

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Impact on Victorian Government Service Delivery of Changes to National Partnership Agreements

Melbourne — 19 November 2015

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Witnesses

Mr Rob Spence, Chief Executive Officer, and

Ms Clare Hargreaves, Manager Social Policy, Municipal Association of Victoria.

The CHAIR — I welcome Mr Rob Spence, chief executive officer of the Municipal Association of Victoria, and Ms Clare Hargraves, manager, social policy, to the public hearing of the Public Accounts and Estimates Committee's inquiry into the impact on Victorian government service delivery of changes to national partnerships agreements. All mobile phones should now be turned to silent. All evidence taken by this committee is under the provisions of the Parliamentary Committees Act. It attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament, and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with a proof version of the transcript for verification as soon as it is available. Verified transcripts and any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible. Witness advisors may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communications to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

I now give the witnesses the opportunity to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from committee.

Mr SPENCE — We just want to talk about two partnership agreements. The first one is the early childhood education agreement and the second one is the preventive health agreement. They are two quite different agreements, and I would say at the front end of this discussion that the point we want to make is when you are working through major reform like the early childhood education model where we are trying to embed in agreements between the commonwealth and states 15 hours of kindergarten across the nation, running a model like that in an arrangement with a national partnership that can be switched off effectively at the discretion of the federal government is problematic in terms of major reform. Our view is that if you are going to undertake a piece of reform like that — and I know that it is complex because with early childhood effectively the obligations sit with the state and not with the commonwealth in terms of the delivery — when you are working through a process like that there needs to be a better way than a partnership agreement that has no longevity. You cannot actually reform the system knowing that potentially you could switch it on and switch it off within a year or two years.

We come to that view by just looking at what has happened in Victoria with the 15 hours of kindergarten proposition. There has been incredible enthusiasm across both the state and local government sector. Local government is effectively the major provider of kindergarten infrastructure in Victoria. The sector invested \$350 million in upgrading infrastructure to deal with the move to 15 hours and the complexity in providing more space to actually deal with the service but also to ensure that you had people appropriately employed. And then we end up in a model where it is almost year by year now whether the system is going to run at 10 or 15 hours.

In relation to the preventive health model, I think we would say it fits more effectively under a national partnership agreement. It can be switched on and switched off without too much pain. There is a bit of pain, I think, around the system about the fact that the Healthy Together program in Victoria has been switched off, but it does not have the sort of long-term implications in the community as you would see with the early childhood proposition. What we would say is that a national partnership on preventive health is fine under a model like this. The early childhood proposition needs to be in a different space where there is certainty about the policy direction and ongoing funding and where you push to try to achieve such a commitment through various levels.

The CHAIR — With universal access, have councils had any issues in terms of onerous compliance requirements as part of the NP?

Ms HARGREAVES — I suppose it depends. If we are talking about the 15 hours of kindergarten compared to the national quality framework, given both things have been happening together, I think it has been more the role that councils have had to play in Victoria to enable the 15 hours to occur, because we had such high participation rates anyway at 10 hours and also buildings were utilised, I think as you know, with three-year-old programs and playgroups and all sorts of things and also taking the community parent-run services along with them. So it has been more the strategic work in relation to the 15 hours and the very short time lines in fact to implement that. As Rob has mentioned, really it was an area that the commonwealth has not been in for many

years. So they were re-entering this area but with uncertainty about for how long. The NQF, in terms of the new quality standards, the ratios are now hitting home for next year so the move down to 1 to 11. It means we have got this series of reforms that, as you know, everyone has had to keep their vision on. The councils have probably been able to do that more than the individual parent committees, of course, but there has been sort of a sense of imposition, I suppose, about what was occurring, even though of course we support the moves towards the quality. But the assessment of where we were and where we needed to get, when you are dealing with a national system, it means you are just all sort of squeezed into one form.

The CHAIR — So you have probably had an increased regulatory burden, but that is more to do with the NQF as opposed to onerous reporting requirements back to the feds in terms of discharging the obligations under the NP; is that fair?

Ms HARGREAVES — Yes.

Mr SPENCE — That is right, yes.

The CHAIR — I note in your submission on page 2 you indicate that councils have invested \$300 million of ratepayer funding towards capital investments in facilities. If the 15 hours a week for four-year-old kinder was abandoned, would you anticipate that there would be some redundancy in relation to some of that capital investment? Would you have a set of circumstances where you would have significant surplus space?

Mr SPENCE — Yes, because what we have tried to do in Victoria is maintain the playgroups and maintain age three and age four together so they are actually keeping the system operating, and that required additional space, and if we went back to 10, you are going to have excess resource, really. I would argue it is a waste of \$300 million, basically.

The CHAIR — In relation to the 15 hours, have you seen a displacement of the three-year-old programs as part of that?

Ms HARGREAVES — Yes, there has been, despite everyone's best efforts. We, amongst others, certainly raised this as an issue with both the state and the commonwealth all the way through and with Peter Garrett at the time I remember directly and so on. Clearly councils have tried to do their best to in some way meet the needs of the community or find alternative locations, whatever they have been able to do to support the community, but yes, there has been displacement.

Mr SPENCE — There is a lot of sensitivity about the three-year-old program.

The CHAIR — In what sense?

Mr SPENCE — The sense of the loss of the three-year-old program creates enormous tension in the community.

The CHAIR — The best way to address that would be probably additional capital expenditure investment in these facilities in some form of arrangement or agreement.

Mr SPENCE — Yes, that is right. We would argue that the system was probably not perfect but the facilities were close to right for the demands locally. When you look at kindergartens across Victoria, we have got a lot of old stock, and a lot of it is 1950s. In the middle belt of Melbourne there are a lot of small facilities. It is ripe for a rethink about how the model looks going forward — the size and so on and how you get an integration of kindergarten with other facilities — but this has not led us to that point, really.

Ms HARGREAVES — In our state submission — we have done one to the education state and the road map around child protection together — we would really still be arguing that you need a strategic capital plan that is commonwealth, state and local in Victoria, if the commonwealth is a player. We need a longer term view of where we are going, and the state is being responsive to that in terms of this latest round of capital funding. But with the speed of the reforms and their impact, which the 1 to 11 ratio is having as well, we actually in effect need to get every council to go back and remeasure all their facilities and that sort of process that they need to go through. We would like to be in a position of having a more long-term capital plan in this area.

The CHAIR — Broadly speaking, though, in terms of UA and NQF you are broadly happy, and you are happy with the way in which both NPs have been rolled out. The anxiety from your perspective is more about the uncertainty and the fact that it is almost like it is up for renewal on an annual basis. Is that fair?

Mr SPENCE — That is right, absolutely. There is strong acceptance of it in the local government sector. It is seen as a positive step forward, but when it sits on a 12-month, 18-month or two year funding certainty, that creates the tension, and it becomes problematic.

Mr MORRIS — Just one quick question before we get to the area I want to ask you about. The \$300 million, is that own-source revenue, or does that include the contributions that came from the state?

Mr SPENCE — It will include some of the contributions that come from the state but also own source.

Ms HARGREAVES — Yes, by far and away it would be rate revenue.

Mr MORRIS — A fair bit of state money went into early childhood facilities, but that is peripheral to the subject of this inquiry. I am interested in pursuing this concept of an appropriate time frame. I know it is a discussion we have had in other contexts, and recognising that one is not adequate so I am not going to argue that case. But I guess the difficulty for state government, or the feds for that matter, is when you start talking about longer term commitments — so one year or two years. Once you get outside the forward estimates period, you are really into uncharted territory. I think it is reasonable for people to have an expectation. You are always going to have issues with changes of government where things are reprioritised. I think we all accept that, but assuming consistency of government, it is a matter of how you deal with this issue of getting beyond the forward estimates.

Mr SPENCE — I would argue that the 15 hours of kindergarten should be seen as consistent with 12 years of education.

Ms HARGREAVES — Yes, that is right. It is a policy decision first.

Mr SPENCE — It is a policy decision. This is not just a side game; this is a component of the education system, and 15 hours should be embedded in the profile leading up to going into primary school and secondary school. The three age group is a different story. The policy is around 15 hours, and our view is that just like the national model in relation to education, this should be embedded. We know we get fluctuations in the education spend in relation to the 12 years of state education, but the model is consistently operated over time, and we do not question whether we are going to cut out secondary school for kids. It should be, in our view, exactly the same.

Mr MORRIS — It would save a hell of a lot of money, but the outcomes down the track would be a problem.

Mr SPENCE — That is right, so what we are saying is that the 15 hours is effectively national policy, and it should sit there as part of the education system, and it should be funded appropriately. That might mean there are fluctuations in the funding year on year, depending on commonwealth and state funding requirements, but it should not just be switched off.

Mr MORRIS — If we think of it in the same way as the SRP, the student resource package, which tends not to fluctuate, it is simply indexed, I guess most of the fluctuations come in terms of capital spending anyway.

Mr SPENCE — Yes.

Mr MORRIS — Without putting words into your mouth, an NP is probably not the appropriate vehicle for funding this. It needs to be in what we would call in state terms base funding, essentially.

Mr SPENCE — Yes, that is right. We understand the challenge in this, because the state has got a commitment to providing 10 hours, and they have never blanchd from that as far as I am aware. The extra 5 was a commonwealth initiative which the state accepted, and then when the commonwealth walks away, it looks like it becomes an obligation of the state. Local government is used to the state doing this to us.

Mr MORRIS — That is a whole different argument.

Mr SPENCE — But in this case it is a classic of the commonwealth doing it to the state. For the state it is a hard issue too, when you have got 15 hours provided and there is an expectation. The community is not worried about where the money comes from, as long as the thing is provided. I do not think this should sit in a national partnership agreement. That is my view. It should be embedded in policy and accepted nationally as a requirement. It is different with the preventive health model.

Mr MORRIS — Yes, that is a good distinction.

Mr SPENCE — As I say, you can switch that on and switch it off as required. Having it is a good thing for the community, but 15 hours of kindergarten in our view is fundamental to the education system. We know the data shows that if you get this front end of a child's life right, the back end of their life will be much more healthy and much more secure, and the state and commonwealth will not have this massive funding commitment to keep these people alive.

Mr MORRIS — Just to finish off on that, it is similar to our earlier witnesses, but I suggested in this context that it would be better perhaps if written into the agreement up front was a process whereby, if it is a four-year agreement, you get to the fourth year, you do the evaluation and say, yes, we decide we want to go with 15 hours on a permanent basis, and then there is a transition through rather than this renewing the program for a year or whatever. So it ceases to be initiative funding and becomes standard fare.

Mr SPENCE — Yes, but as a comparator, to me this sort of looks like a decision taken by the commonwealth and state to build metro and then a decision that a later government has made not to put any trains on it. We have put the infrastructure in place to deliver the service, and now the question is whether the service is actually going to be provided. It is bizarre.

Mr MORRIS — You do wonder whether sufficient thought was given to the need to expand the infrastructure rather than simply extra hours.

Mr SPENCE — Yes, and I will just follow on from that point, David: there is the thought given as to what this looks like in three years time if there is a change of government federally and whether this can sustain itself. The fact is that in Victoria we turned around the infrastructure in 18 months or something. It was a massive effort. We got new staff into the kindergartens to deal with it and so on, and then there is a question mark about whether it is going to keep going.

Mr D. O'BRIEN — Chair, can I just seek a clarification on that? On the infrastructure, do you know what percentage of kindergartens would be council owned in Victoria?

Mr SPENCE — We could get you the data.

Ms HARGREAVES — It is very high.

Mr D. O'BRIEN — Would it be 80 or 90 per cent?

Ms HARGREAVES — Yes, certainly up until the increase in the private child-care sector that was certainly where it was, apart from a few run by the Uniting Church or other NGOs. Obviously now that we have kindergarten in private long day care, as that increases, that will shift the balance slightly, but in terms of the community-owned sector it is nearly all local government.

Mr SPENCE — We own the facilities, but there might be a community arrangement.

Ms HARGREAVES — Peppercorn rent.

Mr SPENCE — Peppercorn rent, and council are doing the maintenance and keeping the facility at a reasonable standard and so on. My take on the model that operates in Victoria in a lot of the kindergartens is that the parents are there on the committee for the period their child is in the kindergarten, and what they want is certainty for the period their child is there, which is maybe two years. They are not taking a long-term perspective on how you make this sustainable and what it looks like in 10 years time, so the council is sort of fundamental to the backbone of this where you have got this sort of operation.

Mr D. O'BRIEN — I know it. My wife is the president of our kinder.

Mr SPENCE — You understand it.

Ms HARGREAVES — Just to say as well, obviously we are very happy to participate through the ALGA and the current discussions about federation roles and responsibilities. While we certainly think the policy position around 15 hours early childhood education for all children is what we are talking about as the baseline, how that integrates with long day care and so on is still a key issue and something local government has been embracing for 30 years. If the federal government wants to use fee relief in some way to help contribute to this effort, we are happy to discuss that as long as we are all heading to the same outcome of it being available for all children.

Mr T. SMITH — Has the commonwealth actually decided to scrap the 15 hours?

Mr SPENCE — No they have not.

Mr T. SMITH — I thought we should just clarify that.

Mr SPENCE — I hope I have not intimated that that is the case.

The CHAIR — It would be 5 hours.

Mr T. SMITH — Five hours, yes.

Mr SPENCE — Five hours is now funded through until 2017.

Ms HARGREAVES — It is funded to the end of 2017.

Mr SPENCE — Then it will be reconsidered.

Mr T. SMITH — My question goes to what you were talking about before, Clare, which was around ALGA and their contribution to the federation white paper and the like. I was actually on council when these early years reforms were being first mooted by Peter Garrett, and the issue I raised then was around: is this overreach from the commonwealth? I do not disagree with you with regard to what you are saying about the policy prescriptions around early childhood. It is fundamental. Every piece of research out of the University of Melbourne says, MGSE says, that if you get the first three years right, outcomes throughout the rest of your life are exponentially far better. I just make the observation that you responded to a specific set of policies, well intentioned, can I say, from the commonwealth government. A new commonwealth government comes in under a whole new budgetary circumstance, looks at the world slightly differently and makes a policy prescription accordingly. That is just a fact of life, surely, isn't it?

Mr SPENCE — Potentially, but I would argue that this is such a significant policy initiative that has come from a joint commonwealth-state agreement that it ought to be capable of being maintained. Whether it was appropriate for the commonwealth to be tipping money in at the front end is, I think, another question. What we are — —

Mr T. SMITH — It goes to the heart of the issue, really, Rob, doesn't it?

Mr SPENCE — It does and it does not. If there is a view that 15 hours of kindergarten is a critical thing for the nation, and there is an agreement on that between states and commonwealth, I think that is a reasonable thing to do. What we want to do is just make sure that when the decision is made the model is capable of being sustained, whether that comes out of state or whether that comes out of commonwealth.

Mr T. SMITH — So you are basically advocating for it to be legislated.

Mr SPENCE — Effectively, yes.

Mr T. SMITH — Which would be legislated at the state level.

Mr SPENCE — It would have to be.

Mr T. SMITH — Precisely.

Mr SPENCE — Then it would be dealt with in the funding issues between commonwealth and state.

Ms HARGREAVES — The size of this reform and the impact on the councils, the community, the services, the families is such that really you would say that you would not start it unless it was going to be enduring. Looking at what had to be done to get there and the impact on communities and everyone having to readjust all of their arrangements, including families, it is just something that you would not think of as just short term without having any longer term plan for what you are going to do with it.

Mr T. SMITH — Take this as a comment; respond to it if you wish. Take, for example, the increase in ratio requirements. I suppose the observation I make, and I saw this when I was on at the City of Stonnington, is that the commonwealth can have these terrific ideas — commonwealth public servants have these wonderful ideas about how to improve the country — but they are never the ones who actually have to implement it.

Mr SPENCE — We experience that.

Mr T. SMITH — In this case it was the council, so we get this lovely media release for the residents saying, ‘Isn’t this wonderful? [Inaudible] will ensue from this policy’, and you are sitting there going, ‘Well, that’s terrific’. We have got some thought bubble that has come out of Canberra. I remember, particularly when we were working out ratios of 1 to 11 down from what I think was 1 to 15, we were sitting there going, ‘Where are we going to put all these people?’.

Mr SPENCE — That is right.

Mr T. SMITH — I know this. I accept exactly what you are saying, but this is why I get very sceptical of the commonwealth getting involved in policy spaces that they are not traditionally aligned to and not traditionally meant to be involved in. They have these terrific ideas, but they never actually think through the implementation of them.

Mr SPENCE — You should have been with us in discussions on home and community care yesterday.

Ms HARGREAVES — We could spend another hour talking about that at the moment — the thought bubbles on aged care.

Mr SPENCE — With the commonwealth — yes, that is right. I would hope that when states sit down with the commonwealth and they reach an agreement on something like that, they have thought through the consequences of what they are doing. This was a multiparty negotiation. You could argue that the commonwealth had a thought bubble, but the states accepted the thought bubble.

Mr T. SMITH — I do not disagree. This is not necessarily a party political observation.

Mr SPENCE — I know. It could be anybody.

The CHAIR — Equally, though, the road to reform is always difficult. There are always challenges on the road to reform. It does not mean you do not embark upon a road to reform.

Mr T. SMITH — I do not disagree with that. I just think these sorts of reforms, which are really around capacity, with a significant capital impact as well as grassroots reforms, are far better done at the state level, frankly. They are driven by the state. Obviously there will be financial input from the commonwealth, but —

Mr SPENCE — I think the closer you actually get to the citizen the better, in thinking through these reforms. You can see it in the HACC — home and community care — area, and it is very hard for the commonwealth in their space to actually understand what it is like on the ground in the states. So I agree with you that the closer you can get to the citizen the better, in dealing with this stuff.

With local government we have got such a willing participant in trying to make things better for the citizen, and we incline not to push back on this stuff. If there is a chance to make things better for the kids, then we will do something about it. I keep thumping the table about this one: where did maternal and child health start? It started in the city of Richmond. The thought bubble was the city of Richmond, and they put it in place. Now it is a national icon. Where did HACC start? The city of South Melbourne, with the start of meals on wheels. It all

came out of: close to the local community, got an issue to deal with, put it in place. Now it is a national program.

Your proposition about being close to the citizen is really important in policy development. We would have thought expanding kindergarten hours is the right thing to do, and local government is a willing participant. But we do not want to get left with a \$300 000 bill.

Mr T. SMITH — Three hundred million.

Mr SPENCE — Three hundred million, I mean. Yes, sorry.

Mr MORRIS — Can I just make the observation, Chair, I think Paul Keating once said you never get between a Premier and a bucket of money.

Mr SPENCE — Or a mayor and a bucket of money.

Mr MORRIS — I was thinking of saying that, Rob, but I thought I had better not.

Mr DIMOPOULOS — I have had one of those roles, Rob.

Mr MORRIS — I think it is a reasonable point that too often when there is a bucket of money for something on the table governments — state, local, whatever — jump in and say, ‘Yes, we’ll have some of that and then we’ll figure it out how to do it’. Perhaps, in the context of this inquiry, if we have a think about a little more rigour before people sign up and actually sort of work through the implications — as we were saying earlier — then that is perhaps something we should, as a committee, think about.

The CHAIR — I think that is a very good observation.

Mr SPENCE — Yes, because the policy direction is right in our view. The policy direction is right. It has just got to be sustainable.

The CHAIR — I think also the challenge is at the end of the day you are not looking at a lot of money. I mean, the 5 hours is about \$100 million recurrent in the scheme of a \$50 billion budget. It is significant, but it is not insurmountable. The challenge is then that you almost get to a Mexican stand-off, because whoever blinks first is the one most likely to be left to pick up the slack.

Mr D. O’BRIEN — Four-year-old.

The CHAIR — Yes, thank you, Danny. So, I think that is part of the challenge.

Mr DIMOPOULOS — Nice to see you both. I just want to comment that I agree; I think it is great. More strength to you in relation to strategic capital projects, talking about innovation in the Richmond and South Melbourne councils. Monash council would not have been the first but we would have been one of the first to do a big project 10 years ago, \$27 million or something, which had co-located council facilities — recreation together with library, together with theatre. Even with councils co-locating is difficult because they are also quite large. On the first floor were state government community health dental chairs and podiatry, and there was a kindergarten. So it was all in one. It is a good model, I think.

I was just going to ask you: it is not in your submission, but I wonder whether you have some sense of the funding that comes from the commonwealth to local government — in any form, whether it be the stimulus funds that the Rudd government provided, and I know that was a different kettle of fish, or whether it be from the state government — do you have a better chance of getting out through NPAs or do you just get it through the normal recurrent funding models of the state — the FAG grants or whatever they are?

Mr SPENCE — It is a mixed bag. FAG grants — financial assistance grants — are certain, relatively, although there is a cap on them at the moment, which is hurting the rural councils big time. It is certain, but the grant flow is variable and patchy, depending on what the state and commonwealth view is at a particular time.

Mr DIMOPOULOS — I suppose my question is I do not think the sector depends on national partnership agreements.

Mr SPENCE — No, it does not.

Ms HARGREAVES — No, it is via the state, by and large, in these areas.

Mr DIMOPOULOS — Yes, that is right, but the NPA is a trickle down. If you are at the end of that service system, then you will be impacted. So kindergartens, a whole range of NPAs, are not relevant to you in a sense, are they?

Mr SPENCE — No, they are not.

Mr DIMOPOULOS — Are these the only two that are?

Mr SPENCE — These are the main ones. There were probably others we were at the tail end of.

Mr DIMOPOULOS — So it might be a HACC service route.

Mr SPENCE — It really depends. At the moment we are dealing with the NDIS and the HACC reforms and so on. They are all complex and are affecting our sector. There is both opportunity and risk in it.

Mr DIMOPOULOS — Do you get engaged at the table? Are you still on the COAG?

Mr SPENCE — Yes, ALGA is on COAG.

Mr DIMOPOULOS — Do you engage on — —

Mr SPENCE — Yes, we do.

Mr DIMOPOULOS — I just want to put a sense of perspective around local government. Most revenue comes from rates, fees and charges and federal assistance grants really, isn't it?

Mr SPENCE — Or in rural areas it will come from financial assistance grants.

Mr DIMOPOULOS — And roads.

Mr SPENCE — One, rates, and then fees and charges. Financial assistance grants and other grants will make up a significant proportion of the total revenue.

Mr DIMOPOULOS — I am not trying to devalue the impact of the kindergarten sector, because that was a huge impact — a \$300 million investment in infrastructure gearing up for something that was still uncertain. But in terms of your general revenue, it is a very small part, NPAs.

Mr SPENCE — That is right. We look at this, as I have said before, as a major policy reform where there is enormous benefit for the community.

Mr DIMOPOULOS — Yes, I think it is excellent.

Mr SPENCE — Yes, that is right. And I think David's point about really thinking through the long-term consequences of it are important to note. Another area that is a bit like this is the Howard government topping up the pensioner rate rebate and then the current government pulled it, which has a consequential knock-on into the states. When you have state services that are getting a special funding feed for a particular period into the state, you have to think through the consequences of when that gets switched off. I think the former state government dealt with that, and it has continued. The state has basically picked up the difference, so I think when you are in a model like that it is quite challenging because the state potentially, just like the local government with the state getting left with the baby, gets left with commonwealth initiatives.

Mr DIMOPOULOS — Lastly, Rob, back to the way you opened the hearing. Am I right in saying that for the sector your view is that there is a threshold policy question about what is important enough — 'important enough' is not probably the right word — to be part of a recurrent funding, an ongoing funding, arrangement, and what is not? The distinction you made is principally about that, isn't it?

Mr SPENCE — Absolutely. The preventative health agreement is a good thing, and if it kept going, it would be wonderful. But you can switch it off without medium, long-term consequences, I would say. There will be consequences, but the 15-hour switch-off is a major shift in the policy and reduces the benefits we get out of kindergarten.

Mr DIMOPOULOS — Also the sector has to gear up a lot more for the latter than it did for the former.

Mr SPENCE — That is right. The first one was relatively easy.

Ms HARGREAVES — Yes, I might say it is a bit similar to the discussions we are having with the state about the maternal and child health services — a basic platform — so we are really saying the same thing to the state in that area. It should not be just subject to the Treasury cycle and having to be argued that if we are by legislation following up all children, all birth notifications — —

It is really much like the first year of school.

Mr DIMOPOULOS — Or vaccinations, for example.

Ms HARGREAVES — It is a universal service that we both agree that we all want in policy terms, and again we think that that also similarly lends itself to being slotted into that sort of system that the school system is in.

Mr SPENCE — We are in a really unique sort of environment here. I sit on the Victorian Children's Council, and I explained how the funding models between state and local government work. The people around the table were astounded at the fact that the maternal and child health system has no agreement or legislative base.

Mr DIMOPOULOS — Year to year.

Mr SPENCE — It is continued. The councils are currently putting in in excess of 50 per cent of the recurrent funding and are providing all the infrastructure. HACC: there is no agreement that sits with that. It is just, 'We are good friends'. HACC: we are tipping in \$140 million to keep the system alive. No formal agreement on that. Kindergartens: we are tipping in — I hate to think. No formal agreement. It is just, you know, 'We are good friends'. I do not want to mention the rate capping in question, but what the rate-capping issue does — —

Mr DIMOPOULOS — But you will.

Mr SPENCE — But I will, because — —

Mr DIMOPOULOS — Given that both parties voted for it. Both parties voted for it, Rob.

Mr SPENCE — Only the lower house at the moment.

Mr DIMOPOULOS — True.

Mr SPENCE — The rate-capping issue is surfacing via the inconsistency in the model. The commonwealth and the state would not have a model operating on a 'trust me' basis, yet we as a sector are expected to operate on a 'trust me' basis. Where currently the state is a year behind on an uplift in funding for maternal and child health, the HACC system will in my view almost fall over if you unplug the \$140 million from local government. The kindergarten system is held together by local government.

Ms HARGREAVES — We could sell all of the facilities tomorrow.

Mr DIMOPOULOS — You could stop providing school crossing supervisors tomorrow.

Mr SPENCE — What is happening in our sector? If we just start off on that issue, school crossing supervisors funding has been cut by the state over time and left with local government. SES is the other one that is running at the moment. It is now a state-controlled service, but local government is the one that funds it. We should have another inquiry — we have an inquiry into rate capping; I forgot.

Mr T. SMITH — We do. Set up by my friend David Davis, who is doing an outstanding job.

Mr D. O'BRIEN — That is a nice segue into what I was going to ask. Of the two NPAs that you have talked about — and apologies if this covers anything that Steve asked — noting, Rob, your long experience in the job and noting Clare is clearly a lot younger than you — —

Mr SPENCE — She was there before me, though: 19 and 18 years.

Mr D. O'BRIEN — Could you refresh me and the committee: have there been any sort of similar agreements like NPAs between local government and state government? You were just talking about HACC and that not having any formal arrangement.

Mr SPENCE — The only one we have had formally is under John Thwaites with the rollout of the tobacco reforms, where we said we would only do it if we had a formal funding agreement with the state, and that was formalised and has operated effectively since then.

Ms HARGREAVES — We have only got as far as under the Victorian state local government agreement we have got partnership agreements with the Department of Health and Human Services and the Department of Education and Training, and we do have an MOU on maternal and child health. But I suppose, as Rob says, these are all in the goodwill space rather than being more formal.

Mr D. O'BRIEN — I guess, as we heard from our previous witness, that is the reality of the NPAs. They do rely on goodwill. What I guess we are partly getting to is if NPAs are broken, how do we fix them? I was just looking to see if there was an alternative model that may already exist between state and local government.

Mr SPENCE — I would say no. At the moment unless it sits in state legislation then there is nothing that drives it. It is just goodwill that drives it.

Mr T. SMITH — Is that what 80-odd state acts of Parliament local government enforce as yet?

Mr SPENCE — Yes.

Mr T. SMITH — That is basically just: the act says — the Tobacco Act being the perfect example — inspectors will inspect milk bars to make sure that they are not selling tobacco to minors and the like.

Mr SPENCE — That is right.

Mr T. SMITH — Aside from that there is no real financial assistance at an official level from the state to local councils to enforce these.

Mr SPENCE — In tobacco there is.

Mr T. SMITH — Tobacco there is.

Mr SPENCE — There is. It is by agreement. That is right.

Mr T. SMITH — That is the one example, but for the other 80-odd there is not really, is there?

Mr SPENCE — No. We were appearing before the restricted breed dog inquiry on Tuesday — we get plenty of variety in our job — and there you have got a situation where the state legislates that the councils will have responsibility for identifying and policing legislation but no revenue stream that comes with it, so the council has got to find the revenue to do it out of its rate base effectively. It is part of the conundrum, isn't it? Eighty pieces of legislation that cover the sector and the sector is required to find the revenue to deliver.

Mr D. O'BRIEN — Given there are no real agreements at state level, are the NPAs in some respect superfluous? And given that we do not actually get much certainty from them — well, in some cases we have not got much certainty from them — is there a better way of doing it?

Mr SPENCE — I do not know. I have been around for a while and I have not seen the perfect model yet. We are in a short cycle — three-year federal elections, four-year state elections — and policy can shift very quickly.

Mr T. SMITH — If I could just follow up from Danny's question: given that, for example, our kindergarten sector here in Victoria is far more publicly run than practically anywhere else in the country, would it not be better for the commonwealth to have essentially bilateral agreements with different states based on their circumstances, kindly being the perfect example — Victoria's kindergarten sector is fundamentally different to, say, Western Australia's — where you have an agreement with the Victorians which is going to take into account that our kindys are run by councils, whereas in other states they are often run by church and community groups?

Mr SPENCE — I think you are right.

Mr T. SMITH — I see COAG as this sort of terrific setpiece for the Prime Minister of the day to look terribly bipartisan and all that sort of stuff, but in reality — —

Mr D. O'BRIEN — Canberra wants a one-size-fits-all scenario.

Mr T. SMITH — Canberra wants a one-size-fits-all scenario, which, frankly, in a country this size, what is good for Melbourne is not necessarily good for Darwin.

Mr SPENCE — Absolutely.

Ms HARGREAVES — I think we have said that all along. If they had more flexibility in the bilateral agreement as it applied to each state — we could say the same thing in aged care at the moment. That is essentially what we would probably prefer in aged care as well.

Mr SPENCE — In HACC we are sitting under the commonwealth-state agreement. We have almost finalised tripartite agreement on the rollout of the commonwealth reforms into Victoria.

Ms HARGREAVES — With local government.

Mr SPENCE — With local government. We were at the table yesterday. We are close; we have just got a couple of sections to tidy up. That is the first time in my experience we have had the three levels of government at the table negotiating something out that is important to the community and will ensure, I hope, that we get a reasonable outcome for the older community in Victoria.

Ms HARGREAVES — As you said, going back to the beginning of that initial planning, if that was done between the commonwealth, state and local governments, certainly in Victoria — we were certainly well consulted by the state to the best that they could in relation each of those agreements, but the idea of three levels looking at the implications of what it would mean and then being able to have a more flexible bilateral arrangement with each state would, I think, be much more realistic and achievable.

Mr SPENCE — In these commonwealth arrangements you can end up almost at the lowest common denominator model, and Victoria is not normally in that position.

Mr T. SMITH — Precisely, and we are certainly never the lowest common denominator.

Mr SPENCE — No, absolutely not.

Ms HARGREAVES — It is a real danger in aged care.

Mr T. SMITH — It depends who is in government.

The CHAIR — Bring out the big V, Mr Smith.

Mr SPENCE — I think it is a fair comment.

Dr CARLING-JENKINS — Thank you for making the time to come in twice this week. We really appreciate it, and I really appreciate your submission too. It was very helpful. I realise the time we have remaining is short. I am just going to ask something that came up in the comments you made around the NPA on preventative health and around the workforce capacity issues. Something that is really concerning to me is that with these unstable models there is an impact on attracting and retaining skilled practitioners. I wonder if you could talk to that and the feedback you have had from councils in that area.

Ms HARGREAVES — Yes, I think it applies to both of the agreements. In the early childhood obviously there is significant ramping up in both the quality and standard and size of the workforce, but when you are looking at the Healthy Together Victoria initiative, which as you know is internationally being watched in terms of how well we do it at the whole-of-community level, that has required new roles and for people to think in new ways in terms of that community leadership and the local government sort of civic role in that. That has obviously been part of the whole process of mentoring and getting that sort of international evidence for the staff to work with. And yes, the uncertainty in where that takes you — the flow on of that if people have got uncertainty about their jobs and whether the whole process is going to continue. When we have more certainty, local government is well placed to roll on that learning and to spread that more widely. Again, it is potentially very wasteful.

Mr SPENCE — A lot of people get damaged when they are building a career on it.

Ms HARGREAVES — Yes, personally.

Mr SPENCE — The difference with the preventative health one is that I would describe it as effectively a pilot. The early childhood one was national — everyone was in — whereas this one was particularly targeted areas, but it still required a 120-strong workforce. The fact that the money gets switched off affects those people and it affects the programs.

Dr CARLING-JENKINS — Sure, and it was prematurely axed.

Mr SPENCE — Yes, that is right. It does not make anyone particularly happy, apart from the bean counters.

The CHAIR — I would like to thank Mr Spence and Ms Hargreaves for their attendance this morning. Thank you very much for your time.

Witnesses withdrew.