

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Traralgon – Wednesday 4 September 2024

#### MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

Evan Mulholland

Sonja Terpstra

#### PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

**WITNESS**

Steven Piasente, Chief Executive Officer, Latrobe City Council.

**The DEPUTY CHAIR:** I declare this hearing open and welcome Steve Piasente from Latrobe City Council, and in doing so I just make the point that evidence taken here is protected, but outside, if you repeat that same material, it may not be protected.

We might just dispense with going around the table, just to save a little bit of time for people.

Thank you for your submission. If I can ask you to present for about 10 minutes, then we will start with questions after that.

**Steven PIASENTE:** No worries. Thank you for the opportunity to speak at today's hearing. I am here representing Latrobe city. Just a bit of background for those who do not know the area that well: we have got a population in Latrobe city of about 78,000 people. We make a significant contribution to the region's economy; in relation to economic output, it is estimated at around \$13.7 billion. A number of businesses within Latrobe city are quite significant, and they employ about 30 per cent of the total region, so we have got the largest employment base of the area. We have significant infrastructure here, from a community perspective, in terms of provision of hospitals, TAFE, Federation University and the like that support the region.

As you probably well know, we have had a long history of power generation in Latrobe city, but we do face challenges in relation to transition, and that flows on to some of our challenges in relation to financial sustainability for ourselves. You have probably heard a lot from other councils, and every council has its unique points. Ours is facing some significant challenges, particularly around timber transition and also power station transition, in terms of the economic outlook for us. That has an impact on us financially, so I thought I would raise that as a point. It is just touched on in our submission as well. It is a pressing issue for us, financial sustainability, particularly as we face those challenges.

We have had a range of other factors that have impacted upon us, other than rate capping itself, in terms of what has occurred in that space – things like that industry transition, cost shifting and some of the other things you would have heard. I suggest increasing capital and operational costs is not meeting the rate at which our revenue is being delivered, so that is putting significant pressure on our budgets. We have been in a position where things like our enterprise agreements have been able to be tempered in the past few years, but in our next enterprise agreement, as an example, my view is we will not be able to achieve that same lower level of percentage increases for staff because we will not be competitive, and it will be a significant challenge to get that across the line. We are likely to have higher costs ourselves in terms of our own operating, so that is going to be a challenge for us in terms of then managing all the things that we need to do for the community.

There are things that I think we can do – we need to be more innovative in relation to our own service delivery – but there are probably also some things, which we touched on in our submission, we think the government could assist with outside of even the rate capping issue in terms of how we might address our longer term financial sustainability. As I said, you have got our submission. I am happy to take any questions from there. Thank you.

**The DEPUTY CHAIR:** All right. Thank you, Steven. I am going to start with Gaelle – if you want to start off.

**Gaelle BROAD:** Thank you very much for your submission and being here. I am just interested in the direct and indirect financial impact to council in relation to the closure of the Hazelwood power station, noting the planned closure of Yallourn and Loy Yang as well.

**Steven PIASENTE:** In terms of directing back to us financially, they were contributing – each of the mines effectively and the power station – around \$2 million per annum as a rating agreement. So it was not as a direct consequence of rates but a rating agreement. When the power station closed at Hazelwood they went from paying that to zero. The valuation of their holdings was set at zero by the valuer-general because they had significant liability issues around the mine rehabilitation, so that meant they went from \$2 million to zero. We had to fill that gap in terms of our own operating costs. We have, like a lot of councils, diminished the amount

of money we have been spending on capital expenditure, but equally we have had to trim our operating costs in response to that, which is becoming more and more difficult. We have traditionally had surpluses, but they have diminished. This year's surplus will be very small at the end of the financial year, which will be reported shortly, compared to what it was previously. So there has certainly been a significant impact to us in terms of that closure.

Engie probably do not have the best reputation within Latrobe city from my own personal experience, in terms of the way they did things. Obviously the closure was announced very rapidly. They had made same commitments they would transition from \$2 million down to what their rates would be at a normal level. They did not do that. It went to zero, and we do not receive anything from them – although they do have significant landholdings that are not impacted by mine rehabilitation. I would argue that a lot of their holdings they should actually be paying rates on. The mine rehabilitation part – obviously that is a liability for them, but it is all bundled up in one valuation. That is part of the reason why they are not contributing anything at all. And they still do consume some of our services. The other mines pay the same amount in terms of their contributions to us. So that will be a real challenge for us in 2028, and we are planning for that transition in terms of trying to reduce our costs –

**The DEPUTY CHAIR:** Two million dollars a year?

**Steven PIASENTE:** Yes, \$2 million – so we are not caught out at the point that they close. We are trying to plan for that. That is going to be harder, again, for Loy Yang. For us, that is one of the areas we need to think about. One of the things in our submission I touched on is in relation to, I suppose, addressing that.

There are certainly some areas of Latrobe city that have significant overlays relating to coal and coal use, and one of them sits just behind us here opposite, on the other side of the railway line. I could never see any government in their right mind or regulator approving a new mine in that location, even if coal was to be used for another purpose. Our view is that overlay should be removed. That would then allow that area to be developed. That is one of the things. We could then generate more employment and more housing in that precinct, because it is prime land for that purpose – but it is being encumbered at the moment by that overlay, as one example of some of the things we think the government could do. It is outside of the box probably in terms of that issue around financial sustainability, but for us that is something that could drive a different outcome. We have to think differently about the future uses of those lands. At the moment they are really heavily encumbered, so that is a real challenge.

**Gaelle BROAD:** Okay. So that is a change that you think, outside the rate cap, could contribute, with further development, if that was removed.

**Steven PIASENTE:** Yes. That would allow further potential industrial development and further residential development. Obviously with residential development, particularly in a greenfield site, you need to service all of that. The rates you get from that, from new properties, are helpful, but you still need to service those property owners and provide garbage service and all the things that we do. So there is some benefit in growing your population, definitely, but industrial use of that land could also potentially be a viable option. That would then generate more employment opportunities and that would replace some of the jobs. The workers in the power stations are estimated – the ones that remain – to be about 1 100 direct employees. We would not want to see those people leave, so it is about creating the right environment for them when those mines close and having other job opportunities, particularly around whether that land could be used for another purpose, some sort of commercial use and the like. We are doing some work around an industrial precinct ourselves at the moment to try and help facilitate that, as an example. We think that could grow. That is outside of that rate-capping issue, but it certainly would help us in our financial sustainability.

**Gaelle BROAD:** We have heard –

**The DEPUTY CHAIR:** Last one.

**Gaelle BROAD:** That is fine. We have heard from other councils a bit about the consumer price index, the CPI, and whether or not it is the appropriate measure with rate capping. Is there a better alternative?

**Steven PIASENTE:** For us, I think I had some numbers that indicated the total CPI had increased over a period of time by about 15.8 per cent and rate capping only increased by 7.75 per cent. We do not buy a lot of

goods that you find in the CPI measure – a basket of goods at the supermarket, such as bananas and bread and the like – so my personal view is that there could be a different mechanism that measures it differently in terms of construction costs and those other things that we do. That could be an alternative, and I think in other jurisdictions they have a slightly different model where they actually consider different factors in terms of what the rate cap should be. I have heard some of the other people speak at inquiries around this. It would be very hard I think for a government to say we are going to totally remove it, but I think a different measure certainly would help us in terms of financial sustainability to a greater degree. I think our councillors would certainly like to see it removed, and we have had cases where we actually have not applied the rate cap at all – councillors made that independent decision. Certainly during COVID they said, ‘We’re not going increase rates this year,’ and we had a zero per cent rate increase as an example. I think that local decision-making is important for councillors and our council to help determine our direction. I think there is an opportunity: if it was not removed, that would probably be the ideal for us in terms of making our own determination, but another measure would better reflect what it is that we do.

**The DEPUTY CHAIR:** Tom.

**Tom McINTOSH:** Thanks. I just wanted to check: that was a flat \$2 million per annum on each of those coal generators, is that –

**Steven PIASENTE:** No, I think it was under an old SEC Act – it is based on their power output, so they are not all exactly the same. But that is the point. It is around that \$2 million. It depends on what the output of the unit is that they are –

**Tom McINTOSH:** Yes. I just thought that sounded a bit funny. Sorry, can I just check your operating budget, just out of interest?

**Steven PIASENTE:** This year is around \$200 million, the total budget.

**Tom McINTOSH:** No worries. All right. Just on those costs, you were just talking about those different mechanisms to look at CPI. We have heard this before: CPI, supermarket versus costs and maintenance. Could you just elaborate a bit on how you could see that playing out in a way that is not too burdensome but in a formula that could –

**Steven PIASENTE:** I think if you look at the things that we do, a lot of our costs are employee costs – 60 per cent of our budget will be employee costs. We are looking at probably around a 3 per cent increase in staffing costs in terms of their enterprise bargaining agreement. I think some of that should be returned in a dividend in terms of improvements and in terms of efficiencies and the like, but that has really been driven by the market. The state government and the Victorian services union just introduced their measure around that at around 3 per cent. Whether it is lower than that – we have traditionally had it a lot lower. Our last enterprise agreement was linked to the rate cap and a percentage thereof, so it was a lot less. But if it was a figure that included some better measure of wage increases – and we look at our construction costs and other costs in terms of operating our services, particularly our operations teams and maintenance and the like in terms of bitumen products – and if you take out some of those factors around just the pure CPI basket of goods, it better reflects those things that we do in the industry. A lot of that is wages. Another component is construction costs – we are seeing those increase dramatically. Capital costs are increasing, and supply costs for materials. So I think there is some measure that better reflects that. I have not got the answer if front of me telling me what that looks like, but that is the sort of thinking around a better reflection of what it is that we actually do.

**Tom McINTOSH:** Okay. Thanks, Chair.

**The DEPUTY CHAIR:** Evan.

**Evan MULHOLLAND:** Excellent. I know you mentioned that there is some financial impact to council in relation to the closure of Hazelwood, noting the planned closure of Yallourn and Loy Yang stations. Do you have any indication of the direct and indirect financial impacts?

**Steven PIASENTE:** The direct financial impact to us is quite significant – I think I touched on that: around \$2 million. The indirect cost has come up before. The indirect cost for us is that there is potential risk around people. If you look at the example around Hazelwood, they had 600-odd employees. A percentage of those

stayed, a percentage left and a percentage were redeployed into other areas at either other power stations or other industries that took jobs on locally. There is potential risk that some of those people may move interstate and there is less productivity locally in terms of employment and opportunities. If you go to Traralgon, for example, there are lots of restaurants. The supply chain that they support in terms of the people who work in those industries – if there are less people here that is going to be a real challenge for us. So there is an indirect cost, more so to the community. For us, one of the indirect costs is we still have to operate things like an aquatic centre. If you have less people here using it, the cost of that is that we are not getting as much revenue through, so we have a reduction in revenue as well. So there is a flow-on back to us, which is probably more a direct financial cost, but again we lose revenue from operating our services. We still provide them. The counterargument is, ‘Well, you should look at reducing the number of facilities you have.’ That is very difficult in a community like ours where we have a number of different centres where we provide some services like libraries across a number of different townships, and it would be hard to remove those. So we have some lost revenue opportunities for some of our services as well as that direct financial impact on us.

**Evan MULHOLLAND:** If you have any specifics around that question in terms of financial impact, we are more than happy for you to take that on notice.

**Steven PIASENTE:** Yes. I can provide some details back around that.

**Evan MULHOLLAND:** It is obviously a big impact on the council not having those people paying rates – supporting the community kind of stuff. Do you expect any kind of commensurate flow-on from planned announcements such as the SEC? They have got now one full-time staff member in Morwell.

**The DEPUTY CHAIR:** They have really gone to town.

**Evan MULHOLLAND:** But do you expect more?

**Steven PIASENTE:** If you look at, for example, the GovHub that was developed in Morwell, they had planned to have a significant number of staff there, and council actively supported that development in that location. COVID has changed that. We have a lot more people working remotely. That building is not occupied by the number that it was meant to permanently, and so we do not have that flow-on impact into the community in terms of its usage and supporting businesses. That for us generates challenges in terms of then getting people to come locally and stay and obviously employing people locally and housing people locally. They are able to work in Melbourne and come one day a week. That is a real challenge for us, so we have highlighted that to the government. That issue – we have been advocating for that. There actually is a change to that model where there are more people located in that building. As an example the SEC –

**Evan MULHOLLAND:** Are you aware of how many people at the moment are located in the GovHub on any given day?

**Steven PIASENTE:** The figure you mentioned is the one I had heard recently. I have not had a formal update from the SEC. The last time I spoke to them was probably earlier in the year with the mayor – it was probably six months ago – and that was the figure they quoted to me.

**The DEPUTY CHAIR:** It is a very lonely figure.

**Steven PIASENTE:** Yes. There are a couple of people there.

**Evan MULHOLLAND:** That is all from me, Deputy Chair.

**The DEPUTY CHAIR:** Sonja.

**Sonja TERPSTRA:** Thanks, Deputy Chair. Thanks, Steven, for your presentation. It was very comprehensive. And thank you again for presenting to us. I was just looking at your submission. One of the points you talk about is the removal of restrictive overlays in order to open up development. Can you unpack that for us a bit? What sorts of overlays are you talking about, and what sorts of development do you anticipate would then be facilitated?

**Steven PIASENTE:** I touched on that before. There are significant coal overlays particularly, and some of those areas can be retained, but council’s view is that a number of them should be reviewed and removed. They

are the primary ones that are of concern to council at the moment. I think that there might be some other styles of overlays, related to heavy industry, but they are very similar. One example I touched on before just here, near where we are sitting just on the edge of Traralgon, is an overlay for an area that we think could be removed. We actually made a submission to Regional Roads Victoria – or VicRoads back when they were doing the bypass planning – that the bypass for Traralgon should be relocated, which would allow that land to be developed. The response was, ‘No, that area needs to be retained for future coal use and the realignment has to stay.’ The current highway alignment in that example is in the wrong location. In council’s view it should be relocated. That land then would be able to be used. A whole new suburb was actually being planned for there. VicRoads back in the time, 20-odd years ago, actually had an option for that alignment to be in a different location, which would have allowed a new suburb effectively to be developed on the edge of Traralgon with a service centre and potential for industry. That probably elaborates a bit more on that earlier example of what we think could occur. There are a number of others, we think. The easy ones have been removed. They were overlays in the centre of towns that did not really need to be used. We think there is some more work to be done to remove those. It would free up land for further development into the future, which then helps us in terms of consolidating population and growing new industries.

**Sonja TERPSTRA:** You mentioned that you have had some interaction with I think VicRoads or the department of roads on the example used. What other advocacy have you undertaken in order to try and advance the council’s vision for increasing development? We are talking housing development, right, but when we talk about housing development it is how you also might factor in community assets like dog parks or kinders – those sorts of things. A double-barrelled question: first, what other advocacy have you undertaken with other various departments and ministries, and then what is the kind of vision that you are looking at for those developments?

**Steven PIASENTE:** In that one example we did have a positive meeting with the government probably three months ago. There were indications that they would come back to us and look at it positively, but we have not heard any more in relation to that. We have met with the mine regulators. We have met with Minister D’Ambrosio and the departments that are related to mining particularly, and I think environment were involved in that. There were some positive signs, but it has not progressed. Those issues around overlays and mine rehabilitation impact a number of other areas in the city that we are trying to resolve. But in terms of what those areas could look like, the original plan – if it is agreed to remove those overlays, which we think should be – we would need to revisit that. That original plan for particularly that area of Traralgon West on the other side of the railway line had a whole suburb effectively of residential and commercial activity. I think there was, from memory and from what I have been told, also some industrial as part of that in terms of having a genuine precinct.

**Sonja TERPSTRA:** When was the last time that that plan was refreshed, for want of a better term?

**Steven PIASENTE:** It has not been refreshed recently, because every response we have ever had is that the overlay is going to stay and the highway bypass is staying where it is. But we think that needs to be revisited, given one of the other things we are advocating strongly for is now a bypass of Traralgon. That has been on the cards for a long time, and we want to progress that piece of work around a different alignment. That is something we will continue to advocate for. I think a new council will have that on their list. The community was probably sceptical about the Traralgon bypass five or 10 years ago, but our view is we need to progress with it.

**Sonja TERPSTRA:** Great. Thanks very much. No further questions. Thanks, Deputy Chair.

**The DEPUTY CHAIR:** Sarah.

**Sarah MANSFIELD:** Thank you, and thanks for appearing today. I am interested: in your submission you made a number of comments about the challenges with grants and that many of them are not fit for purpose. I am wondering if you can give some examples of where that is the case and why you are suggesting some changes around the grants system.

**Steven PIASENTE:** Thanks for the question. I think the best grants that council has received are some of those untied ones, where we get to make the decision around what it is we deliver. We are often having to, when grants are announced, identify projects, and we have a strong list of candidate projects and advocacy lists

of projects that we constantly work on to try and find which one best fit into that particular funding program. When they are untied – I saw it with the GFC when the federal government provided significant amounts of stimulus funding that was untied. Council was able to choose a whole range of infrastructure projects that it could deliver that benefited the community without having to necessarily significantly increase operating costs. A lot of the grants that we have received in Latrobe – which have been for great projects, such as a new aquatics centre or a new performing arts centre, some of which were government funded, state and federal – have had significant impacts in terms of operating costs. We have had a massive increase in our operating costs combined with those other factors I talked about earlier, so I think greater flexibility around some of those grant programs is what we have been advocating for in the past. That is where some of that thinking lies.

**Sarah MANSFIELD:** Thank you. The issue of the competitive nature of some of the grants programs is something that has come up in some other presentations, particularly when it comes to grant funding for essential infrastructure. I am wondering if you have any thoughts on that.

**Steven PIASENTE:** Yes. I have seen some very significant federal funding grants that we have put a lot of time and effort into applying for and have not been successful in receiving – some we have, fortunately. But I do agree – there could be a different model in that respect, where there is an untied amount that could be provided and then there is a competitive process. You see a lot of those big projects, particularly in a regional setting – things like the growing regions program and the regional precincts and partnerships program. I do not necessarily see a lot of those larger programs at a state level; they are more localised recreational facilities and the like. Our thinking around that is probably more at a federal level in terms of being able to tap into some more of that funding, given the amount of revenue that they have. That is what we were thinking around that.

**Sarah MANSFIELD:** Thank you. You have touched on asset renewal and the challenges around that, but I guess I am interested in whether you have any suggestions for how the state government could assist councils with addressing that growing asset renewal gap, particularly for rural and regional councils.

**Steven PIASENTE:** I think at Latrobe we are pretty fortunate that we are more compact than some of our neighbours. If you look at East Gippsland, they have got a massive road network and a limited rate base. For our renewal gap, we are funding around 73 per cent of what we should be; a number of our assets are in poor condition. One of the challenges we find is that if we have assets that are in poor condition and have very low usage, we find it very challenging to have the community see that the asset should be used in a different way or not used at all. That is always a real challenge for us. We do not get funding for things like just that renewal. Nobody wants to fund a toilet block, I should say, but we have ageing toilet blocks and infrastructure like that.

**The DEPUTY CHAIR:** They are needed.

**Steven PIASENTE:** Yes, they are very well needed. So if there was a different model that would allow funding to be used for those things rather than all of the new assets – that is typically where you see the funding coming from, for new infrastructure. It is for new infrastructure, so for things like sporting pavilions and precincts you certainly see funding. So having the ability to apply that to some of those improvements that are required, renewal probably more so than brand new, would be something that would be of value to local government in my opinion.

**Sarah MANSFIELD:** Thank you. Has your council had to face any decisions around limiting services or reducing the number of services that are provided as a result of concerns around financial sustainability?

**Steven PIASENTE:** We are about to face that challenge. I touched on earlier our costs. We have generated surpluses, but I have been at Latrobe city for 10 years and they have been constantly declining. In the next couple of years I cannot see that we will be generating surpluses anymore, and that is going to mean that we are going to have to make some really tough decisions around service delivery. We are doing some work at the moment looking at data in relation to usage of our facilities. With the recent changes, as an example, to the waste services – the introduction of the guidelines around what you can and cannot include at the kerbside – one of the exclusions is not being able to include transfer stations in that cost, which we traditionally have. So we are doing some work at the moment looking at all of our transfer stations. We have a number across the city. Some are only open a few days a week, but they still have a relative cost that is significant. So we are looking at data around how they are being used. We will need to manage that, and it will be a step we take, in my view, in terms of trying to reduce those costs in terms of the hours of operation, the days of operation and

that sort of thing. For example, there is one in Traralgon and also one in Morwell. The Morwell one is probably the primary facility, so should the Traralgon one continue to be used as it is or should we look at modifying that? We have to make some decisions around some of those things very soon.

**Sarah MANSFIELD:** Thank you.

**Steven PIASENTE:** But it is a very difficult one for any council to make. I have been involved in council for 30-odd years, and I do recall a decision – there were three council reports to remove a toilet block on a foreshore where I used to work because the community was outraged that council was removing it. So it is always tough to make those decisions. The toilet block, in that example, had actually failed and was due to be demolished, but the community wanted it replaced. It is a very tough ask for the communities when we are delivering those sorts of essential services and we do not have access to other types of funding to rehabilitate those. That comes from the rate base, so it is really challenging.

**Sarah MANSFIELD:** Thank you.

**The DEPUTY CHAIR:** Bev.

**Bev McARTHUR:** Thank you, Steven. Now, it is my understanding that your ratepayers have had to fork out tens of thousands of dollars due to legal costs incurred when the minister's LGBTQIA state taskforce set out to pursue a single-parent female councillor over social media posts. Is this a good use of ratepayer dollars given arbitration costs incurred by a minister's office are billed back to a council?

**Steven PIASENTE:** I think you are referring there to a code of conduct matter. Yes, there have been a couple of code of conduct matters at Latrobe city, unfortunately, where councillors have had to go through a process. My view is that those matters would be best resolved internally. Unfortunately, they were not able to be, so those processes ended up going through a conduct panel. And we get passed those costs, as you said. They are unfortunate.

**Bev McARTHUR:** How much has the council had to pay out in those costs?

**Steven PIASENTE:** I would have to take that on notice. We did have some FOI requests in relation to this a little while back. I cannot remember the exact number, but I think it is \$50,000-odd. There have been I think three conduct matters that have been through the process fully.

**Bev McARTHUR:** And how is that female councillor? I understand her mental health was seriously affected.

**Tom McINTOSH:** Sorry, Deputy Chair. Can I just raise a point of order?

**Bev McARTHUR:** Well, it is about costs.

**Tom McINTOSH:** Sorry, I think an individual's personal mental health –

**Bev McARTHUR:** She is a councillor.

**Tom McINTOSH:** No, sorry, we are here to talk about fiscal imbalances, core service delivery, revenue structure – existing revenue structure. I just think we could spend a lot of time talking to individual councils about individual councillors and what may or may not be happening, but I think it is important that we stick to the inquiry.

**The DEPUTY CHAIR:** I think the mental health is probably one step too far, but the costs incurred are legitimate.

**Steven PIASENTE:** Yes, they are. There are costs that are passed through to council, and we have to pay for that.

**Bev McARTHUR:** Yes, well, you can take that on notice, if you would. That would be good.

**Steven PIASENTE:** Yes, I will find that figure for you. That is easy.



**Bev McARTHUR:** Just going to further cost shifting: did you get the bill to roll out immunisation?

**Steven PIASENTE:** I did. I heard that question of the earlier presenters.

**Bev McARTHUR:** So you are well prepared.

**Steven PIASENTE:** Yes. Actually I am part of the regional cities network, and as soon as we received that all the regional city CEOs were saying, 'Hang on, what's going on here?' That system was introduced, so we were doing some work going back to government saying, 'We think that's unreasonable. It's another imposition of a charge.' We tend to see that, I suppose, things are initially started in one form and then the costs are reduced or there is a charge introduced and we then have to pick that up. So we have seen that. You would have heard about libraries and other services that are delivered by council where traditionally there would have been high levels of funding and they diminish over time. There are a number of programs that have been introduced that I have seen. Some of those –

**Bev McARTHUR:** So are you suggesting to the state government in your regional group that they fund this immunisation program themselves?

**Steven PIASENTE:** Yes, we did. We wrote back to them and said that was the case. It was introduced on that basis and should be continued.

**Bev McARTHUR:** Excellent.

**Steven PIASENTE:** I think there are plenty of other examples where we have seen that challenge of that shift in cost.

**Bev McARTHUR:** What is the shift in, say, a library? It was about 50–50 at one stage. What are you down to now?

**Steven PIASENTE:** I have not got the exact detail, but I think around 20 per cent. But I can get you that detail on what our costs are.

**Bev McARTHUR:** Twenty per cent of state funding?

**Steven PIASENTE:** Yes. We are picking up a lot more of that cost. Services do change over time, but the funding does not keep pace with that in my view.

**Bev McARTHUR:** You are in the category of wanting to have the rate cap changed to reflect all the costs that you are incurring. You are effectively asking ratepayers to pick up the bill further if you want the rate cap changed so you can charge higher rates.

**Steven PIASENTE:** I think what I was saying earlier was giving the council the autonomy to make that decision. I have been involved in a couple of councils, and I have seen them where they have actually had zero increases at times.

**Bev McARTHUR:** Excellent.

**Steven PIASENTE:** Some have been slightly higher than what CPI might have been, and that was typically around I think being able to articulate what it is that council is delivering above and beyond its normal services – things like new infrastructure. I do acknowledge that there are members of our community who would have financial difficulties – they do, paying more – and so that is a real challenge for the council. So the mechanism we put in place to support them in terms of repayment plans and all those things is also important.

**Bev McARTHUR:** But isn't the mechanism broken? It is a very unjust form of taxation, isn't it? Rural and regional ratepayers will be paying a lot more rates as per the rate in the dollar than metropolitan areas. It is the one tax that depends on geography, isn't it?

**Steven PIASENTE:** It does, yes. And the higher the value of the property you have, the more you pay.

**Bev McARTHUR:** No, it is the rate in the dollar that the council sets that is the issue. It will be much less in a metropolitan council compared to what it will be in a rural council.

**Steven PIASENTE:** Yes, because of that urban consolidation – they have got a lot more people in a smaller geographic area. We provide a lot more services. As I said earlier, we have got aquatic centres in each of our townships effectively, so we are providing that level of service to our community and it can be quite costly. I would like to see, from a personal perspective, a greater share of the revenue that the federal government provides back to us in terms of providing the services. I think that some of the previous presenters you have spoken to would have spoken about that – I did hear one earlier – around the percentages that we actually get back from taxation and the like. We would like to see more of that returned back to council for us to then provide services at a local level.

**Bev McARTHUR:** I guess you have also got to suggest to your community that if they want all these services they might have to pay.

**Steven PIASENTE:** Sorry, in terms of –

**Bev McARTHUR:** If you have the wish list, it is a matter of: are they prepared to pay?

**Steven PIASENTE:** It is like a household budget – you cannot afford to do everything.

**Bev McARTHUR:** Correct.

**Steven PIASENTE:** So we have to go through that process of analysing what is important for the community.

**Bev McARTHUR:** Just the issue of the windfall gains tax, which is not hypothecated, where ratepayers and taxpayers will be picking up the bill for extra infrastructure involved in a development – if you are going to keep this onerous tax, should it be hypothecated so that the facilities and services required to service that area are funded via the tax?

**Steven PIASENTE:** Definitely, is my answer to that one. That tax, and it is touched on in our submission, is applied, effectively, at a higher level to regional areas than it is in metropolitan Melbourne. You are not getting a lot of farms being rezoned. I have seen that. There is a local landowner here who sold their property. It was originally valued at a couple of million dollars. It got rezoned. They sold it for \$8 million. My view is, yes, they should pay something back.

**The DEPUTY CHAIR:** Fifty per cent is a lot, though.

**Steven PIASENTE:** Yes – whether that is the right figure, I am not quite sure. That tax then is not being used to support infrastructure. We have actually made a submission as part of Regional Cities Victoria that that model should change. We have supported that in our council.

**Bev McARTHUR:** Is it resulting in basically a lack of development?

**Steven PIASENTE:** Developers have not said that yet, but there have been some indications that it is a challenge for them in terms of being able to develop land. We have still got strong residential growth, but I think when it kicks in fully, there will be some challenges around that. Our view is that if the funds are raised, they should be returned back to deliver infrastructure.

**The DEPUTY CHAIR:** Thank you. I have got a couple of follow-up things that I want to just pick up. The submission that you referred to from regional cities on the windfall gains tax – we would love a copy of that to understand that.

**Steven PIASENTE:** Yes, I can take that on notice and send that through.

**The DEPUTY CHAIR:** That would be helpful. Also, your submission refers to the Lucid Economics report. You commissioned that?

**Steven PIASENTE:** Yes, we did.

**The DEPUTY CHAIR:** You commissioned that. Is that publicly available?

**Steven PIASENTE:** It is not something that we had provided publicly to councillors in reference, but I will take that on notice about its provision to you – if that is possible.

**The DEPUTY CHAIR:** We would certainly welcome that, because I think in your –

**Steven PIASENTE:** I thought you might ask that question. My staff did ask me that.

**The DEPUTY CHAIR:** Did they?

**Steven PIASENTE:** They did highlight that when we included it in the submission.

**The DEPUTY CHAIR:** It is actually a very important point, of course. I think it is sensible that you have done that kind of examination, because you are obviously going to have a very significant point. You also – and I think Mr Mulholland mentioned this – mentioned the \$2 million in rates that had been paid by Hazelwood and similar. We would, again, love to know the amount that is paid.

**Steven PIASENTE:** A breakdown – yes, I can take that on notice to get a breakdown of those for you.

**The DEPUTY CHAIR:** That would be very helpful indeed. So what does the Lucid report, in short summary, say?

**Steven PIASENTE:** Effectively that we need to replace the lost industry investment to the value of around, I think it is, \$680 million of new developments, which is new houses and new industry that is developed at a level to have the equivalent value of rates paid. It also highlights, from a jobs perspective, from memory, that that sort of value would need to be delivered to generate a significant number of jobs. If you look at the Bega yoghurt factory, which is just down the road here – they employ around 200 people – we would need I think 14 of those new developments to then replace the number of jobs and the economic output. The economic output is a little bit different because the wages in the power sector are relatively high, and so you need more to replace them.

**The DEPUTY CHAIR:** More headcount, as it were, to replace that.

**Steven PIASENTE:** More headcount, effectively. Exactly right, yes.

**The DEPUTY CHAIR:** There are another couple of things in your submission that are certainly of interest to me. The Latrobe Regional Airport I think provides a very important regional connection.

**Steven PIASENTE:** Yes.

**The DEPUTY CHAIR:** What is the cost of that? You mentioned that levels of government should invest in the Latrobe Regional Airport.

**Steven PIASENTE:** I would have to take the question on notice about the value, but we are certainly looking at things like advanced air mobility and hydrogen engine production. We got a couple of companies that are doing work there at the moment. Advanced air mobility is drones – we have got a partnership with Swinburne. That is about testing and the like and the regulations around how drones might be used in the future. That is for things like emergency services as well as potentially transport. We would like to see some investment in that precinct to help support its growth in terms of generating new jobs that do not exist locally. There is also a hydrogen engine manufacturing company that is working there.

**The DEPUTY CHAIR:** I was going to ask about that. What is that? Tell me what that project is and what the council's involvement is.

**Steven PIASENTE:** We have been working on advanced air mobility – that is with Swinburne and a number of other universities – around testing and what regulations need to apply to drones. And then there is a hydrogen engine production company. I have forgotten their name off the top of my head, but they are looking to produce hydrogen engines that could then replace, obviously, normal-fuelled engines.

**The DEPUTY CHAIR:** Was there council or state government support for that?

**Steven PIASENTE:** Yes, there has been some state government support for that. We have got a couple of hangars there, so we are providing the facilities for them to come and develop that product. That could reduce, as an example, the cost of flying, and that could then lead, for us, to the reintroduction of passenger transport within Latrobe.

**The DEPUTY CHAIR:** Also in your submission you mentioned kinders, kindergartens, and issues around funding. You say:

Changes in government policies including increases in levies ...

And then you move on to:

For instance shifts in kindergarten policy has needed more infrastructure, leading to increased maintenance costs and further pressure on the Council budget.

Have you quantified that? Have you got a report or something that quantifies that?

**Steven PIASENTE:** The team may have. I would have to go back and take that on notice. I might have spoken at another parliamentary inquiry in the past. But I do find it interesting that the most formative years of a child's life in terms of education are left to committees and others. We do a great job at it, do not get me wrong, in terms of delivery of that, but I do find that one interesting, that we are having to pick up in relation to that education piece.

**Bev McARTHUR:** You do not have to; you could say no.

**The DEPUTY CHAIR:** Well, I think they have probably done the right thing in costing this, and that would be very helpful if we have got something there. Do you have any idea of what that additional cost is likely to be?

**Steven PIASENTE:** I would have to take that on notice. I do not at the moment.

**The DEPUTY CHAIR:** Yes. So is it the infrastructure that is inadequate?

**Steven PIASENTE:** Yes. A lot of our infrastructure is going to need to be upgraded to provide those services. I even had a question today about Churchill township, for example, and there is a commitment to providing another kindergarten at that location. Our view is we would probably consolidate what we have already got rather than building another new one, because that would be another piece of infrastructure to deliver. So we need to think about that a bit differently, but there is an increased cost associated with that. Acknowledging that with some of those kindergarten services for people in our community, it is challenging for them to access that, so that is part of the reason why councils have been delivering those. Some other councils do not – they might provide the facility and they let other community groups run those services – but we actually do direct service delivery.

**The DEPUTY CHAIR:** So state government have got programs here where they are trying to achieve certain objectives, and they seem to have altered the requirements for the facilities.

**Steven PIASENTE:** Yes, the number of hours and the like.

**The DEPUTY CHAIR:** The number of kids.

**Steven PIASENTE:** The number of kids, yes.

**The DEPUTY CHAIR:** Three-year-olds.

**Steven PIASENTE:** Three-year-olds, yes, and all those of those changes.

**Bev McARTHUR:** It is all free, though, isn't it?

**The DEPUTY CHAIR:** Well, I am just trying to get to the point. Is the state government funding this?

**Steven PIASENTE:** They are supporting some of the infrastructure delivery, yes. In terms of the operating costs, there are some increases in costs.

**The DEPUTY CHAIR:** All of it, or –

**Steven PIASENTE:** To date, of the ones that have been delivered, yes. I am not quite sure about the future ones, though. There is still a question mark for us around that.

**The DEPUTY CHAIR:** So how much have they put in?

**Steven PIASENTE:** I would have to take that on notice. But there have certainly been some new centres that have been opened. One was in Traralgon recently –

**The DEPUTY CHAIR:** But the existing centres, the upgrade of them?

**Bev McARTHUR:** Is it on council land?

**Steven PIASENTE:** I think that one was. Some are not, though. Some are on education facility land. Yes. Some we have not taken on; we have said, ‘No, we’ll leave that to the school to deliver.’ So we have been strategic about the ones that we do take on.

**Bev McARTHUR:** What about rubbish collection and garden maintenance and, you know, repairs and –

**Steven PIASENTE:** I am not sure we have picked those up for those –

**Bev McARTHUR:** Utilities – do you pick those up?

**Steven PIASENTE:** The ones we deliver, yes. Definitely. Yes.

**Bev McARTHUR:** So it is not free.

**The DEPUTY CHAIR:** I think we are nearly done. There is enough for perhaps one or two more questions. Are there one or two more questions that people have got? Have you got one?

**Bev McARTHUR:** Are you going to accept the grant offer from the Minister for Equality to roll out the inclusivity program in state libraries, which will require five-year-olds to be asked what their pronoun is?

**Steven PIASENTE:** I would have to take that on notice. I have not seen that one myself.

**Bev McARTHUR:** Good.

**The DEPUTY CHAIR:** Gaelle.

**Gaelle BROAD:** We have heard other councils talk about the lack of consultation between local council and state government when state government implements something new. What has your experience been like?

**Steven PIASENTE:** It has been patchy. I can use the example of –

**Bev McArthur** interjected.

**Steven PIASENTE:** Probably the one that comes to mind is the changes to the guidelines around waste services. The minister has wound that back slightly in terms of giving a longer time period to assess it. When that was initially announced we had some meetings with the department I think the week before. They did not mention it. And then the next week we were advised there was a change coming in and we needed to deal with it, and we were part way through our budget, so that was particularly challenging. There have been some examples like that.

We try to build good relationships, obviously, with government and work with them as best we can, and I think there are times when even Local Government Victoria do not know some of these changes are necessarily coming through the system. But that one was probably an example of where it was in their area of control – so they should have told us about it – and it was announced pretty late. So that was a pretty frustrating example. There are certainly others that I have been aware of.

**The DEPUTY CHAIR:** Tom.

**Tom McINTOSH:** Obviously the council area and the region has done an incredible job for a century providing energy to Victoria. Just picking up on that point of consultation: how has the council found consultation about new energy going forward and what new energy forms we might have coming out of Gippsland?

**Steven PIASENTE:** It has changed a lot over my time at Latrobe. I was chatting earlier – like, 10 years ago if you had mentioned there was going to be a change to power generation in Latrobe, there would have been uproar and outrage. There is still a little bit of that; people are still uncertain. And that is about the sense of change and loss that people have that work in certain industries. It is certainly improving from my perspective in terms of the conversations that are being had. There are obviously things that governments want to deliver, whether that is at a state or federal level, and some of those come through announcements. But there are certainly a lot more industry players here now talking about what the opportunities might be. I think there is still a challenge around what they exactly are. They talk a lot about jobs that are going to be created and the opportunities for someone to transition from one job to another in terms of working in the power industry. But I think that there is more work still to be done to actually define what that is and where people might be employed in the future, acknowledging that if you have got offshore wind, it is not going to be here – we do not have a coastline. We want to be able to capture those local employment opportunities, so that issue around our financial sustainability around industry development here – can we actually tap into that? That is something that we want to continue.

**Tom McINTOSH:** And how has the consultation been around, say, a proposed nuclear energy industry here so far?

**Steven PIASENTE:** I do not think there has been any. It was an announcement by the federal opposition, and so council does not have a formal position on that.

**Tom McINTOSH:** Yes. Okay. Thank you.

**The DEPUTY CHAIR:** And just on a similar, related matter: renewable energy you mention here. What renewable energy or low-emission energy manufacturing is here?

**Steven PIASENTE:** Locally? There are certainly opportunities for businesses that have traditionally supplied the power sector – whether that is construction, heavy engineering. There are a number of companies here that have that capability to help tap into those markets.

**The DEPUTY CHAIR:** So are state government engaged with that?

**Steven PIASENTE:** Yes, to a degree. As I understand, our teams are working with Invest Victoria and others about what the opportunities are for local people to be continuing that.

**The DEPUTY CHAIR:** And are there any projects we can point to?

**Steven PIASENTE:** Probably not at this stage. There is a large solar farm that is proposed near here – the state's biggest apparently, I have been told.

**The DEPUTY CHAIR:** Where is that?

**Steven PIASENTE:** On that same area I talked about earlier where there is a coal overlay, because you can put a solar farm on a coal overlay. You cannot move the coal overlay to put a township, but anyway. So there are some opportunities coming. But good solar access here – the solar access is not as good as it is in northern Victoria, so you are not going to see a massive influx of solar farms, I do not think. You will see some. Certainly the transmission lines will have an impact on us, and is there an ability for people to tap into those industries to do work in relation to that –

**Tom McINTOSH:** Is Delburn wind in your LGA?

**Steven PIASENTE:** Yes, that one is. There is one wind farm. There is also Frasers solar farm, which is another one on the edge of Glengarry out that way. So there are some, but they are not as prolific as you would get in the west of the state or the north of the state, typically.

**The DEPUTY CHAIR:** We have got time for one more question, if Sarah or co on the screen want to respond. No? All right.

We will draw a conclusion and thank you, Steve, for your contribution. There are a number of points we have asked you to take on notice, and I thank you for that. I thank Latrobe for submitting today. You have done a very useful job.

**Witness withdrew.**