TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into rate capping policy

Melbourne — 23 August 2017

Members
Mr David Davis — Chair
Ms Harriet Shing — Deputy Chair
Ms Melina Bath
Mr Richard Dalla-Riva
Ms Samantha Dunn
Mr Nazih Elasmar
Mr Cesar Melhem
Mr Daniel Young

Participating Members
Mr Greg Barber
Mr Jeff Bourman
Ms Colleen Hartland
Mr James Purcell
Mr Simon Ramsay
Ms Jaclyn Symes

Witnesses
Ms Kathryn Arndt (affirmed), chief executive officer, and
Mr Bo Li (affirmed), Senior Policy Advisor, Victorian Local Governance Association.
The CHAIR — I declare the hearing of the Environment and Planning Committee in terms of its rate capping inquiry open, and welcome the public and also our witnesses, Kathryn Arndt and Bo Li, from the Victorian Local Governance Association. This is our ongoing inquiry into the impact of rate capping. The evidence you give here is protected but comments that are made outside are not protected. I should start by saying that we have a rolling inquiry with submissions due in a short period, so this is immediately prior to those submissions coming forward and being available. Our inquiry looks at the impact of rate capping, and I wonder if you, Kathryn, might lead off with a short submission, and then we will follow with some questions.

Ms ARNDT — Certainly.

The CHAIR — It has been a busy week or two in local government land, I think, is a fair description.

Ms ARNDT — It certainly has, Chair. Thank you very much, committee, for inviting us to present evidence tonight. The Victorian Local Governance Association is a peak body supporting councils, councillors and the community in good local governance. The VLGA has 46 councils in Victoria as our members. It is the view of the VLGA that there should not be a one-size-fits-all approach in regard to the regulation and policy guiding councils.

There are 79 councils in Victoria, with 31 metropolitan councils and 48 councils outside of the metropolitan region. Each municipality has diverse communities with diverse needs, diverse local industries and revenue-generating capacities, and therefore diverse needs in respect of the investment required in roads, infrastructure and service delivery.

In our previous submission to the inquiry into sustainability and operational challenges of Victoria’s rural and regional councils, the VLGA highlighted some of the unique features and operational challenges, particularly for rural councils. These included rural councils’ overwhelming concerns about maintaining services into the future within a rate-capped environment. However, many rural councils are attempting to manage expenditure and increase their operational efficiencies.

It was also noted that many rural communities had actually reached their capacity in their ability to continue paying increased rates, and this contributed to a view that rate capping had minimal effect on the councils impacted by this. Some rural and shire councils do not rely as heavily as their metropolitan counterparts on their rate contribution or rate effort for their overall income. For example, in the 2015–16 reporting period Swan Hill council rates and charges contributed to 45 per cent of its overall revenue. In smaller shire councils such as West Wimmera the rate effort effect was only 38 per cent.

In search of alternative sources of revenue many councils noted that they were becoming increasingly reliant on federal and state grants in absence of locally raised funds. Concerns were raised by rural councils over cuts to key infrastructure initiatives like country roads and bridges, coupled with the freeze on indexation of federal assistance grants which was reversed in the current federal budget. Rural councils also raised the issue of state funding cuts to emergency assistance programs, child care, pest and weed reduction and flood mitigation infrastructure. From a metropolitan council’s perspective, some councils were able to diversify their revenue stream from user-pays fees, parking facilities and redundant asset sales. The VLGA would also like to make the following general comments.

It is worth noting that while the service mix may differ slightly between councils, they nonetheless are primary service providers. Service, labour costs and other costs, such as the cost of raw materials in construction, have risen above the CPI. Some councils, such as Hobsons Bay council, argue that the CPI is not a measure reflective of local government activities and alternative measures, such as the local government cost index, may be more appropriate. The use of the local government cost index is a primary input by the Independent Pricing and Regulatory Tribunal of New South Wales where rate pegging, as rate capping is known, has been in place since 1978. While a single rate cap for all councils may be easier to administer, it ignores the broader picture of the rate effort in council revenues and the socio-economic status of various councils. For example, for the 2015–16 reporting period Brimbank council relied on rates and charges for 70 per cent of their total income, compared with 58 per cent for Stonnington council.

There have been some concerns from all councils regarding cost shifting from other levels of government to local government, which are having a significant impact on council budgets. State government cost shifting on programs like child care, emergency services and school crossing supervisors are continuing to put pressure on
councils’ capacity to deliver services. The VLGA does note and welcome the decision in the recent state budget on the funding for SES by the state government.

In conclusion, the VLGA submits that rate capping cannot be examined in isolation from other factors that affect council income. Revenue diversification, the socio-economic status of communities and cost factors more relevant to the local government sector all impact on councils’ operations. While some councils have embarked on various initiatives and innovative measures in response to rate capping, the sustainability of such measures is unknown and requires further comprehensive study and scrutiny.

**The CHAIR** — Thank you. I have got a couple of questions and then I will hand over to others. The first relates to a topical issue today. The Parliament has voted to remove the Central Goldfields council and obviously that is a significant impact on that local community. You may well have read the David Wolf report. Do you think the financial pressures faced by councils contributed to these issues?

**Ms ARNDT** — I think that is a difficult question to answer. Clearly the report identified some significant concerns and oversights on behalf of the council. However, whether that could be directly attributed to the financial constraints I could not answer or confirm.

**The CHAIR** — That is okay; I just wanted to ask that question. The second question relates to school crossing supervisors. As I understand it, there has been some broad agreement with some councils on this matter, or is that still an outstanding issue where the 50-50 split in funding has not been restored?

**Mr LI** — My understanding is that there have been some recent discussions; the VLGA were not party to those discussions. I believe the Municipal Association of Victoria may be better suited to answer that particular question. Sorry, I cannot give you a straight answer.

**The CHAIR** — That is all right. We will follow up with the MAV.

**Mr MELHEM** — My understanding is that, according to the Essential Services Commission, about six councils applied for and have been approved for an increase in their rates; is that about right?

**Mr LI** — I believe so.

**Mr MELHEM** — Pyrenees Shire Council has been approved, Hindmarsh Shire Council has been approved but the Borough of Queenscliffe has not been approved. Towong Shire Council has been approved and West Wimmera council has been approved; is that right?

**Mr LI** — Are you talking about this particular round?

**Mr MELHEM** — Yes. The current round, 2017–18.

**Mr LI** — Correct. I have not visited the ESC website today, so I cannot confirm that, but if that is from the ESC, then that would be my understanding.

**Mr MELHEM** — Yes, I think only one application was rejected out of the six.

**Mr LI** — Did not succeed; correct.

**Mr MELHEM** — The point I want to make is, to your knowledge have you guys been assisting councils in applying for rate capping increases or variation?

**Mr LI** — Not directly. What we have been doing, after we have been made aware of the fact that they have applied, is that we reached out to their elected representatives and offered some form of assistance. We did not assist the officers in the rate application process. We are on the Essential Services Commission engagement technical working group, which looks from a technical perspective at how to engage with communities and officers in the rate cap variation process, but we have not been directly engaged by councils, nor have we physically gone out to assist them. It is purely from a support perspective that we have been offering to the elected representatives.
Mr MELHEM — The reason I am asking these questions is do you believe councillors and councils generally are now familiar with the process of applying for rate capping variations? I understand there was some difficulty and misunderstanding in the first round, but now I think we are on the second or third round.

Mr LI — The third round.

Mr MELHEM — Do you believe councils have got a better understanding in relation to how to apply for rate capping variation? What does your intel tell you?

Mr LI — My view is that this is reasonably varied, and the reason I say that is that we recently had council elections — at the end of 2016. Some councils had significant turnover of their councillors; some had very little turnover of councillors. As a general observation what I have seen is that the turnover in non-metropolitan councils has been less compared to the metropolitan council turnover. So you would assume there is some form of corporate knowledge, if I can call it that, within the councillors to understand the rate cap and the rate cap variation process.

The other factor is that all incoming councillors, whether they are newly elected or returning councillors, would have received some form of orientation or induction process from their council officers. Without knowing how the topics have been covered, I would assume that the rate cap and the variation process would be covered in some form within that process. How much of that councillors understood or took in, I cannot say.

Mr MELHEM — But largely speaking they would be guided by the officers anyhow.

Mr LI — Yes, correct.

Mr MELHEM — And they will be taking the lead from the officers.

I will take you back to the point you raised in your earlier submission, Ms Arndt, when you made a comment about the cuts to the SES and child care — all the state cuts — but then you later came back and corrected that the SES is now funded by the state government. So the state government have picked up a lot of the services the council was picking up, and you sort of brushed over that very quickly, which I find a bit curious.

Ms ARNDT — Sorry, it was not my intention to do that. I guess I was just —

Mr MELHEM — It could read as misleading the committee. I found it to be misleading.

Ms ARNDT — That certainly was not my intention.

Mr MELHEM — Have you got any hard evidence — and I would like hard evidence, examples, not hearsay or ‘one in New South Wales’ — concrete examples, where councils are directly affected and financially depressed, for example, because of rate capping? Have we got any hard evidence or hard data, not anecdotal evidence? Have you had a particular council come to you and say, ‘Because of rate capping we have got some major problems’? Mr Davis tried to allude, for example, to the Central Goldfields decision today and then tried to link that to rate capping. I thought that was a long bow, but I respect your answer. Have you got any hard evidence of rate capping causing a major problem for councils?

Ms ARNDT — Look, it has certainly been raised as an issue by councils. However, I certainly do not have any hard evidence tonight with me that I could present to you.

The CHAIR — But it might be in your submission.

Mr MELHEM — Well, we all like more money; there is no question about that. Ratepayers, all of them, are working people. We know wage inflation, for example, has been very low for the last five, six or seven years. They have to live with that problem. I understand councils have been getting a lot of assistance. For example, I had a meeting with interface councils today. Rate capping did not come up as an issue. They were really pleased about getting $2 billion to assist in population growth campaigns, infrastructure and so forth. What I am saying is that I would like to see some hard evidence where someone is saying it is a real problem so we can address it, but at this stage I have not seen any. That is the point I am making.
Mr LI — We will definitely take that on board. I perhaps can highlight the rate cap variation put forward by the Pyrenees Shire Council, where they tied their rate cap specifically to their road program. So I guess that is some form of evidence to say that because of the constraints —

The CHAIR — Which council is that?

Ms ARNDT — Pyrenees.

Mr LI — It is the Pyrenees Shire Council. Their rate cap was specifically tied to the roads program, so I guess that is some form of evidence demonstrating that they are unable to meet their normal road program within that and that they needed extra money over and above the rate cap in order to meet that demand. Without knowing every word that they put in the application, I would offer that as evidence.

Mr MELHEM — Their application has been approved.

Mr LI — It has been approved.

Ms ARNDT — Correct.

Mr MELHEM — That is the whole point. If you are facing some difficulty or you want to deliver a certain project and the rate capping does not do it for you, it is just a matter of putting the case out and saying, ‘We would like more because of these reasons’, and in most cases it will be approved. That is the point I am making. That is a fair representation, I think, of what happens in reality.

Mr LI — It is, and also in my conversations with some of the mayors of the rural shire councils what they have told me — again, this is not hard evidence; it is evidence from conversations — is that they need to put in officer time and resources into the rate cap variation process, and that time, energy and resources can equate to a certain amount of money. That is a cost in itself which in some cases could amount to almost one percentage point of their rate income. Because they have very —

Mr MELHEM — I am sorry, that is not hard evidence; that is hearsay. These numbers were challenged in previous hearings, and no-one could actually substantiate that. I do not like people quoting figures when they cannot be substantiated. If you are telling me a council now, the third round, cannot put a simple application to justify a particular project, there is something wrong. So I do not like quoting figures — 1 per cent over, I do not know, 20 million or it could be some council’s budget. It is a lot of money. I would like some hard evidence. If you are be able to prove that, please provide the committee with that, not sort of quoting figures. I appreciate your time tonight.

Mr LI — I appreciate the question.

The CHAIR — The opportunity is there with the submission.

Mr MELHEM — Yes, absolutely.

Mr LI — Thank you.

The CHAIR — We are conscious of the time line on that.

Mr DALLA-RIVA — Thanks for your evidence. Just a question about councils’ expenditure on — and we have heard evidence from previous witnesses, not necessarily councils, about the concern of councils extending well beyond their remit of providing services to ratepayers and ratepayers themselves being agitated and upset by what would be perceived as a waste of their rates on flight-fancy ideas that councils may have. There was one — I think there was a statue of something that was created — which was an extensive amount of work that ratepayers questioned. That was a while back.

I draw your attention to a media statement that the VLGA put out on 18 August. I just want to get your view on it, given that we are talking about councils being focused on supporting ratepayers. This is the one about councils’ right to make constituted decisions. The view is underwritten by the chief executive — yourself, Kathryn — and also the president, Cr Marg Attley. This is in relation to the councils’ supporting to change the way they mark January 26, and in the second paragraph it says:
The VLGA recognises and supports the powers of councils to carry resolutions, provided it is done within a properly constituted meeting, following community consultation and engagement.

And then the third paragraph:

We appreciate that there are people who might be uncomfortable or opposed to the notion of referring to January 26 as Australia Day —

then you quote —

given the history and culture of First Australians, which predated European settlement.

One of the paragraphs that worries me is the second last, and it says:

… this date marks the beginning of British colonisation and the displacement of Indigenous Australians.

That in itself may be fact. Do you not think it appropriate for councils to be focused on I guess what you call local government issues rather than sort of national policy positions? And do you not think therefore that councils find it very hard for councils to be defended when they are wasting time on what people may perceive, rightly or wrongly, as a waste of council resources on issues which could be rightfully dealt with at a federal level?

Ms ARNDT — I think it is a very good question, but section 3 of the Local Government Act actually provides for and requires that councillors do represent their community and advocate on behalf of their community to other levels of government. In the case of Yarra, they have indicated that they did undertake a consultation process with their community, including the Aboriginal people within their community, and as a result advocated and made this decision at council.

Mr DALLA-RIVA — So council used ratepayers’ money to spend time on a community consultation on an issue which is essentially a federal issue, and you think that is okay? On that analogy, are you saying that councils should spend ratepayers’ money on state issues and speak to their local community on state issues and then put a policy position which may be opposed at a state level? In other words, we now start to run where a policy position at a state level could then be changed by a local council, or a position federally. I am fascinated by councils continually coming in and talking about their concerns — and you are representing a substantial number of councils — about their need to work within the constraints of a rate-capping budget, yet we often see and hear, not only from councils but also from ratepayers, about spaces which, to be blunt, are probably not spaces council ought to be involved in.

Ms ARNDT — I guess the use of the word ‘ought’ is a good one because I believe, just from my observations and discussions, that the scope and the complexity of the business of local government is not fully understood and in fact is quite complex. In fact councils deliver services on behalf of state and federal government and deliver a whole range of services beyond roads, rates and rubbish. As I indicated earlier, they also do have that additional role in representing and advocating on behalf of their community. So if they have, as we indicated in our media release on 18 August, made that decision following a consultation engagement with their community and they have done that within a constituted meeting, then they have in fact met their obligations under the act. Bo, I am not sure if you wanted to add something to that?

Mr LI — Yes. The process governing the council resolution, as Kathryn alluded to earlier, has met the requirement of the act. It is not unusual for councils to take differing positions to some state government issues, and I draw the committee’s attention to the east–west link situation a few years ago, where a number of councils opposed the east–west link when the government of the day supported it publicly. So it is not unusual for councils to have different opinions to those of state government.

Mr DALLA-RIVA — We took evidence on that, and we found that the councils themselves spent an enormous amount of ratepayers money fighting essentially what was a state policy position between state entities.

Just following on from your position, Kathryn, you were saying that you are provided with federal and state funding, yet in the same press release you then whack into the federal government for defunding or not allowing them to hold citizenship ceremonies throughout the year. How do you on the one hand agitate that councils have a right to do what they do — under section 3, I think you mentioned — yet when the federal government does
what it is entitled to do it is all of a sudden seen as doing something wrong? I do not get the hypocrisy in what you are saying.

Ms ARNDT — The comments in the media release reflect a level of disappointment that they stripped the council of their ability to hold citizenship ceremonies throughout the year — full stop — when the council’s resolution itself was only referring to 26 January. That was the intent behind that statement there. It was just that the federal government stripped it of all of their powers to do that when they only resolved to cease doing that on 26 January.

Mr DALLA-RIVA — But is that not the risk of councils when they start to step into areas? It is a decision for the federal government. It can be a decision of the current Labor government if there are positions taken which are outside of the remit of council. You can argue that it is a legitimately bound meeting and all of that, but the issue relates to the policy and what the broader community has outside that it does not necessarily affect. I just cannot rationalise the argument that councils can do something which they do not agree with at a federal level but then when the federal government, whoever it may be, counters, the council all of a sudden is still in the right. I do not get the understanding of how you can have it both ways. That is just a statement, and you do not have to reply. I am happy with the question.

Ms BATH — Thank you for appearing tonight and speaking with us. I represent the Eastern Victoria Region, which includes all of the Gippsland councils. One issue that was raised with me on a number of occasions was during the State Taxation Acts Amendment Bill. It was in relation to the centralisation to the valuer-general, having annual reviews of property valuations and the removal of the local service from the council body and into the centralised service. There are a number of concerns. Have you had councils raise this with you? Have you had mayors raise this? Because I have had it raised with me.

Ms ARNDT — Interestingly enough the VLGA has not had — and I am just thinking if we have had — any concerns raised directly with us about the valuations. But I do certainly know that the MAV had represented and responded on behalf of complaints or concerns that had been raised with them.

The CHAIR — They certainly have.

Ms ARNDT — The concerns that we have I guess received or discussed generally, particularly from rural and regional councils, have been that move to an annual valuation process when in fact in some of those areas property valuations would not be moving —

Ms BATH — Would be stagnant over time.

Ms ARNDT — They would be stagnant over time, whereas maybe in the interface or some of the growth council areas those property valuations may move a little bit more quickly. Of course the concerns have also been raised about the effect on workforces that had already been employed and engaged to undertake those services.

Ms BATH — So certainly there is the loss of income from the local valuers and also that loss of content knowledge around the local properties and then having to pay for an essential evaluation and how that would look and the sort of cost impost. I know you spoke at the start about councils and the importance of keeping costs down to councils and income generation. It is certainly a concern that the government’s agenda is there, and to my mind they have not listened to councils — the rural councils — as they should. Would you be making any recommendations in relation to consultation with councils in this matter?

Ms ARNDT — We certainly bring to the attention of the government the Victorian state-local government agreement and the provisions provided for within that in respect of consultation with councils and therefore engaging them in that process before decisions are taken that might impact upon them. We certainly encourage that that agreement be reviewed —

The CHAIR — And adhered to.

Ms ARNDT — and adhered to. We have certainly spoken to the current government about that.

Ms BATH — I noticed that you mentioned earlier in relation to roads in the Pyrenees about just focusing on roads as a survival mechanism. Has there been any recent comment from council, councillors or mayors in
Mr LI — That has not been raised with us directly. That is not to say they are not talking about it, but that certainly has not come to our attention.

The CHAIR — I have one further question, and that is about the interface councils. Do you have any feedback or views from councils or from your organisation about the reduction in the growth fund money from $50 million to $25 million and the fact that it is only going to be present for this year and next year and not into the future?

Ms ARNDT — Yes, I think at the time of the state budget we did make some comments about that and certainly just made the observation that it had been reduced. It is our understanding that it was not a recurrent budget item. However, Bo —

Mr LI — That is not what we have been told. That is not a recurrent budget item, no.

Ms ARNDT — So there is the limitation, but I guess in terms of the two-year time frame —

The CHAIR — At half value.

Ms ARNDT — at half value, we certainly made note of that when the budget came out. I guess we are very keen to see what the government is proposing next year for those growth areas.

Mr MELHEM — Just to follow on from that, I just had a briefing with an interface council today. My understanding of the forward estimates is that you were looking for infrastructure funding for population growth. I think you were estimating $1.7 billion or thereabouts and they received $2 billion instead, so they were pleasantly surprised with the new funding. Are you able to elaborate on that or maybe take that on notice?

Ms ARNDT — I can take that on notice.

The CHAIR — And you might add, in taking that on notice, the GAIC contributions — the growth areas infrastructure charge — and the money that is collected from growth areas into the central pool.

Ms ARNDT — Yes.

Mr LI — Yes.

Mr MELHEM — That is up to you, if you are able to cover that, because my understanding of last year and this year is that that has increased in comparison with previous years. I think maybe the intake is still slightly higher, but if you would be able to provide us with the lists going back three years and the next three years, that would be great as well.

Ms ARNDT — Okay, we will take that on notice.

Mr LI — We will take that on notice.

Ms BATH — Just in relation to your consultation with a variety of groups, do you actively engage with the Indigenous community and tribes and mobs across the state? Do they come to you or do you seek opinion on their position, particularly in relation to your position dated the 18th that Mr Dalla-Riva raised?

Ms ARNDT — We have not consulted with those groups in regard to the decisions taken by the Yarra City Council and the Darebin City Council. We do engage with clans. In fact recently I met with the Wurundjeri clan in respect of our own organisational statement of intent and action plan that would come from that. We are also involved in the local government working group on Aboriginal — I cannot remember the exact name. Bo, can you?

Mr LI — I think it is the Aboriginal action plan implementation working group.

Ms ARNDT — Yes. We have a partnership with Reconciliation Victoria, and annually we co-host the HART awards, which stands for Help Us Achieve Reconciliation —
Mr LI — Helping Achieve Reconciliation Together.

Ms ARNDT — Yes, and that is quite a high-profile and well-received award that crosses all of the Victorian communities.

Ms BATH — Do they ever discuss — I will put it in terms of traditional cultural operations — for example, traditional burnings or firestick burnings or the like? Has that ever been raised with you from those groups?

Ms ARNDT — No.

Ms BATH — It is more about recognition rather than cultural or policy development.

Ms ARNDT — Yes. Those issues have not been raised with me that you specifically cited.

The CHAIR — Kathryn, Bo, thank you very much. The secretariat will follow up with a couple of bits and pieces, but we are very keen to get a submission on any — my colleague here pointed to a request for hard evidence — evidence that you have about the impact of rate capping and any other submissions that you may wish to make that we should follow up in terms of the cost structures of local government and the interaction with rate capping.

Ms ARNDT — Thank you.

Mr LI — Thank you.

Witnesses withdrew.
STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

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Mr James Purcell
Mr Simon Ramsay
Ms Jaclyn Symes

Witness

Mr Frank Sullivan (sworn), vice-president, Ratepayers Victoria Inc.

Necessary corrections to be notified to executive officer of committee
The CHAIR — Mr Sullivan, I am going to get the secretariat to swear you in first and then ask you to make a very brief presentation. Then we will follow with a set of brief questions as well.

Mr Sullivan, I understand that you as vice-president are here without your president today. He is away or some other —

Mr SULLIVAN — He is not well. He is in Coolangatta, but he is not well.

The CHAIR — All right. You have presented evidence to the committee previously, so are there any further points that you want to add to that material that we heard earlier and any update on those points that you made?

Mr SULLIVAN — The people who put in the last submission are no longer with Ratepayers Victoria, so that is very significant. We at Ratepayers Victoria, as indicated by previous correspondence to you, fully support rate capping, but we are greatly concerned about the lack of accountability at councils. It has been a concern of ours for some time. We go back to June 2014, when we wrote to the local government minister to there was great concern at Ratepayers Victoria of the contractors. Our investigation had found contractors getting up to three times more for a council job than in the private sector, and that was a concern. We were trying to put some accountability back then into the local government system. The minister at the time refused our request. We wrote to the minister last October to say we were not happy with the present system. It is not working. There was great concerns about the rural population, rural people, when we all know that 70 per cent at least of our population in Victoria lives within the metropolitan area. So there is concern about the fairness to those country people — farmers. We have got to come up with a better system. We do not know what it is, but we did write to the minister and we did not get a reply.

The CHAIR — Do you have a copy of that letter?

Mr SULLIVAN — Yes, by all means.

The CHAIR — Thank you. Is there more to say on that?

Mr SULLIVAN — No. We were just making points to the fact that the present system was not working. We do not know what the answer is, but we said they have to go and look at some other model. How do other states collecting their rates? This is something we are very firm on. How do the other states operate? We considered that the present system to rural people was not fair; it is most unfair. We hear of the plight of farmers, which is very sad in our great country of Australia. We are trying to get more accountability into councils. At the moment there is little or none. As I said, we heard today that Central Goldfields has been stood down, but if we had our independent administrator in there to oversee that they were acting within the rulebook, this would not have happened.

The CHAIR — I think there might have been a monitor in there, by the way.

Mr SULLIVAN — Sorry?

The CHAIR — There might have been a monitor in there.

Mr SULLIVAN — Well, we were not aware of it. David Wolf, I know. I have a fair bit to do with David — the inspectorate. We were aware that he had charged the CEO of 30 offences or whatever, but it is only paper talk which we had read.

The CHAIR — I am going to ask you some quite specific questions. The first thing is we will accept the piece of correspondence that we have got there. I want to ask you how you felt that the minister had not responded to your organisation on this matter?

Mr SULLIVAN — Our feeling was they did not have an answer; it was too hard to handle. We were pretty detailed in the reasons we gave, but we did not get an answer. One of her directors — we originally wrote to him with the CC to the minister. We did point out strongly that we did not know what the answer was, but the present system was not working. They have got to look at a different model to see how we can collect rates on a fairness basis.
The CHAIR — We will pursue that a little further in other evidence, so that is the first point. The second point is with respect to rate capping. I looked at one council yesterday, the Yarra council, for example, and its rates in the last two years have gone up 13 per cent. The CPI is only maybe 3, not more than 4, in that period. Is that a fair outcome in terms of —

Mr SULLIVAN — Well, it is not. We question if there was rate capping in there. You said they have gone up 13 per cent on that specific council.

The CHAIR — That would be the rates and charges in total.

Mr SULLIVAN — Well, another thing that we are most concerned about with the present rate notices that go out to ratepayers is there is so much variation. We have asked the minister to come up with four or five models, and everyone has got to stop by that. Some we know —

The CHAIR — Standardise it is what you are saying?

Mr SULLIVAN — ‘Standardise’ is the correct word. I am no expert in this field; I am just an average person.

Mr MELHEM — You are doing well.

The CHAIR — So let me ask you another question. You have mentioned the lack of accountability. I want to pick up the example used by my colleague a few minutes ago and talk about the recent decisions by the Darebin council and the Yarra council to cancel Australia Day functions. Do you have a view on councils taking these sorts of actions?

Mr SULLIVAN — Yes, we have a strong view on that — to the fact that councils are elected to do specific duties: collect rates, fix potholes, collect the garbage and whatever. We have been disappointed. We thought it was the perfect opportunity for the minister to get on the front foot and to question these councils as to what they are doing. But now there is silence. We have heard nothing from the minister, and we do think —

The CHAIR — Well, I think the minister said on 3AW that there was a need for a debate on this matter, and there was a void.

Mr SULLIVAN — Well, I am not sure about a debate on it, but it is pretty clear cut. They are buying into areas —

It was a bit of a joke to us where they surveyed in Darebin 81 people. Well, that is not a fair assessment of what the community thinks.

The CHAIR — For an Australia-wide institution that actually reflects Australian values. I might say that I must disagree with their decisions too.

Mr SULLIVAN — Well, we do too. The fact is that we have got to look at the majority of people. Me personally, in the early days I considered the Aboriginals were harshly done by, but we have moved on to a great country now. I think it is quite significant that some of these Indigenous people in Darebin were asked about this decision and they disagreed with it.

The CHAIR — Mr Hunter did, certainly. Ian Hunter did, didn’t he, in the Herald Sun. But let me ask you about the City of Banyule, which I understand is considering this. What advice would you give to the City of Banyule about a decision to cancel Australia Day?

Mr SULLIVAN — Look, I am not aware of Banyule too much, but they are the same procedures there. Councils are elected to do a certain duty, and they are deviating into areas which are really nothing to do with them. It is very frustrating. But we elect these people; they are duly elected — democratically elected. In good faith we expect that they would honour their commitment, but they are deviating away and it is very frustrating.

The CHAIR — You think this is a sign of a lack of accountability?
Mr SULLIVAN — Well, there is little or no accountability. You tell me, at councils, where is the accountability? As I said, we have got four or five ratepayer groups — there are not many of us around Victoria — but what they dig up —

The CHAIR — You are a very important force.

Mr SULLIVAN — Sorry?

The CHAIR — You are a very important force.

Mr SULLIVAN — Well, we are there as watchdogs. We are volunteers, who give our time and effort to try and make this a better state, and we get very frustrated, getting bogged down by some of these councils and their behaviour. I come back to June 2014 when we asked to put someone independent in there, as I said, not to interfere with the decisions but to make sure they are doing the right thing.

Mr MELHEM — Mr Sullivan, thank you very much for your time. We really appreciate you giving up the time and all the work you do. I just want to take you to the letter you sent to the minister. Reading that letter — and, again, thank you for bringing that to our attention — my understanding is it was sent to John Bunning from DELWP, and the minister was just a courtesy copy; it was not directed to the minister.

Mr SULLIVAN — He is one of the directors that we deal with at local government. He is neither Liberal, Labor nor Greens. He is just one of those local government directors.

Mr MELHEM — Yes.

Mr SULLIVAN — And we have built up — not a friendship — a contact with that man. As I said, we are working with him for advice from the people. As I said, we are trying to make this a better state, and that is basically our aim. We think with the current system, as I said earlier, the country people we feel are disadvantaged.

Mr MELHEM — And you have not heard back from Mr Bunning?

Mr SULLIVAN — No.

Mr MELHEM — I am sure you will get his attention now, hopefully, from reading the transcript. I just wanted to make the point that the letter was not directly addressed to the minister; it was only addressed to Mr Bunning, not the minister.

Mr SULLIVAN — Yes. We cc’d the minister in on it.

Mr MELHEM — Yes. And you support rate capping. I think you do say it is a great thing?

Mr SULLIVAN — We do support it, because councils have got to be accountable. In the bad old days we could see where they would just put up rates at will.

Mr MELHEM — Are you aware of any council, as a result of the rate capping, that has become a bit more accountable, that talks more to the community about projects? Have you got any sort of knowledge about any of that happening at all?

Mr SULLIVAN — Look, I am convinced. We used Peter Clarke in Nillumbik. Peter came into Nillumbik — I think he was deputy at Melbourne City Council at some time — got elected and was supported as mayor. Now Peter had a brilliant article. He went to the Herald Sun —

The CHAIR — He has cut costs there, hasn’t he?

Mr SULLIVAN — Sorry?

The CHAIR — He has cut costs at that council — at that particular council there.

Mr SULLIVAN — Yes. That one there.
Mr MELHEM — Yes.

Mr SULLIVAN — You have seen it, I presume?

The CHAIR — Yes.

Mr SULLIVAN — And he challenged other mayors to cut their costs. He went in and said, ‘The four directors are not required. What the hell are they doing here?’ and they dismissed them. Well, that was terrific as far as we are concerned. Jack Davis and I went out and had a coffee with Peter and said, ‘Well done’. But we then wrote to the other 78 mayors of local government, pointing out the fact that this bloke here at Nillumbik can do this, why can they not do it? How many replies did we get back? Not one. That was disappointing, but that is an example that it can happen.

Peter is working on nil rate increases; he has cut staff. We are looking at 70 or 80 per cent of our ratepayers revenue going into staff. Look, I am no expert on it but that seems to be way over the top. But they can do it because there is nothing to stop them. In the old days they were just putting up the rates. This is a beautiful example of someone who is prepared to say, ‘Yes, we can operate on a slim —

Mr MELHEM — But we do not want to cut services though.

Mr SULLIVAN — No. I have not heard of anywhere where services have been cut. They all threaten — some of these rebel councils — ‘We will have to cut all services’, but I have not heard of it.

Mr DALLA-RIVA — In your submission received in the previous reporting period you stated, or Ratepayers Victoria stated, that the inquiry had not addressed:

… the legacy leadership cultures and systematic issues in councils and their peak bodies that are blocking the rates capping policy …

Can you expand on what you consider those legacy issues are and how you consider they should be addressed? If I can put words into your mouth, are you saying that what the mayor at Nillumbik has done and what the other councils have not done is similar to what you are saying the cultural issues are?

Mr SULLIVAN — Unfortunately I had no impact into that previous report, but there is that culture which has been allowed to develop. We elect a councillor to represent us who then appoints all staff. In my humble opinion he has got too much power, but that is the system we have got to deal with. I have struck it in my own council of Knox — and they are probably one of the better ones — the culture which has been allowed to develop. In one case we had a ratepayer, and over a small drainage problem there were six VCAT hearings — six! That was just ridiculous. I went to three of them in at King Street. They kept using ratepayers money to fight this guy and appeal decisions, and they eventually broke him. That is the culture that we are dealing with. It is not going to disappear overnight, I can assure you, but we have got to start somewhere.

In Mildura there was the sacking of a director. She allegedly would not go along with the way the council was being operated and she was dismissed, so she took an unfair dismissal case to the Supreme Court. I was there on that Wednesday morning when that case was heard. Eventually it was settled. The settlement, of course, would have come out of ratepayers money, not out of the people who probably instigated this. So you can see — and I do not know what the answer is; I am Mr Average — that culture there. They can fight you and use our money. Is that a good system? I do not think it is. But where do we go?

Ms BATH — Thank you, Mr Sullivan, for your advocacy for people across the state. It is very good that you do it on a volunteer basis and that you embed yourself into looking after people’s money, stretching as far as it can — so thank you. I am interested in your earlier comments, in particular in relation to rural living and farms. You said it is not working. Would you elaborate on your comments around what is not working in terms of the stress and strain on farmers or how councils could better support farmers and what they are not doing?

Mr SULLIVAN — We could use the situation at the moment where a farmer, we will say in Mildura, has got 100 acres, he puts his vines in, he puts his crop in, he puts his cattle in and he makes a profit — a couple of hundred thousand. He pays taxation on that. He does then pay rates to council, but if next year his crop fails or his business fails, he pays little or no taxation to the federal government because he has not made a profit. But that farmer has still got to pay huge council rates, regardless. That is most unfair, I consider.
Ms BATH — Do you think it should be a tiered system or an evaluation of his last income? Has anybody made comment to you about how that could be improved?

Mr SULLIVAN — With a farmer, he should be paying council rates on his profit, in fairness. In the city, with a house valuation, that is a different story. But you hear about the awful cases where a poor farmer is doing it so tough, and it is awful. Okay, it does not affect us city people. We just sit by and say, ‘It doesn’t happen’. But it is happening. We have got a very strong ratepayer group in Mildura. They are terrific, and they give us great feedback on what is going on to get the feel of it.

Ms BATH — I appreciate that. I am a farmer’s daughter so I appreciate your comments, Mr Sullivan. The other thing that interested me in your comments is accountability in councils. Is there a particular area that ratepayers would come to you again and again and again and say, ‘This is an area that needs to be improved within a council’, if you look across it?

Mr SULLIVAN — It is probably that overall culture. We have questioned things at my own council of Knox, and under that, to me, awful clause in the old act, section 77, confidentiality, you can get nowhere because they throw that at you. We had a case where the basketball complex out our way had not paid their $40 000 a month, and it was highlighted by the local Leader paper. But when one of the councillors went to the CEO to question him about this, he was gagged. That is not our democratic system. That CEO was doing nothing wrong. The act in section 77 says he could do that. So we would like to hope there will be big changes in the new Local Government Act. They tell us there will be, but let us see.

The CHAIR — Mr Sullivan, thank you for your evidence. The secretariat may follow up on a number of these points with you, and we welcome any further evidence from Ratepayers Victoria. As I say, it is a very important body and we think you provide a very significant balance to many of the councils. Thank you on behalf of ratepayers across the state.

Mr SULLIVAN — It has been our pleasure and an opportunity to come and tell you people how we feel. We get the feel from the average people. People ring up complaining about this and that. Sometimes it is good, sometimes it is not so good. But it has been great, and we thank you for the opportunity.

The CHAIR — Thank you.

Committee adjourned.