

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2010–11

Melbourne — 19 May 2010

Members

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Witnesses

Mr R. Wynne, Minister for Local Government,

Mr Y. Blacher, Secretary,

Ms P. Digby, Deputy Secretary, Planning and Local Government,

Mr S. Gregory, Chief Financial Officer, and

Mr J. Watson, Executive Director, Local Government Victoria, Department of Planning and Community Development.

The CHAIR — I welcome to the table Ms Prue Digby, deputy secretary, planning and local government, and Mr John Watson, executive director, Local Government Victoria, Department of Planning and Community Development. I will be calling on the minister to give a brief presentation of no more than 5 minutes of the more complex financial and performance information relating to the budget estimates for the local government portfolio. Minister, please give your presentation.

Mr WYNNE — The key objective that we have in relation to local government is obviously ensuring that we have a strong, accountable and transparent local government sector. As members of the committee will be aware, we have made changes to the Local Government Act, particularly in relation to conflict of interest. I make no apologies for that. As you know, some of this arose out of commentary provided by the Ombudsman in relation to some local government matters.

Dr SYKES — You can say the B word.

Mr WYNNE — No doubt you will ask me about that. There were some significant recommendations that were made by the Ombudsman that required the government to act upon them, and it acted upon them all.

I can indicate to the committee, as I indicated to the shadow minister, that we were also proposing to further change the Local Government Act in relation to conflicts of interest and electoral representation reviews. We have undertaken extensive work in that area, and I will be happy to talk further about that, although we do anticipate having a bill in the Parliament in July or August of this year.

We have provided an extensive amount of funding for the training of councillors coming into this new council cycle of four years, \$600 000, and we partnered with the MAV and the VLGA in the development of training packages, and all the feedback we have been provided with has been very well received. I think from the point of view of new councillors and indeed older councillors, it was an opportunity for them to refresh themselves, particularly on the amendments to the act and their requirements as sworn officials.

The Essential Services Commission is a new initiative of the government. It was commissioned by myself and the minister for finance, again to ensure — and I think we all agree — that we have an open and transparent process of reporting in local government around key performance indicators. It was commissioned in August of 2009. The final report is expected to be tabled with myself and the minister for finance by 30 June, and we hope to have some prototype performance reporting in place by January of next year.

Further on that theme, we have established a local government investigations and compliance inspectorate. It is an administrative office created in September of last year. The recruitment profile is now complete. We have seven investigators and four compliance auditors out in the field. The 2010-11 priorities include, obviously, rolling out the audit program, really trying to encourage best practice in local government and dealing with complaints that come to the inspectorate in a timely fashion.

Councils reforming business still remains a big ticket item for this government; \$4.7 million over two years in the 2007-08 budget. I have talked in the past about procurement, which we think has huge opportunities for benefits to the bottom line of local government, EasyBiz, best practice local laws, and harmonising the regulatory environment for the building and construction industry. They do not sound particularly exciting, but I can tell you from the point of view of local government they make a profound difference to people who are interacting with local government.

We have also got a terrific \$4.9 million over two years for further reducing the regulatory burden in local government, particularly reduction in regulatory burden on business, and I can talk to that a bit more as we go on.

The sustainability of regional and rural councils still remains an issue and I know it is an issue for some members here. The Auditor-General identified eight councils to be at medium risk, and this still is a conversation that is unfinished business for us with the federal government because it goes fundamentally to the financial assistance grants and the relationship between the federal government and local government. I do not waste an opportunity to canvass these issues very strongly with the federal minister at every ministerial forum that I attend.

Asset and financial management is also a key priority area for local government, and we did get some good funding of \$2.4 million from the commonwealth to specifically address these issues, and there is \$1.5 million over two years from the state budget also directed to this space, so that is nearly \$4 million.

I will briefly touch on this matter. The bushfires are self-evident to everybody here. There is \$9.1 million to 21 affected councils from the appeal funds. Murrindindi has got its section 86 committee in place and working well. There is an assistance package to Murrindindi of \$9.7 million; the neighbourhood safer places, \$500 000, to assist council with that, and a further \$500 000 from the government to get those implemented. It has been a tough job for local government to get those neighbourhood safer places in situ because of the very tight criteria that was established by the relevant authorities.

Neighbourhood houses is the untold success story of this government yet again. It is just a fantastic network of neighbourhood houses with recurrent funding of \$21 million, and the modernising neighbourhood houses program has produced 241 projects to date in the life of this government. We have another \$900 000 to do specific work around supporting access issues in some of our neighbourhood houses.

There is library recurrent funding of over \$33 million. There are 124 projects in our Living Libraries program and an additional \$3 million in 2010-11 in the budget, so it is a pretty good budget for local government. I am happy to take questions.

The CHAIR — Once again, what are your medium and long-term plans and strategies for this particular portfolio and have there been any changes to them since last year?

Mr WYNNE — I think one of the really fundamental challenges for local government is population and how local government manages population. It is demography. It is population growth and an ageing population and particularly maintaining the social infrastructure.

If you think about a municipality like Wyndham, there are 13 new households per day are settling in Wyndham. It is an extraordinary number. There are 53 babies born per week. That is a child-care facility every week. They are unbelievable numbers. It equates to two additional kindergartens or prep classes a week. It is an amazing number. There are 60 multipurpose community centres and 30 ovals required over the next 10 years. That is the scale that local government is trying to deal with. I could not believe there were 53 babies born per week. That is just an unbelievable number. Think of what the resource challenges there are for these councils — accommodating an increased population, responding to climate change, the national reform agenda including maximising commonwealth funding opportunities, ensuring that councils operate in an accountable, strong and effective way and big issues around long-term sustainability of our regional councils. I am happy to touch upon that by way of questions today.

As I indicated, we have eight councils identified still that are at medium risk. They are small councils, as we know, but there is nothing to be achieved by putting two small councils together; you just get one larger small council. It is not an agenda of this government to be amalgamating, but I think there are some opportunities around resource sharing.

There is a big agenda for us there which I am happy to elaborate on and draw out by way of questions. But if you think about it, you have got this counterpoint: you have the Wyndhams of this world which just have huge issues that they are trying to deal with around population, families, demography and age. Then on the other side of the coin you have got very small councils where up to 50 per cent of their income and more is coming from commonwealth and state government grants where their capacity to raise revenue is absolutely limited and where they have gone through a decade of drought. You just cannot squeeze out of these communities much more than what they are doing now. I personally think the Henry review was a missed opportunity in addressing some of those issues that are absolutely fundamental to the way local government operates in this state.

More generally, I have to say we have a very strong relationship with local government. I think I have a good relationship with local government. It is a respectful one, and it is one that we are trying, as much as we can, to really deal with the core issues that affect communities on a day-to-day basis. I can indicate the government will be announcing its regional blueprint in June, I think, which will deal with many of the issues that I know have been of ongoing concern for many of our regional councils. But I will leave it at that.

Dr SYKES — Can I just clarify, Chair, will there be another question after this one?

The CHAIR — Okay.

Mr WYNNE — I am happy to push on, Bill.

Dr SYKES — That is fine. I am just clarifying the rules of the game. My question relates to neighbourhood safer places that you have touched on. But just to refresh everyone, on Black Saturday, 7 Saturday 2009, 173 lives were lost. The bushfire royal commission interim report recommended that the state identify, establish and advertise designated neighbourhood safer places giving priority to areas where the bushfire risk is high. The Brumby government passed this responsibility on to local councils. On page 280 of budget paper 3, \$500 000 has been allocated to assist local councils in meeting their statutory obligation to identify and establish neighbourhood safer places. The MAV estimates that councils will need a total of \$12 million over two years. Given this significant underfunding and the issues of sustainability that you have touched on in your previous answer, what is the Brumby government providing in the form of assistance to local government to meet the ongoing cost of maintaining designated neighbourhood safer places and assisting councils in emergency management capacity in this budget year and subsequent years?

Mr WYNNE — The answer to the question is that in the 2010–11 state budget \$136 million is being provided to boost fire preparation and emergency response. As you rightly say, it includes an additional \$500 000 on top of the earlier \$500 000 to support local government to develop neighbourhood safer places. It is important, as you know very well, that the community understands that the neighbourhood safer places are a place of last resort. If you are caught out and you find yourself in a circumstance where your fire preparation plan, whatever it is, has not been able to come to fruition, the neighbourhood safer place is the place of last resort and not the place of first resort.

Yes, it would be fair to say it has taken some time I think. I thank the MAV, as I have publicly, for the work it has put into this because in the past, as you know very well, there have been places designated in communities where this is — and I think they had already been labelled — a refuge area. They are actually labelled as such. It has been quite a task for people and communities through the communication strategy to understand that there is no such a place as a refuge in a fire storm that we saw was tragically experienced in this state just a year and a little bit ago. There is no such a place. That has been an important message that the government has sought to reiterate and local government has sought to reiterate as well — that is, there is no refuge. In people's general understanding, a refuge is a safe place. The very designation of a neighbourhood safer place must be a place of absolute last resort. My latest advice is that 77 neighbourhood safer places have been designated across the state in 52 high-risk areas.

This has been a task, there is no question about that, and I do understand. This concern has been expressed to me through the MAV and the VLGA as well in relation to how neighbourhood safer places are being implemented, but it is, in the view of the government, a responsibility of local government to have these facilities in place.

Mr NOONAN — Minister, I am really pleased to ask you a question about the Living Libraries program and you will well appreciate, having visited my own electorate a couple of times to turn the first sod and then open the Altona North library, just how valuable that has been in my local community. Turning to budget paper 3, pages 173 and 174, under the Living Libraries grants program, there is now obviously funding under the forward estimates to continue the work of that program. I just wonder whether you can comment on the support that will be provided to Victorian public libraries?

Mr WYNNE — I think that the library program is an extraordinarily successful program for this state. Almost half the Victorian population is a member of a library. I reckon everybody has a library card in their wallet. It is amazing. I hope you have a library card in your wallet?

Mr DALLA-RIVA — I use the internet.

The CHAIR — Mine is at home.

Mr DALLA-RIVA — I use the internet when I research now.

Mr WYNNE — Well, you have got to get to the library. The library is a different place now. Libraries now are really community hubs. In the past you may have thought about a library being sort of a quiet place where

the chief librarian would keep you in line if you were mucking up, the library now is a fair dinkum community facility.

Ms PENNICUIK — He is obviously speaking from experience.

Mr WYNNE — You will now find that many council services are actually located in a library hub. It is very common now to see either a renovated or newly built library where you will have the community information centre for the council, where you can go and pay your rates, pay your various bills, lodge your planning applications and get some basic core information. You will often see the Maternal and Child Health Service will be there. You will often see attached to it a child-care facility. You will often see —

Mr NOONAN — Meeting rooms.

Mr WYNNE — Meeting rooms, community facilities, access to high-speed internet, wireless internet, areas for young people, areas for children. I mean, they are just quite extraordinary places now. They are truly community hubs in the great sense of the words ‘community hubs’. The investments that the government has put into these are more than matched by local authorities, and in your case, Mr Noonan, the contribution made by the council there I think was three or four times what the state government had contributed.

Mr NOONAN — It was about \$4 million, I think.

Mr WYNNE — Yes. That is just a wonderful partnership in my view. I think it actually demonstrates really well how partnerships can work to the enduring benefit of our community. If you think about a place like Broadmeadows, it is hard to believe that in 2003 Broadmeadows did not have a library. It is extraordinary. There was not a public library in Broadmeadows until the Hume Global Learning Centre was opened, the first permanent library in that community ever. These are the sorts of things that governments ought to do. I know this program is really supported across governments, because any time we open these things everyone loves to be there because they are truly a celebration of these places as community hubs.

I just think that this is a fantastic program and in 2010–11 we have a further \$3 million to extend the Living Libraries program and, as I indicated, the investment of \$31.5 million by the government right across the state — from way up in Mildura where I opened a library through to 124 projects right across the state.

These are part of what I call the social glue that keeps communities together. So when you go to these facilities you will see elderly people there, you will see young parents with their children, and reading programs. After school there will be 10 or 15 internet terminals and they will all be full of schoolkids who are coming home or doing their homework. There are great community meeting rooms. So I think local government has understood absolutely that these investments are fantastic in being able to provide a really broad range of services to their communities. I just think it is a fantastic program and making a big difference in the lives of people who have not often had access to these types of programs and facilities.

The CHAIR — Thank you, Minister. I am sure we would all like some of the funding for our local area.

Mr WYNNE — There are 124 projects across the state — they are everywhere.

The CHAIR — We will have one in Ashburton, in my case.

Dr SYKES — Minister, I would like to again deal with the issue of financial health of our many small rural councils. In implementing recent government directives or policies, many small rural councils experienced significant cost increases. Kevin Hannagan, who is the CEO of Strathbogie shire, was quoted on ABC radio yesterday, and to make sure that I did not misconstrue what he said, I asked him to email me the key points that he made. I will read to you from the email. Re:

... my discussion on ABC radio this morning regarding state legislation affecting councils budget:

EPA —

lifted its landfill levies by threefold in the rural area —

... mandatory compliance from 1 July with designating new —

neighbourhood safer places —

will cost \$24 000 to establish and ongoing maintenance.

And then:

... new performance benchmarking legislation will require \$30 000 in new staff to get the data and they are talking about \$40 000 for the —

Auditor-General to audit it. 'All up' this will result in 'well over a 1 per cent rate rise for us'.

Now, that is new costs. That is not about them grappling with lack of economy of scale. These are new costs that they are wearing, and they are coming from the state government.

Mr WYNNE — Yes. I am aware of this, Dr Sykes, and I have had representations made to me from the MAV. I met with the board of management of the MAV only a couple of weeks ago where they raised some of these in a broader sense cost-shifting-type of issues. I would like to deal with a couple of them. The first is the waste levy. There is a substantial amount of funding in that waste levy proposition which will go directly to local government, particularly rewarding innovation in local government around better waste management practices. The minister, Gavin Jennings, has had and will continue to have conversations with local government, because they are absolutely crucial players in that space.

I think, in that context, that one of the key areas is obviously to ensure that you do not create further burdens upon local government. I note that you talk about within the Essential Services Commission proposition around transparency there is a suggestion that this is going to be a further impost of \$40 000 on councils. I frankly reject that; that is just not right. What we have said and what the Essential Services Commission has said is that we want to use data that already exists. We do not want to recreate some new reporting regime.

The second thing that both the Minister for Finance and I want to ensure is that in establishing a new set of performance indicators you take some of the burden off local government, because they report across a whole plethora of areas, as you know. Our goal is to decrease the reporting requirements by 25 per cent for local government by putting in place a set of performance indicators that they already collect. There is still a conversation to be had around getting an agreement about what is this key set of criteria. As you know, Dr Sykes, it is quite complex, because what Benalla does in terms of its local government key service delivery performance indicators will obviously be different to the City of Melbourne. They are different scale, different size.

Dr SYKES — So are you assuring — —

Mr WYNNE — What I am saying to you is that we are very cognisant of the question of not creating more burden upon local government. I can say specifically in the area that I am responsible for, with the Minister for Finance — this new initiative around the Essential Services Commission — we want to ensure that we measure data that is already collected by local government, and that we get to a situation where there is a decrease in the amount of reporting that they are required to do across government, of 25 per cent.

Dr SYKES — Can you assure the Strathbogie council and the ratepayers of Strathbogie that with that ESC reporting requirement, for example, there will be no cost increased to Strathbogie Shire and the ratepayers — on that particular one, because you have made a point on that particular one.

Mr WYNNE — I had made a point about that, and I simply stand by what I have said. I said straight up in this answer to you that I do not agree with the figure that has been put forward, that there is an impost to local government of somewhere between 30 and — I do not agree with that figure, and I challenged that figure in my conversation with the MAV a couple of weeks ago. We do want to use existing data that is already available and already reported by local government, but bringing it together. We are still in the conversation about what that set of performance indicators is going to look like, and there is no point doing this work unless it is going to be of benefit to local government and the communities that they serve.

Dr SYKES — Through you, Chair, just a point of clarification on that.

The CHAIR — We are over time, actually.

Dr SYKES — The minister is happy is to stay.

The CHAIR — I do not think the committee is.

Dr SYKES — I am staying down here all night; I am happy to stay, too.

Members interjecting.

Dr SYKES — Can I just clarify one more time that the minister disputes the figures that the Strathbogie Shire Council has put up?

Mr WYNNE — No, I dispute the figures of the MAV.

Dr SYKES — Okay. So it comes back to: will you assure Strathbogie council that they will not incur that additional cost? You even went to the next step of saying that there will be a 25 per cent reduction in red tape. Will you assure the Strathbogie Shire Council that overall they will have a 25 per cent reduction in red tape, which will be reflected in lower costs, not the increased costs that Kevin Hannagan found the need to go on regional radio this morning and say, 'It is hurting like hell, and we cannot sustain this pain'?

Mr WYNNE — Dr Sykes, I stand by the answer to the question I provided to you in full, and we are continuing our conversation through the Essential Services Commission with local government to implement a performance indicators regime that can be readily adopted and supported by local government.

The CHAIR — That concludes the consideration of the budget estimates for the portfolios of housing, Aboriginal affairs and local government. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

Committee adjourned.