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INQUIRY INTO THE CITY OF PERTH

PUBLIC HEARING - DAY 1

WEDNESDAY, 21 NOVEMBER 2018

INQUIRY PANEL:

MR ANTHONY (TONY) POWER

COUNSEL ASSISTING:

MS KIM LENDICH

21.11.2018

HEARING COMMENCED AT 10.29 AM

MR POWER: Please be seated.

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As the Inquirer into the City of Perth, I wish to acknowledge the traditional custodians of the land we are conducting this hearing on. The Whadjuk people of the Noongar Nation and their elders; past, present and future. The Inquiry acknowledges and respects their continuing culture and the contribution they make, and will continue to make, to the life of this city and this region.

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On 24 April 2018 the Minister for Local Government, using his powers under Section 8.16 of the *Local Government Act 1995*, appointed an Inquiry Panel to inquire into, report on and make recommendations in relation to the City of Perth. Including whether the Council should be reinstated or dismissed. Today's hearing is the commencement of the Inquiry's hearings at which counsel assisting, Ms Kim Lendich, will open the Inquiry to the public.

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The purpose of this opening is to ensure that members of the public are properly informed about the nature and extent of the Inquiry, its functions, its progress to date and some of its likely directions.

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The opening will proceed, among other things, a number of private and public examinations, to be held at later dates, of various persons connected with the affairs of the City of Perth. The Inquiry expects those persons to assist the Inquiry in comprehensively addressing its terms of reference.

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The Inquiry's mandate is determined by its broad terms of reference. Those terms of reference are: First, the Inquiry Panel is to inquire into and report on those aspects, operations and affairs of the City of Perth, including of the Council and the administration during the period between 1 October 2015 and 1 March 2018 inclusive, which may be necessary in order to determine: (1) whether there has been a failure to provide for good government of persons in the City of Perth's district; (2) the prospect of such good Government being provided in the future, including by reference to whether the Council and administration has the ability to, and is likely to do so and; (3) any steps which may need to be taken to ensure that such good government does happen in the future.

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Secondly, the Inquiry Panel may inquire into and report on a period or periods before 1 October 2015 if it considers that to be necessary, or that it may be necessary for the purpose of properly discharging its function under the first head, and placing the matters inquired into within a relevant context in the circumstances.

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The Inquiry panel is, and without the limiting the generality of the first head, to give due consideration to, and inquire into and report on, the following matters: First, whether there was improper or undue influence by any member as defined by Section 1.4 of the Act of the Council of the City of Perth, in administrative tasks, such as, recruitment, employee management and grants administration.

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Secondly, whether any member engaged in improper or unlawful conduct in relation to the performance by the Council, or the members of any of their functions and obligations.

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Thirdly, the relationships between the Council, members, the Chief Executive Officer and other employees of the City and the effect of those relationships on the performance of the City's functions and obligations.

10 Fourthly, sponsorship arrangements between organisations and the City and the acceptance of gifts in the form of tickets to events by members from those organisations.

15 Fifthly, governance practices including adherence to the financial interest provisions of the *Local Government Act 1995*.

And, finally, adequacy and competency of Council decision making.

20 The functions of the Inquiry Panel are as I have described and, for the avoidance of doubt, include to inquire into, report on and then make the recommendations in relation to the matters subject to the Inquiry that it considers appropriate in accordance with the duty under Section 8.22 of the *Local Government Act 1995*.

25 Any proper consideration of these terms of reference make it abundantly clear that there is much to investigate, examine and report on. The Inquiry will be conducted against the background of the State Government's legislative reform programme for local government. I anticipate that the work of this Inquiry will complement that programme in a direct and meaningful way.

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The Inquiry will independently discharge its statutory obligations thoroughly, fairly and thoughtfully. And will, in doing so, meet one of the primary reasons for its establishment. Namely, to restore public confidence in the City of Perth.

35 Ms Lendich?

MS LENDICH: May it please the Inquirer.

40 This Inquiry into the City of Perth has embarked upon the important task of investigating the affairs of the City. It is a difficult task which is necessary to restore public confidence in the City of Perth.

45 The Minister for Local Government's decision to implement this Inquiry was particularly timely as the Inquiry coincides with the Government's programme for local government reform. The matters that arise in this Inquiry, which is an Inquiry into our State's capital city and foremost local government, will no doubt complement that process.

5 This is an independent Inquiry into the proper functioning of the two arms that
conduct the operations of the City of Perth. Those two arms are the elected
member group, known as the Council, and the City's staff, known as the
administration. The allegedly fractious relationships between those two groups
has already been widely reported.

My submissions this morning will deal with the following 5 matters:

10 First, the appointment of this Inquiry, its work to date and its work ahead.

Second, the nature of the City of Perth as a local government, the way it
operates and the framework in which it works.

15 Third, the broad topics of the Terms of Reference which necessarily require me
to address how the Inquiry will perform its function.

Fourth, a brief chronology of a small number of the relevant events, including
some relevant financial information about the City.

20 And, lastly, and against that background, I will deal with some of the matters
of interest to the Inquiry.

25 As to the Inquiry's work. The responsibility with which this Inquiry has been
tasked is significant. Its function and purpose are broad. The Commissioner
has, this morning, read the Terms of Reference. They cover a number of issues
central to the proper functioning of the City of Perth. I will come to those
issues in more detail in due course this morning. Since the Terms of Reference
were issued, much work has been undertaken.

30 After the appointment of the Inquiry Panel there was an establishment phase
and by about mid-June 2018 the Inquiry was operational. During that
establishment phase steps were taken to recruit staff and put in place the
necessary infrastructure for the undertaking of the Inquiry, including to
establish a website, locate suitable premises and make them operational.

35 The Western Australian Industrial Relations Commission has made office
space available to the Inquiry and provided access to hearing rooms for both
private and public hearings, including this hearing room today. On the
Inquiry's behalf, I thank the Western Australian Industrial Relations
Commission.

40 The Inquiry has recruited an experienced and hardworking team of
investigators and intelligence analysts. The Inquiry also has an instructing
solicitor, research assistant as well as executive and administrative support.
These staff are integral to ensuring that the Inquiry thoroughly and properly
45 carries out its function.

Before this Inquiry was appointed, on 8 January of this year, the Acting
Director General, Department of Local Government, Sport and Cultural

Industries, authorised a Local Government Inquiry. That Authorised Inquiry was into the acceptance of tickets and events and the accompanying sponsorship arrangements over a 10 year period from 1 January 2008 to 8 January 2018. On 20 February of this year, that Authorised Inquiry was expanded.

However, it was not as broad as this Inquiry and, in any event, a final report was not issued. As a consequence, once established, the Inquiry immediately commenced a thorough and careful discovery phase. The purpose of that discovery phase was to conduct broad investigations into the broad Terms of Reference and identify the issues that would require more specific investigation and thereby enable the Inquiry to perform its function.

The Inquiry team, and in particular the Inquiry's investigators and analysts, have worked tirelessly to gather and analyse information from many different sources. The Inquiry obtained information in a variety of ways, including by interviewing individuals who work or have worked at the City, as well as from people who have had dealings with the City.

The Inquiry team has, so far, interviewed no fewer than 44 people. The Inquiry currently holds about 2.9 million electronic documents. It also holds 22 archive boxes of hard copy materials as well as 88 electronic devices.

The Inquiry has the powers of a Royal Commission and has made use of its coercive powers under the *Royal Commissions Act*. Those powers permit the Inquiry to require recipients of notices to produce documents and to produce information in the form of a statement of information. Thirty-five notices have been issued to date. It is expected that the Inquiry will continue to issue notices at regular intervals, as it continues its investigations.

The Inquiry has also received materials from a number of other Government agencies, including the Corruption and Crime Commission, the Public Sector Commission, the Department of Local Government, Sport and Cultural Industries, the Local Government Standards Panel and the Western Australian Electoral Commission. Many of those documents have been reviewed, and all form part of the holdings to which the Inquiry staff continue to have regard.

As a result of the work done analysing its holdings, the Inquiry has identified a number of significant issues. Those significant issues have been and continue to be investigated. It is not my intention, today, to touch on those issues with any specificity. It is important not to do so for the integrity of the ongoing investigations. It would also not be appropriate to do so as this early stage of the Inquiry's hearings. However, I will speak in due course this morning about some broad themes which have been revealed by the investigations.

During its discovery phase, the Inquiry also sought to engage with the public. It is with the involvement and support of the public that the Inquiry will best inquire into and report on the City and its functioning. On 29 June 2018 the

Inquiry issued a media release and invited public submissions. It has received a number of them. The Inquiry has been greatly assisted by these submissions and I use this opportunity, today, to again invite the public to make submissions on any matters relevant to the Terms of Reference by the end of
5 December 2018.

Following today's address the Inquiry will publish further information to the public to encourage their involvement. The public may also wish to visit the Inquiry's website to consider what matters may be of interest. The role of the
10 public in this process is not to be underestimated, particularly given the importance of this Inquiry's role in restoring public confidence in the City of Perth.

Each of the issues that have been identified to date are being diligently
15 investigated to ensure that the Inquiry carries out the task at hand thoroughly and properly. Any additional issues that arise as a result of public submissions will be attended to with equal care to ensure that the Inquiry meets its objectives.

20 The Inquiry will also embark upon a series of public hearings. The dates for those hearings are not yet confirmed, but, given the number of significant issues that have been identified, those hearings will need to take place over a number of months.

25 The work of this Inquiry is, of course, not limited to public hearings. Much of the Inquiry's work is done away from the public eye. That work includes research, investigation and analysis, among other things. This Inquiry will be as transparent as it can be in its work.

30 However, while the Inquiry would like to be in a position to conduct all hearings in public, circumstances will sometimes dictate that some matters be dealt with in private hearings. They will deal with sensitive matters and will often be necessary to avoid prejudicing the ongoing work of the Inquiry.

35 Private hearings will take place before the Commissioner. They will not be open to the public or any party not involved directly in the hearing. They will be attended to with the same rigour as the public hearings and persons affected will be afforded procedural fairness.

40 All of the Inquiry's work is being done with a view to its ultimate requirement to report to the Minister for Local Government. That report must contain any recommendations that the Inquiry considers appropriate. Those
45 recommendations may be to dismiss or reinstate the council, among other things. Much work is required before the Inquiry will be in a position to make such recommendations.

However, I can foreshadow that my submissions in closing to the Inquiry will likely address more than just the role of council, and will deal with the

relationships and interactions between council and administration, and within each of those groups.

5 Let me turn now to the City, its structure and the framework in which it operates.

10 The City of Perth is, of course, this State's capital city. The City of Perth covers an area of just over 26 square kilometres and has a population of over 27,000 people. The area under the jurisdiction of the City includes the central business district and some surrounding suburbs. Many of this State's most important landmarks and institutions are within the City's boundaries. These include Parliament House, the Supreme Court and the University of Western Australia.

15 Ratepayers within the City are made up of residents and business owners. Over 12,000 businesses are located within the City. Those businesses range from small businesses to multinational corporations.

20 Unlike other local governments in Western Australia, as the capital, the City of Perth has special significance and responsibilities. In 2016 this significance was enshrined in statute by the *City of Perth Act 2016*. The *City of Perth Act 2016* brought the City in line with other Australian capitals and acknowledged its central role in tourism, business and economic development.

25 That Act sets out the ten objects – or objectives - of the City. They include to provide for good government and to represent the community and encourage community participation in decision-making. These objects are not definitive or all-encompassing, but are aspirational and to be applied to the decision making within the City.

30 The *City of Perth Act 2016* does not exist in isolation and the City is bound by the obligations set out in the *Local Government Act 1995* as well as no fewer than 15 other pieces of legislation that apply to its operations.

35 The City's affairs are governed by the council. The council is made up of the elected members who are responsible for the performance of the City's functions. The council comprises eight councillors, plus a popularly elected Lord Mayor.

40 Councillors are elected to represent the interests of the residents, ratepayers and visitors to the city. They also govern for people working within the City, local, national and international visitors and the broader community. It follows that the interests of the City of Perth, of their community, are diverse. As a local government, the City of Perth needs to work with all these diverse interests.

45 For example, it needs to govern for the corner store owner, as well as the property developer and the multinational. It needs to govern for its residents as well as those in the restaurant or entertainment industries. Local government is about community needs. It is expected to be driven by and connected to the community most affected by it. It is a form of grassroots government.

Turning now to how one is elected to council. Ordinarily elections for councillors take place in October every two years. At each biennial election half the City of Perth councillors are elected for a term of four years. Ordinary
5 elections for the Lord Mayor take place in October every 4 years. Once elected each councillor declares formally that they will duly, faithfully, honestly and with integrity, fulfil the duties of the office for the people. This is not a declaration that should be made lightly. The focus is on the people of the local government.

10 Residents in the City and people or companies owning or occupying property in the City are eligible to vote. Residents in the City and people or companies owning or occupying property in the City are eligible to vote.

15 The elections are conducted by postal vote, and election packages are posted out about three weeks before election day. Unlike State or Federal elections, it is not as simple as one person, one vote. For example, where a company owns or occupies property, two people may be nominated to vote on behalf of that company.

20 Once elected, the councillors conduct the business of the council by regular meetings. Councillors are paid to attend meetings. Though some of the work is done by committee.

25 The Lord Mayor presides at the meetings, which are otherwise attended by the councillors, the Chief Executive Officer, directors, some administration staff as well as interested members of the media and the community.

30 Usually the papers for the meeting are prepared by the administration and provided to councillors about four days prior to the meeting. Briefings are also sometimes provided.

35 Of course, the council cannot function without the support of the City's staff, as I said, known as the administration. The council employs a Chief Executive Officer. The role of the Chief Executive Officer is to provide overall strategic direction, leadership and coordination of the organisation. The Chief Executive Officer is also responsible for management issues, complaints and liaison between the staff and the council. The Chief Executive Officer is required to develop and put into practice the council's policies and resolutions.
40 Along with the directors and staff, the Chief Executive Officer acts on the council's decisions.

45 The City of Perth operates under what is termed an Executive Leadership Group. It is important to understand the role and function of the administration and the Executive Leadership Group in the context of this Inquiry. The Executive Leadership Group comprises the CEO and the five directors who hold their own directorates. Each is a distinct directorate responsible for aspects of the City's operations.

5 Those directorates are community and commercial services, planning and development, construction and maintenance, economic development and activation, and corporate services. Each directorate has a number of staff working within it. As a whole, the City of Perth employs over 700 people.

10 The *Local Government Act 1995* requires that employment decisions are made on the basis of fairness, merit and consistency. Employment should not be based on friendships, influence or willingness to turn a blind eye. I pause here to state, unequivocally, that the Inquiry recognises that many of the staff at the City conduct themselves with professionalism and in the interests of the City.

15 The City of Perth, as a local government, does not function in a vacuum. It functions within a complex operating environment. At the highest level, the Minister for Local Government is responsible for overseeing the system of local government in Western Australia.

20 The Minister acts as champion for the local government sector, and supports and monitors the system of local government. The Minister does so with the assistance of the Department of Local Government, Sport and Cultural Industries. Neither the Department nor the Minister are directly involved in the day to day operations of individual councils.

25 The Department has a number of roles. It advises local government and the Minister for Local Government. It oversees the administration of the *Local Government Act 1995*. The Department also works with councils to improve their capacity to respond to their community and to improve levels of accountability and legislative compliance.

30 In addition to the Minister and the Department, the Western Australian Local Government Association, or WALGA for short, is an important body in our local government environment. WALGA is not a government department or agency, but the peak industry body or association representing and advocating on behalf of West Australian local governments. Its constitution identifies a number of objectives, including to provide services such as training to
35 councillors and officers in key areas and initiatives.

40 The City of Perth, its employees and members of its council also fall within the jurisdiction of a number of integrity agencies, including the Corruption and Crime Commission, the Public Sector Commission and the Office of the Auditor-General.

45 I turn now to the Terms of Reference and thank the Commissioner for reading them in detail this morning.

It is apparent from their drafting that the Terms of Reference expressly require this Inquiry to focus its attention on the issue of good government.

The Inquiry must consider whether there has been a failure to provide good government, the prospect of there being good government in the future and what steps are required to ensure that there is good government in the future. But what does that mean?

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Generally, good government is understood to reflect how Government, at whatever level, meets its legitimate objectives. For the City of Perth those objectives are set out in the *City of Perth Act 2016*, and other relevant legislation. The Lord Mayor and councillors must have regard to their responsibilities under the *Local Government Act 1995* as well as the objects of the *City of Perth Act 2016* in their actions and decision-making.

10

As I stated earlier, the first of those objects or objectives under the *City of Perth Act 2016* is itself good government. Good government for residents, ratepayers and visitors.

15

There are nine other objectives which are directed toward: community engagement and community participation in decision-making; the provision of a safe and clean city, with continuously improving services and facilities which are to be promoted to and used by the community; initiating and promoting growth, innovation and environmentally sustainable development; developing and maintaining collaborative inter-governmental relationships at all levels; and striking a balance among the complementary and competing civic, economic, social, cultural and environmental considerations, including considerations relating to visitors and tourists.

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Good government requires openness and accountability. A failure to be open and accountable is not good government. A concept related to good government is good governance. Generally, governance is about the decision-making process and ensuring that there are necessary and appropriate checks and balances in place. It is about legitimate, accountable, and effective ways of obtaining and using public power and resources. Anything less, including the misuse of position and power, is not good governance.

30

Decisions at the City of Perth are regularly made on a large range of issues including: recruitment, planning and development, sponsorship, what services to provide, tourism, development and community engagement. The decision-makers at the City are to have access to advice and information to make decisions in an informed manner. They should make decisions on the merits of the issue.

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In a community such as ours and for the City of Perth, it is expected that such decision-making is transparent and free from improper influence, including self-interest and improper external pressure. The Inquiry must consider whether there has been improper or undue influence or improper or unlawful conduct. The Inquiry must consider, objectively, the standards of conduct that would be expected by the community of the people occupying the relevant roles at the City of Perth.

45

5 I turn now to a short chronology of some relevant events. By its Terms of Reference the Inquiry must look into the aspects, operations and affairs of the City between 1 October 2015 and 1 March of this year. The Terms of Reference also expressly allow the Inquiry to investigate earlier dates if necessary.

10 The matters that took place during this period are to be considered in the context of those questions of good government. For reasons that I have already expressed, I will not descend into detail.

15 In October 2015 there was an election. At that election there was a contest for Lord Mayor. The incumbent, Lord Mayor Scaffidi, was re-elected. The election turnout rate was just under 37 per cent. The Lord Mayor received about 55 per cent of the votes and now Councillor Harley received about 45 per cent. For the remaining councillor positions there was a turnout rate of just under 36 per cent. Councillors Adamos, Chen, Davidson and Green were elected.

20 A few months after the 2015 election, in January 2016, the then Chief Executive Officer, Mr Gary Stevenson, had his contract terminated and Mr Martin Mileham was appointed acting Chief Executive Officer. Mr Mileham had previously been the director of planning at the City.

25 On 1 September 2016 Mr Mileham was appointed as Chief Executive Officer. Shortly after he was appointed Mr Mileham implemented some changes to the operations and the way councillors and staff within the City could interact. Notably he introduced a new email address, for the Chief Executive Inbox to which queries from councillors to the administration were to be directed. It appears that the turnaround or reply time for emails sent to the Chief Executive
30 Inbox was about 5 days.

35 In the October 2017 elections the voters were electing for councillors only. There was a turn out rate of just over 37 per cent. Councillors Barton, Harley, Hasluck and Linnios were elected. A number of events then transpired. Some of these events will be the subject of examinations of witnesses in private and public hearings.

40 Commissioner, I use this opportunity to take the Inquiry to one important document.

If the Commissioner's Associate could turn up a 3 page letter dated 12 February 2018.

45 This is a letter addressed to the Director General, Department of Local Government, Sport and Cultural Industries. If one turns to page 3 of the letter, the Commissioner will observe that the letter is authored by the Chief Executive Officer, then Mr Mileham, and co-signed by the five directors of the City. In the letter, the author advises that he had commissioned legal advice

into the interaction and communication between the council and the administration, focusing on workplace safety.

5 The letter then goes on to list a number of measures that the administration, with the cooperation of the council, had put in place to improve the conduct of council business, interaction and communication.

10 However, if one turns to page 2 of the letter - and the Commissioner will find this about half way down the page after the first set of bullet points - the author then states that, notwithstanding those measures, to improve matters at the City, the author was of the opinion:

- *that the conduct of the council should continue to be closely monitored and that corrective measures, should same be indicated -*

15 - presumably the author means required -

- *are applied swiftly.*

20 I pause here to ask the Inquiry to reflect on the different roles of the participants in Local Government that I earlier described, and whether a suggestion that the administration would have this monitoring or disciplinary role aligns with those roles.

25 In my submission, it is at odds with the local government statutory framework for the administration to have a role of oversight and regulation over council. The letter then goes on to list 5 examples of alleged dysfunction and to suggest - and I paraphrase - that the Department's Authorised Inquiry be expanded to consider those matters.

30 The dysfunction referred to includes - and again I paraphrase: Councillor involvement in administrative matters; disrespectful communication; biased approach to debate and decision making, including in respect of the appointment of the CEO; fractious relations between
35 councillors and with the Lord Mayor leading to increased administrative workload.

40 I make one further comment in relation to this letter. That is, to the extent to which there was dysfunction, that is a matter for this independent Inquiry.

The letter ends on page 3 with the statement that the Executive Leadership Group holds a shared concern.

45 Returning to the timeline of events. Several days after the letter, on 16 February 2018, the Chief Executive Officer, Mr Mileham, took personal leave and Mr Mianich was appointed acting Chief Executive Officer. Just

over a week after that, on about 26 February 2018 Mr Mianich also took personal leave.

5 On that date, 26 February, the agenda for a special council meeting to appoint an acting CEO was circulated. The meeting was scheduled for 5 pm the next day, 27 February 2018. Before that meeting on that date, 27 February, the administration enacted the City's Crisis Management Plan. The Crisis Management Plan is a plan that the City had developed in the event of a major incident or crisis.

10

Its over-riding objective is described as being:

To reduce the risk and impact of a disruption that may have an effect on the life, safety or reputation of the City of Perth and its employees.

15

There are three priority levels of incident that the plan addresses. The lowest, priority 3, contemplates loss or damage to critical assets or minor injury to staff. The highest, priority 1, contemplates prolonged interruption, over 24 hours, to the City's operations. It includes by way of example irreparable damage or total loss of critical assets or death or serious injury. That is what is classified as a crisis.

20

The administration relied on such a crisis on 27 February 2018, to implement the Crisis Management Plan. A priority 1 crisis allowed the administration to appoint, in this case, in the absence of the CEO, the Director of Community and Commercial Services to the role of Crisis Manager. That then allowed the administration take certain steps in terms of managing communications.

25

30 Leaving that issue there, as I have already stated, it is not my intention to go to all of the relevant events at this stage.

30

Subsequently, on 2 March 2018, the Minister for Local Government suspended the council and appointed the three Commissioners, who are currently at the City. The Minister then appointed this independent Inquiry to investigate the affairs of the City.

35

A number of issues arose within the City during the Inquiry's period of interest that have already been aired publicly. The media has reported on numerous Corruption and Crime Commission investigations, including into the Lord Mayor, workplace safety issues, donations, use of billboards, the City's media gag, and alleged misconduct.

40

While those matters are of interest to the Inquiry, the purpose of this Inquiry is not to unnecessarily re-work those issues. They will, of course, be part of the Inquiry's considerations.

45

Throughout the period of the Inquiry's Terms of Reference, the City continued to conduct its operations. It continued to employ and manage staff and to provide services to the City of Perth. For example, in 2017 the City provided about 77 different services.

5

I will now illustrate the size of the City and the potential magnitude of the issues by reference to its revenue and expenditure.

10 In the year ending 30 June 2018 the City earned over \$200 million in revenue. More than half of that was from fees and charges collected. About 44.5 per cent came from rates levied. Significantly, the City collected about 36.5 per cent of its revenue, that is, \$73 million, from parking fees. The City's revenue base from fees and charges, including parking fees, significantly exceeds other local governments in Western Australia.

15

In the 2016/2017 financial year the City collected about \$99 million in fees and charges, which was nearly double the nearest local government in Western Australia.

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On the other side of the ledger, in the year ending 30 June 2018, the City spent over \$188 million. About 39 and a half per cent of that, or about 74.5 million, was on staff costs. The next biggest area was the City's expenditure on materials, supplies and contracts which was about \$48 million. Over half a million was spent on elected member or council remuneration.

25

The previous financial year's figures reflected a similar division. Again, more than half a million dollars was spent on elected member remuneration. Almost 300,000 of which was for meeting fees.

30

It may be recalled that the media reported that the expenditure on the dining room for councillors at Council House was costing rate payers about half a million dollars each year, or about \$10,000 a week. This being a cost in addition to the official meeting costs.

35

Since 2013/14 the growth in the City's expenditure has exceeded revenue growth. The City's total revenue has increased at a compound annual growth rate of 4 per cent, whilst total expenditure has increased at a compound annual growth rate of 6.6 per cent. This may need to be considered in the context of the growth of the provision of discretionary services.

40

The Commissioner will recall my earlier reference to the provision by the City of 77 services. Notably, only 16 of those were compulsory, or required by law, and two - relating to affordable housing and pollution control - were delegated to the City by the State Government. The remaining 59 services were optional services that the City chose to deliver without being required to do so.

45

It is against that background that this Inquiry must perform its task. Which brings me to the matters of interest to the Inquiry.

5 This address is not an occasion to set out with precision the issues that are being investigated, or how those investigations have developed. The purpose of this address is to allow the public to understand the workings of the Inquiry and be in a position to contribute if they so wish.

10 What is clear from the investigations to date is that there are a large number of very serious matters which require investigation. The issues are complex. They often overlap. And they appear to be endemic at the City.

15 It is important for the public to hear about these issues, to understand them and to know what can be done so they do not arise in the future. The best way in which that process can be undertaken is by the series of hearings that will follow.

20 As I have stated, some of them will take place in private. However, the Inquiry will conduct a series of public hearings that will examine these serious issues thoroughly and show how they are interconnected, with a view to restoring public confidence.

25 There is a fundamental issue at the City of Perth that I will now address. That fundamental issue is the culture of the City of Perth. The culture of an organisation permeates all aspects of its functioning including, governance, accountability, integrity and compliance.

30 It is essential to this Inquiry that it understand the City's culture, how it has developed, how it has continued and, importantly, how it might be improved. Culture is reflected in many different aspects of the City's operations. Culture is part of the election process. Culture is part of the recruitment process. To that extent, it is fundamental and foundational.

35 Elections in a local government setting are unique in the Australian government landscape. Voting is not compulsory and voting numbers are generally low. Few votes separate being elected or not being elected. In the case of the 2015 election, to which I referred, only 130 votes lay between being elected or not. In 2017 it was less than 300.

40 The low turn-out along with the small margins for election might suggest a weakness in the system and perhaps a need to reflect on how voting occurs. The Inquiry notes that the Government's programme for reform is considering how to increase voter turnout in elections and how to increase community engagement. An example of how that may be done would be
45 by allowing electronic voting.

5 Recruitment within the local government landscape should be fair and meritorious. The *Local Government Act 1995* acknowledges the importance of merit to ensuring that those best able to perform the relevant roles are those who receive them. Recruitment should not be based on favouritism or on any basis unrelated to merit. Culture is also relevant to how people perform their roles.

10 The focus of local government should be community. The culture of a functional local government should guard against self-interest of council members or staff, whether at the election or recruitment stage or in the operations of the local government itself.

15 Another significant part of local government business is decision-making. As previously stated decision-making should be free from improper influence, whether external or internal. There should also be transparency in the decision-making process.

20 For example, the community is entitled to know whether voting blocks are formed, how councillors communicate and the extent to which there is influence, whether overt or covert, improper or otherwise.

25 Those within each arm of local government should be able and qualified to perform their roles. The culture should also ensure that council and staff be *enabled* to perform their roles.

Certainly, in terms of the administration, there should be communication and collaboration across portfolios and across the organisation as a whole. This is required in order to provide good government.

30 Many of the significant issues which are being investigated fall broadly within that concept of the culture of the organisation. Culture is reflected in good government for the residents, ratepayers and visitors to the City of Perth.

35 The Terms of Reference also require certain specific matters be investigated. They will be carefully considered.

40 Some of these are matters about which the public is already aware, such as sponsorship, tickets and grant administration as well as the acceptance and disclosure, or lack of disclosure, of financial interests and travel and entitlements. Today's call for public submissions may well bring further issues to light. The Inquiry hopes it will.

45 This will allow the Inquiry to ensure that it does everything within its power to consider the public's concerns and to try to restore public confidence in the City of Perth.

Public hearings will begin in due course and notice will be given. The Inquiry has prepared a comprehensive set of practice directions which will

be available on its website. Witnesses and counsel appearing at the Inquiry should read these practice directions to understand the approach that the Inquiry intends to take to many of the procedural issues that will arise.

5 It is to be remembered that the function of this Inquiry is an investigative one. This is not litigation in the usual adversarial manner and those coming before the Inquiry are invited to approach it with that role in mind.

10 In closing, the matters that I have raised today, cover only part of the Inquiry's work.

As Counsel Assisting, with the Inquiry team, we are working to assist the Inquiry to address the large and difficult task before it.

15 At the appropriate time public hearings will take place. At those hearings the Inquiry will hear, in many cases for the first time, about many serious issues requiring close and rigorous scrutiny. This will include matters concerned with, among other things, honesty, fairness, accountability and transparency.

20 We welcome the challenge to assist to restore community confidence in our State's capital, the City of Perth.

25 Those are my submissions.

MR POWER: Thank you for those helpful submissions, Ms Lendich.

We will now adjourn.

30 HEARING ADJOURNED AT 11.28 AM