary; Ms Prue Digby, executive director, Local Government Victoria; and Mr Stephen Gregory, chief finance officer, Department for Victorian Communities, departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Before 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, I ask that all mobile telephones be turned off. Minister, I invite you to give us a presentation. We have some overheads in front of us, and the time for that is 10 minutes.

Overheads shown.

Ms BROAD — Thank you very much, Acting Chair and members of the committee. The presentation will cover the objectives and achievements of the portfolio and the priorities for the coming financial year. Local government is an important partner for the Bracks government. The government supports a strong local government sector and aims to work in collaboration with the sector to ensure effective democracy, strong communities and more integrated services.

The ACTING CHAIR — Minister, I made a mistake. I apologise; we have allowed 5 minutes for the presentation.

Ms BROAD — I was advised in a letter from the Chair that it was 10 minutes.

The ACTING CHAIR — We are happy, then. Go ahead for 5 or 10 minutes, or however long it takes you.

Ms BROAD — As far as I am aware, we were not notified of any change.

The ACTING CHAIR — Okay, that is fine.

Ms BROAD — Moving to the achievements in the strengthening communities area, the Department for Victorian Communities has developed and collected data on indicators of community strength for all local governments, and the bushfire-affected councils of Alpine, East Gippsland, Indigo and Towong are using that data to identify gaps and weaknesses that need to be addressed to develop more resilient communities. DVC and the Department of Sustainability of Environment have partnered with the metropolitan fringe councils to develop a suite of strategic planning tools that will assist councils that have to meet rapid growth and development pressures. That includes approaches taken or issues such as township character and landscape design.

There is also a strategy paper, which is entitled *Actions for Community Strengthening with Local Government*. That was released to the sector in April of this year. That paper was the third product of a research project aimed at developing strategies for increasing local government's role in community strengthening. Lastly, on integrated planning, the joint state-local planning project involving Professor Bill Russell has commenced, and local governments are actively participating in the quest for a more integrated approach to local area planning.

Continuing with achievements in strengthening communities, there was record recurrent funding of \$26.8 million provided to public libraries, and the funding pool is now indexed in line with population growth and inflation. New public libraries have been completed in areas including Mornington, Mooroopna, Corio and Alexandra in 2004–05, and a further \$2.8 million has been allocated to a further 14 projects in the first round of the new Living Libraries program. The first \$1.5 million was paid in this financial year through the Book Bonanza program. Continuing with

further achievements, the Victoria Grants Commission paid some \$360.9 million to Victorian councils this financial year, \$18.1 million was paid to councils through the Local Government Improvement Incentive program and \$243 000 was allocated to assist councils to provide access to interpreting and translation services.

In the strengthening democracy area, achievements included further actions to implement the Local Government (Democratic Reform) Act from 2003, and there are a whole range of codes, guidelines and regulations which have been completed as part of that implementation. Some 39 electoral representation reviews have also been completed as a result of the changes made through the act.

Twenty-five council elections were conducted in November 2004 as part of the transitional process towards fully aligned elections in 2008. Those elections included the use of proportional representation in multimember electorates, for the first time replacing the winner-take-all system which previously applied. A robust governance framework guided by an interdepartmental committee has been established and is working to provide advice to the government on implementation of the decision to return Docklands to the Melbourne City Council before the 2008 council election.

In the strengthening local governments area — in the very important area of infrastructure management, asset management initiatives completed during the year in partnership with the peak local government bodies included the Asset Management Performance Measures project, which delivered a web-based data collection and reporting tool, enabling councils to measure their asset management performance, and 69 councils participated in that exercise. The Best Value Commission has met with 74 councils as well as the local government peak bodies to review best value implementation. My department is continuing to support local governments in producing their first council plans under the new requirements of the act; budgets and annual reports, including new standard statements, as required by the changes to the act.

Moving on to the priorities for 2005–06, this sets out the priorities at a high level, and the following slides explain each of these in more detail. Firstly, on local government partnerships, DVC will work with the local government sector to develop resources, tools and training identified to support local governments to further develop their community strengthening capacities. That includes the use of community strengthening indicators, training in community strengthening skills and guidelines for local partnership development. The joint state-local planning project aims to identify ways of streamlining strategic planning and related reporting required for local government as well as ways to strengthen joint planning between state agencies and local government at a local government level — something which we think will produce benefits for both local government and state government agencies.

Moving onto public library funding, funding has been increased to a record \$27.8 million in 2005–06 for operating spending. There is \$1.5 million under the Living Libraries program and \$1.7 million under the Book Bonanza program. In the Victoria Grants Commission area, in 2005–06 the grants commission is implementing a series of changes to the funding formula following a lot of consultation with councils, and that will further improve the fairness and transparency of the methodology it uses for that distribution. Moving to the local government improvement incentive program under the strengthening communities initiative, 9 per cent of the funds that the Victorian government receives as its annual competition payment from the commonwealth is passed on to councils through this program. The commonwealth has indicated that those payments will cease after 2005–06 and that means the last payment will be made in January 2006. Unfortunately that means that unless that position is altered by the commonwealth there will only be one further payment to councils.

In the neighbourhood houses area, under the government's social policy framework A Fairer Victoria an additional \$12.4 million is to be made available over four years from 2005–06 for modernising neighbourhood houses. Moving then to the area of community understanding, for the first time a guide will be prepared during the coming financial year to assist people and communities to better understand and interact with their councils. It is anticipated that that guide will cover topics such as governance and elections, legislation, rates and valuations, and council services. As part of the transition to four-year terms, the second round of local government elections will occur in November and involve 54 councils. New local government elections regulations will be completed for use in those elections following a regulatory impact statement which will commence shortly. It is expected that the interdepartmental committee will complete its advice to the government in this financial year for the implementation of the decision to return Docklands to the City of Melbourne and legislation will follow that work.

Moving onto strengthening local governments, there will be a range of initiatives in this coming financial year to assist councils to improve their asset management, which continues to be a high priority, and those initiatives will

include guidelines for assessing road conditions — roads are a council's biggest assets; investment analysis guidelines and asset management training programs, all to assist councils in this area. Best value has driven extensive changes in local government, including service improvements, improvements in community engagement and better aligned services for the needs of diverse communities. The focus for the future includes developing best practice guides in best value service review planning and reporting. As well as that, my department will continue its work to improve the quality of information available to the community including working with the institute of chartered accountants on model budgets, and the Auditor-General's office on model financial reports. I think that is the end of the presentation.

The ACTING CHAIR — Minister, can we go to page 238 of budget paper 3, the local government sector development output, and in particular the output measure that relates to national competition policy. Can you detail the impact that the loss of national competition policy payments is likely to have on Victorian councils?

Ms BROAD — As I referred to in the presentation, the Bracks government shares 9 per cent of the annual competition payment it receives from the commonwealth directly with local government under the local government improvement incentive program. A total of \$18.1 million was passed on to Victorian councils earlier this year, and individual payments ranged from \$154 000 to \$408 000. They represent a significant financial boost to councils across the state, particularly the smaller councils. As we now know, the commonwealth government has indicated that the competition payments will cease after 2005–06, which will have a significant impact on the whole of the state budget, and unless that position is altered the state will be only be able to make one further payment to Victorian councils.

We expect that the loss of these funds will be felt by all councils, but particularly those in rural and regional areas of the state. Some examples are that the payment received by West Wimmera Shire Council in this current financial year was equivalent to about 5 per cent of its rate revenue, and the payment received by Gannawarra Shire Council was equivalent to about 4 per cent of its rate revenue. The prospect of the loss of these funds after 2005–06 is likely to have significant implications for councils that rely on these payments because they will have to make decisions about what priorities they will then have to change in terms of services to their communities.

As well as that, because the Bracks government has linked these funds to local government back to the implementation of national competition policy principles and implementation of best value by local government, the government believes these funds have provided a very positive incentive to councils to improve their efficiency, and that with the withdrawal of these funds that incentive will be lost. I note that national competition policy is on the agenda for COAG today in Canberra, so I guess that provides an opportunity for the commonwealth government to change its mind on this, which would be a very good thing.

Mr CLARK — My question also relates to funding of local government from commonwealth and state governments. Can I refer you to budget paper 4, statement of finances, at pages 169 and 43. Page 169 sets out the amounts of commonwealth specific purpose grants for on-passing, including financial assistance grants to local government and identified local roads grants to local government. Page 43 identifies the grants and transfer payments from the state government to local government. My question is in two parts. Firstly, can you indicate whether or not the amounts set out on page 43, being the state government grants to local government, include the amounts of commonwealth specific purpose grants for on-passing to local government as set out at page 169? Secondly, if you look at the amount of \$493.7 million on page 43 as being the budgeted amount for local government in 2005–06, it compares with a budget amount of \$492.7 million in the 2004–05 budget to go to local government. Can you explain the reasons for the apparent only \$1 million difference in grants between the two years?

Ms BROAD — In the first instance I can respond in the affirmative that those amounts include the commonwealth funds which are on-passed, including the national competition policy payments. So in the out years that has an impact on the expectation that those are to be withdrawn by the commonwealth. In relation to the comparison between the 2004–05 and 2005–06 financial years, my advice and the comparison between last year's budget paper 4 and this year's budget paper 4 figures indicates that in general there has been a steady increase in grant funding for local government with the exception of a dip which was the result of some special one-off grants from the Rural Infrastructure Development Fund, which had an impact. In relation to the particular explanation of the adjustment from 2004–05 to 2005–06, I might ask whether we need to take that on notice or whether I can refer that to the finance officer.

Mr GREGORY — We will take it on notice.

Ms BROAD — Having an explanation of what the exact components are.

Mr CLARK — When you net out the commonwealth money, the net from the state appears to fall from \$125.5 million to \$113.2 million between 2004–05 and 2005–06, so if you could incorporate that fact when you come back to us that would be helpful.

Ms BROAD — Yes, we will certainly incorporate the commonwealth payments.

Mr MERLINO — Minister, I refer you to the community strengthening outputs in budget paper 3 at page 239 and also your presentation this morning. Could you provide the committee with an update on the government's efforts to involve local governments in the state's community strengthening agenda.

Ms BROAD — Certainly, community strengthening is all about creating sustainable networks through the development of local-level partnerships involving key stakeholders in the community, and the ability of stronger communities to generate better outcomes for individuals as well as communities has been clearly demonstrated by the Victorian population health survey data. The recent release of the government's social policy statement *A Fairer Victoria* highlighted the importance of community strengthening strategies to address social disadvantage and it, in particular, advances the Bracks government's vision for making Victoria a stronger, more caring and innovative state as set out in the Growing Victoria Together vision which was released in March — not long before the *A Fairer Victoria* statement.

We believe service planning and delivery needs to be streamlined across all levels of government and the Bracks government acknowledges that local government has a very key role in implementing the reforms set out in those policy statements. To that end a strategy paper *Actions for Community Strengthening with Local Government* was released in April by the government following extensive consultation with councils, shires and the community. That paper has two main parts to it, one proposing a set of actions that local government needs to do in order to advance a community strengthening agenda and the other set of actions proposed are for the state in order to support local governments in that community strengthening role.

The set of actions proposed for local government acknowledges two dimensions of community strengthening, actions which are directed to helping specific groups in the community that are excluded or disadvantaged, and actions by councils which aim to change the way that they conduct all of their decision making and service delivery activities to ensure that communities are strengthened as a result.

The set of actions that are proposed for the state government are particularly around removing barriers to communities and individuals, developing appropriate tools for community strengthening and developing public administration models that will support a community strengthening agenda. The state government has already taken a number of these steps which were outlined in the community strengthening paper. They were set out in the *A Fairer Victoria* statement under strategy 13 which is called 'Changing the way we work with communities', and strategy 14 which is called 'Developing better ways of working together at a regional and local level'. They include aligning regional boundaries from 1 July, based on the Department of Human Services regions, and they are, of course, also based on local government boundaries, and that will result in five regional and three metropolitan regions, regional manager forums in each region which will include the chief executive officers of local councils, so that they will be at the table in those priority-setting forums, appointing secretaries as champions to each region — that is, secretaries of state government departments — and community project teams. We think that particular set of reforms, together with the changes which we are continuing to work on with local government, have put the focus on state and local governments working together to build stronger communities and we think we will get much better outcomes as a result of that joint work.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the impact of the metropolitan fire services levy on local government. As you are aware obviously, local government has an obligation to pay 12.5 per cent of that levy under the legislation; this year, 2005–06, the levy will rise to just under \$35 million, which is a 9 per cent increase on last year — obviously well above inflation. Can you tell the committee what role you as the minister or the office of local government has in the setting of that levy? Are you consulted? Do you provide advice as to the impact on local government? Do you have any role at all?

Ms BROAD — In response, as I am sure the member is aware, the Metropolitan Fire Brigades Act and the Metropolitan Fire and Emergency Services Board fall within the portfolio responsibility of the Minister for Police and Emergency Services. I am certainly aware that this is a significant issue for local government and it has been raised with me from time to time by individual councils, but it certainly is a matter which is put on the agenda for the regular meetings that I have with the peak bodies and I have made the responsible minister aware that it has been raised so that he can take those views into account when the annual contribution which is payable by councils is set. I am certainly aware of it as an important issue, but it is the responsibility of Minister Tim Holding.

Mr RICH-PHILLIPS — So you do not have any formal input when that levy is struck? Emergency services does not seek your or your department's formal advice from a local government perspective?

Ms BROAD — Under the Metropolitan Fire Brigades Act there is not a formal process which is set out in the legislation, but certainly it is a process where I as minister pass on the views of councils so that that can be taken into account by the responsible minister.

Mr SOMYUREK — Minister, can I refer you to budget paper 3 at page 239 and to the community strengthening outputs on that page. I ask you to comment on the initiatives within A Fairer Victoria that will support community strengthening and make it easier for community and governments to work together — I know you touched on this in relation to Mr Merlino's question about local governments and community strengthening. Can you focus in on community strengthening and A Fairer Victoria?

Ms BROAD — A Fairer Victoria and following that, the 2005–06 budget, include a number of initiatives to support stronger communities and make it easier for communities and governments to work together and in particular perhaps — there is one of these initiatives which I focus on that relates to the initiatives around the neighbourhood houses — initiatives which were part of A Fairer Victoria and funded through the 2005–06 budget. I am also particularly delighted to be assuming ministerial responsibility for the neighbourhood house coordination programs. The Bracks government acknowledges and appreciates the vital work which is undertaken by neighbourhood houses to enhance community strengthening right across Victoria through more than 360 neighbourhood houses, I think, which are now in place. Through the 2005–06 state budget, recurrent funding under the program has been increased by this government by \$1.1 million to a record \$11.2 million. This increase in recurrent funding of \$4.4 million over four years is going to allow for additional services to be provided through neighbourhood houses and that will be particularly focused on growth areas and disadvantaged areas of the state.

As well as that capital funding of \$8 million will be provided over a three-year period from 2005–06 to establish new neighbourhood houses in growth and disadvantaged areas to encourage the co-location of neighbourhood houses with other local community service organisations, and to further develop neighbourhood houses as key access points for supporting communities to access information and communications technology skills and infrastructure. If the new Morwell neighbourhood house, which I had the pleasure of officially opening on Wednesday of this week, is anything to go by, the communities which are going to be recipients of those new neighbourhood houses are going to do very well as a result. In the case of the Morwell neighbourhood house, that neighbourhood house is part of a neighbourhood renewal area which links to my housing portfolio which we will be getting onto later this morning. The new neighbourhood house will play a vital role in the neighbourhood renewal program as well.

Mr CLARK — To follow on from that, as you probably know, Minister, a number of established neighbourhood houses are very concerned that while funding has been provided for additional neighbourhood houses, the core funding provided to existing neighbourhood houses is inadequate for them to remain viable, particularly in relation to the funding for coordinators, and that there are a range of historical anomalies in that funding. How do you respond to that concern?

Ms BROAD — I am aware that the neighbourhood houses — and particularly the peak body, the Association of Neighbourhood Houses and Learning Centres — made a budget submission setting out a number of priorities. The government, through A Fairer Victoria and through the state budget, has determined to focus the new money particularly on areas of disadvantage and on growth areas, rather than spreading that funding across all existing neighbourhood houses. That is a question of where the government sees the priorities and that is the reason we are directing those funds particularly to those areas. I have indicated to the association that within the parameters the government has set as its priorities for new funding to neighbourhood houses I will certainly consult

with it about where it sees the priorities, but that will need to be within that framework which sets areas of disadvantage and growth areas as being the priorities for the government.

Mr CLARK — My question relates to library funding. As you know, in the budget there was an announcement of indexation and I believe links to population growth; but you are probably also aware that the Municipal Association of Victoria has been very critical of what it considers to be inadequate library funding, and indeed it passed resolutions at its recent conference calling on the government to increase funding for libraries. How do you respond to that concern, and what is the current level of per capita funding for municipal libraries being provided by the state government?

Ms BROAD — I am very happy to respond to that. In the 2004–05 budget, in response to submissions from the Municipal Association of Victoria, councils more generally and public libraries, the government made a significant investment in libraries. We are seeing the result of that investment flowing through in this next financial year in a number of areas, including the Book Bonanza funding for materials. We are also seeing it in relation to infrastructure and for operating funding.

There have been references in further discussions about requests for further increases in funding to public libraries back to a period some 30 years ago now where for one or two years at that time — I think during the period of the former Whitlam government, at the commonwealth level — there was a major injection in library funding which flowed through to state governments as well, and there was a fifty-fifty arrangement between councils and governments for public libraries. That has not been the case for a very long time. There were many less libraries then, of course, than there are now. Over the period this government has been in office there have been significant increases in library funding which have benefited metropolitan, country and regional library services right across the state. I think now around half of councils have benefited, particularly through the Living Libraries program — or slightly more than half now. We will see in this coming financial year and beyond that the funds which were allocated in the 2004–05 budget flowing for all of those purposes, and we believe those are significant increases to public libraries. As to the per capita amount, I am not sure I have that number but I am happy to provide it.

The ACTING CHAIR — Minister, I refer to page 238 of budget paper 3. Under the heading ‘Supporting Local Government and Strengthening Communities’ the government makes a commitment to ensure that the system of local government is based on good governance through the principles of efficiency, effectiveness and accountability. In light of that commitment could you comment on the current progress of the independent electoral reviews of Victoria’s councils and how they are supporting local government and strengthening communities?

Ms BROAD — The changes to introduce those independent electoral reviews were introduced through the Local Government (Democratic Reform) Act in 2003. It was a very extensive reform to the statutory framework for local government — the most significant set of changes in well over a decade. The reforms to the way electoral structures are determined and the way elections are conducted certainly deliver significant improvements to the governance, public accountability and, we believe, the operational requirements for councils. All of these provisions have come into operation progressively during 2004. They are all now in operation, and the reform relating to good local governance was a requirement for councils to adopt codes of conduct by the end of January this year. That included rules of conduct, conflict-of-interest procedures, and my department published a model code of conduct to assist councils in that respect.

The reform act also in going to the electoral reviews required those reviews to be completed. We now have 39 of Victoria’s 79 councils having been completed. I might indicate that Melbourne City Council’s electoral structure is separately fixed by the City of Melbourne Act and therefore it is not subject to review under this section of the Local Government Act. The most significant thing about these reviews is that the VEC is a completely independent body, so this has removed completely the system which previously applied of councils conducting reviews and determining these structures themselves. The remaining 39 councils will need to go through these reviews before 2008, but we will at the November elections this year have had 39 out of the total number of councils having completed their reviews. Notwithstanding the fact that from time to time the results of the independent reviews are not always warmly welcomed by local communities that might have become very attached to their particular existing arrangements, the Bracks government does believe that independent electoral reviews of council boundaries are vital to ensure that all Victorians enjoy strong and democratic representation and that all Victorians can continue to have confidence in the electoral systems which apply across all of our 79 councils.

Mr RICH-PHILLIPS — I would like to ask you about the funding of the output group on page 239 of BP 3, the local government sector development output group, which has had a growth of roughly 10 per cent in funding for the last two years to a current estimated \$39 million for next year. Can you provide the committee — and you may like to take this on notice — with a reconciliation of that figure, breaking it down into how much of that is actual grants to local government versus the administration of the office and how that fits with the rest of the grants program administered for local government, because clearly it does not include all the grants that you distribute? It would be interesting for the committee to know whether that includes some of the grants programs you have spoken about today versus the actual operating costs for the office of local government. I do not know whether Ms Digby is in a position to answer that now.

Ms BROAD — You are talking about a breakdown of the \$39 million?

Mr RICH-PHILLIPS — Yes, actual programs and administration, and then where the rest of your programs fit in terms of their budget presentation.

Ms BROAD — I think we can do that today, so I am happy to hand that over to Prue Digby to go through that.

Ms DIGBY — Yes. Essentially the budget consists of about \$31.1 million worth of library funding, \$4.5 million for salaries and operating, about \$250 000 of language interpreting service money that goes to local government, and \$1.1 million for neighbourhood houses. Then there are some corporate overheads. In relation to your second question about whether it includes all of the grants that Local Government Victoria administers, the answer to that is no, it does not. It does not include the payments that we administer through the Victorian Grants Commission — the \$380-odd million — and it does not include the national competition payments of just over \$17 million. It is \$17.8 million, if I am correct, but do not hold me to that figure of national competition payments. It does not include any of the both operating or grant payments to neighbourhood houses that will be transferred after the responsibility is transferred.

Mr RICH-PHILLIPS — Where does the local government improvement incentive program, the \$18.1 million — —

Ms DIGBY — That is the national competition payments. It was \$18.1 million for 2004–05.

Mr RICH-PHILLIPS — National competition payments, okay. Thank you.

The ACTING CHAIR — That completes our time on the local government portfolio. We might take a couple of minutes break, and then we will hear from you, Minister, on housing.

Witnesses withdrew.