

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Frankston – Wednesday 25 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

**WITNESSES**

Cr Jude Dwight, Mayor, and

Navec Lorkin, Chief Financial Officer, Knox City Council.

**The CHAIR:** I declare open the Legislative Council Economy and Infrastructure Committee's inquiry into local government costings.

I welcome the Knox City Council representatives to the table, noting that we will ask you briefly to submit, pursuant to the terms of reference, and then we will follow with some questions.

If I can indicate to you that what you say here is protected by parliamentary privilege, but if you go outside, it is not.

I ask Navec and Jude to begin. Thank you.

**Visual presentation.**

**Jude DWIGHT:** Lovely. Thank you so much, Chair and everyone. It is great to see some familiar faces and meet some new ones. I am Cr Jude Dwight, Mayor of Knox City Council, and this is our Chief Financial Officer, Navec Lorkin. I will mention that our CEO Mr Bruce Dobson is on leave this week. It is a real privilege to be able to come and speak. I have been listening in today, and obviously there are repeating themes. It is really encouraging, because it is good to hear that there are shared experiences across the sector, and these are the things that we can really drill down on to look for solutions. I would like to acknowledge Knox's traditional custodians, the Wurundjeri, Woi-wurrung and Bunurong people of the Kulin nation, and I pay respects as we commence our submission today. I will start with an opening statement, and then obviously our subject matter expert will be able to help with any questions that you have.

In terms of Knox, as a bit of a snapshot I will just explain that it does sit in outer Melbourne, outside of the 20 kilometres from the CBD, covering approximately 114 square kilometres, with a population of more than 162,000 at the moment and a forecast population of 185,000 by 2046. Established in the 60s and 70s, that later part of last century, there is definitely limited developable land remaining. Knox is also, as we say, victim to the car-based urban development of the outer suburbs, so there is high dependency on private car use. We have a single rail line, the Belgrave line, which goes through the north-eastern portion of Knox; otherwise there are the smart bus and local bus networks that people rely on if they are using public transport. Unfortunately we have about 80 per cent of our residents accessing work by car, and only 38 per cent live within 400 metres of regular public transport – and that is in a suburban council, a metro council.

About 70 per cent of council's annual revenue is obtained through rates and charges. I would like to highlight some of the differences between the local government funding model and the state and federal models. Both the federal government and state government are able to earn uncapped taxation revenue. This obviously increases with economic and population growth and supports better living standards. The local government sector, though, is reliant on insufficient rate revenue and the federal assistant grants, which have not increased in real terms on a per capita basis since 1995. It is important to note that the main income stream for councils – i.e., rates – is set by another level of government – so it is set by state government. This is only true of local government. Obviously the income streams for the other levels are not set by a different level of government. The Victorian government also has other controls over councils that materially impact their operations. This includes things like how those rates can be collected, additional activities that are legislated for councils to have to perform and cost shifting, which I will talk more to later.

We will go to our next slide. I am just going to speak to some of those compounding impacts of financial sustainability. Local government's financial sustainability has been eroded through a number of factors, and I think the number one factor is that the rate cap is being set well below inflation. There has been a lot of talk around rate cap today, and we are not arguing against rate capping but really highlighting that the methodology needs to consider things like past inflation and account for civil construction, which is one of the biggest costs to local government. If you add to that the continued cost shifting from other levels of government, including for library services – originally that commenced with a 50–50 arrangement for council; for Knox now that is an

80 per cent contribution – and indexation frozen by the state government well below inflation. We also have maternal and child health services and the provision of school crossing supervisors, to name a few.

Continued legislative changes to undertake new functions – so things like administering pool fencing and cladding compliance are things that councils are now expected to administer; it comes at a cost to do so. The federal government assistance grants, the FAGs, have not increased in real terms since 1995, which I mentioned earlier. And material increases in WorkCover premiums – for 2023–24, Knox’s increase is over \$800,000 for the WorkCover premium.

Windfall gains tax – as has been discussed today, councils are disproportionately impacted by windfall gains tax. Best practice would ensure that we sell land for the highest price and best use. That is a commitment that council makes to its residents. Most of our land is zoned as public use, and once rezoned to residential or commercial we then need to pay 50 per cent of the gain to the state instead of investing that money back into community assets. So it becomes state government consolidated revenue, and it is a frustration when that originally started as a community asset and that gain cannot be put back into community improvement or benefit.

Legislative restrictions – just touching on how we are able to collect rates. At the moment we have restrictions around we can actually only offer payment plans for up to two years before any other kind of proceedings to be able to collect rates from residents, so now not only is the amount capped but also how we collect those rates.

The updated ministerial guidelines – earlier this year the service rates and charges were released without consultation, and the material impact of what can be included in waste charge is actually also going to have a big impact on our rates. What does not comply with those guidelines has to then be funded from rates. This includes things like collection of public litter bins; it might be street cleaning or collection of dumped rubbish – those kinds of things that are naturally associated with the waste service.

The financial sustainability of local government is not just eroded by rate capping but impacted by many angles. To continue to deliver services for community and relieve pressures on the other levels of government, local government needs to be adequately funded, coupled with proper and thorough consultation. I guess I would like this to be a real theme for today – that we want to have a strong working relationship with the state government and it requires good consultation to understand those financial implications of any proposed changes.

Just looking at the rate cap, we have got a chart here for you, ‘Cumulative Comparison CPI to Rate Cap’. The rate cap has cumulatively been set well below inflation, particularly prevalent during and post the COVID pandemic, but you can sort of see around 2021–22 where that flips and that gap grows quite dramatically. So the current methodology results in a rate cap which does not accurately reflect council’s expenses.

**The DEPUTY CHAIR:** This is the Melbourne CPI?

**Navec LORKIN:** Yes.

**Jude DWIGHT:** Yes. In the current methodology erosion of the rate base becomes a compounding problem. It does not consider past inflation or take into account one of local government’s biggest costs, which is civil construction, and it does not provide sufficient rate revenue to match the actual increase in the cost base of existing services and infrastructure. There is a further complexity, with 79 Victorian councils having started with slightly different average rates, which was influenced by decisions made of the prior councils going into rate capping. This is leading to a permanent and worsening gap between lower- and higher-rating councils.

Lower rates income with the same number of residents at surrounding councils, for Knox, means that we are not able to deliver the same level of community services or infrastructure as our neighbours. So where you might have the same number of residents paying rates, obviously if it is a lower rates income you cannot deliver that same standard of services or infrastructure. So whilst the boundary of a local government area is quite arbitrary – you know, there will be a sign at the boundary – you can actually physically see the differences because of the rates that are coming in for that council to be able to look after their municipality.

Had Knox commenced rate capping with the same average property rate to a comparable neighbouring metro council, we would actually have an additional \$12 million in our rates income annually. Just looking at the rate

cap variation – I think that has been discussed today – that no council has applied for a higher cap since 2019–20 is not an indication that local government finances are sound. Even though we have not had those applications come through, it is not actually an indication that finances are sound. The lack of submissions suggests that the higher rate cap application process is a significant burden on local government. It is administratively complex. It involves a substantial amount of work, diverting resources away from other council priorities, and the complexity of decision-making in the political environment, including the requirement for community consultation, actually acts as a deterrent for applying for a rate cap as opposed to a solution.

I will talk about debt as well. As the underlying surplus position across the local government sector has deteriorated, state government has encouraged councils to borrow. I believe there are significant concerns for the long-term financial sustainability of councils. Debt can provide temporary relief, but it is not a sustainable solution in face of ongoing financial challenges. A dependency on increasing debt levels while constraining revenue capability will only continue to erode the local government's financial sustainability. In 2024–25 Knox required borrowing. The current interest rate through Treasury Corporation of Victoria for a 10-year principal-plus-interest loan was 4.8 per cent; the rate cap for the same period was 2.75 per cent. So if you take out borrowings at 4.8 per cent and you have got to service the loan, you have got to find other efficiencies to be able to service that debt. This operating environment places councils at a much higher risk of not being able to service debt without material impacts to either service or asset renewal. You can see how it starts to spiral downwards.

On services, Knox currently delivers over 100 services, with most councils providing between 30 and 200 specialised services which benefit the community, and they are of course appropriate to various locations and various needs within their community. As well as providing day-to-day services, councils need to maintain over \$140 billion in physical assets. For Knox alone, we need to maintain over \$2 billion in assets. Community expectations continue to increase regarding the delivery of additional community assets, so sporting fields, pavilions, open space, plus the maintenance of these additional assets. There is often a larger footprint for them because our population is increasing. There is a constant demand and increase on those assets. You have got to, obviously, meet needs like inclusivity and accessibility, so there are changes in what those assets look like. They are all great inclusions, but they come at a cost to deliver.

Like all levels of government, councils need to review services and determine their capacity to continue to deliver those. However, local government is at an unfair disadvantage in continuing to provide value to community services due to the disparity in an inability to raise income on par with inflation and demand. Although reduced rates might appear beneficial to the community, the reality is the decreased services and facilities and the negative impact on wellbeing of the whole of the community.

In summary, with rates being a critical income source, having the current rate cap set below inflation, combined with limited revenue collection options and continued cost shifting or updates to ministerial guidelines imposes significant financial challenges on local governments. To address these issues we would ask that Local Government Victoria engage with the sector to establish an assessment framework for financial sustainability and mandate that the Essential Services Commission consider this framework in recommending the rate cap annually, and in addition mandate that the Essential Services Commission consider adjustments to the annual rate cap based on what has actually occurred with inflation and the disparity of the base rates and that appropriate adjustments be made to the recommended rate cap annually. Thank you.

**The DEPUTY CHAIR:** Thank you for your submissions there. I have got a couple of questions, some that you might want to take on notice. One regards energy costs that council itself incurs. I am interested in a bit of a time series on that to understand some of your costs in that regard. If you wanted to give us greater detail, for example, on WorkCover premiums, I would certainly welcome that, over a time series as well to get an idea of where those costs are going, because some of those costs, it seems to me, are going up considerably more than the CPI.

**Navec LORKIN:** Yes, we are happy to provide you with those on notice. I will note just with our energy costs you may not see them materially increasing over the last few years as we have moved to a number of LED streetlights. We have had some efficiencies even with rising energy costs.

**The DEPUTY CHAIR:** It would be interesting to know the capital costs in there too, if you are putting in significant capital, but it seems you might get some return on that as well. And just to understand the base that Knox came from when the rate capping came in – forgive me for just trying to precis this in some way. This I think even goes back further. When the amalgamations happened in 1994, councils came in with different cost bases. Some councils had low cost bases, but that has continued through even before rate capping. Then with rate capping your argument essentially is that that then pegged the different council rate bases into the future to some approximation of CPI and that that has worked to the detriment of councils.

**Jude DWIGHT:** Yes, absolutely. I think I highlighted before that if we had started with a similar rate base as a neighbouring council, we would actually have \$12 million additional revenue each year. Over time that gap is just increasing. And I guess at this point now, where we are seven years in, it is quite obvious, whereas it may not have been three, four or five years ago.

**The DEPUTY CHAIR:** Whereas a council that started with a higher one could have actually indexed less than the CPI. They actually had that choice.

**Jude DWIGHT:** That is right, yes.

**The DEPUTY CHAIR:** Rachel.

**Rachel PAYNE:** Thank you, Deputy Chair. Thank you, Jude, for your presentation and for attending today. I would like to discuss something that you brought up in your submission and is a recommendation that you have made. You have talked about the *Victorian State–Local Government Agreement*, and you have mentioned that model of collaboration with the states and moving forward there. I guess my question is: what is happening now, and how can that be improved on? You have reflected on the state and local government agreement, but as a committee we are here to make recommendations going forward and I think that if there are ways that we can improve those agreements, it would be great to hear from you on what your experiences have been of the current model.

**Jude DWIGHT:** Thank you. Do you want to speak to that?

**Navec LORKIN:** Yes, sure. Under the current model we would probably say that we are not really seeing adherence to that agreement, because the agreement essentially has at the core of it that where cost shifting is involved there should be engagement and consultation with the local government sector, and that is what we are not seeing. For instance, an example of that is the ministerial guidelines for service rates and charges, which was announced without consultation. Even with a number of other cost shifts – for instance, the library services agreements – we are seeing freezing of indexation in those spaces and so are not even keeping up with inflation let alone anything else. So it is really based around the fact that we really want to be a part of that conversation, because the local government sector has a lot to offer. We have a lot of knowledge of the sector, and we could really improve and assist with better outcomes for the community and probably efficiencies across the board for all levels of government, but we just need to be part of that conversation.

**Jude DWIGHT:** Yes. If I may add, I have been involved with Greater South East Melbourne and also the Eastern Region Group of Councils, and the big emphasis that we have put on our advocacy work is that we want to work with you. We are not in competition. We actually want to come together and support the work you are doing, and we really just want to be included at the table. I think, as Navec said, the guidelines are one but also the housing targets and changes to the ResCode. There have been multiple things even in this last year where there has not been consultation. The announcements keep coming out, and local government has to just keep jumping. The conversations that could happen earlier, I think, could pre-empt a lot of the unintended consequences or financial implications and address some of those beforehand.

**Rachel PAYNE:** You have mentioned that consultation process, particularly around the service rates and charges, and I am assuming that is also relative to the rollout of waste management as well. It seems as though that then impacts your relationship with your community by way of communication and the rollout of certain processes and practices changing. Would you like to provide any commentary on that?

**Jude DWIGHT:** It certainly does, Rachel, and I appreciate that you brought that up because being that closest level of government we are often the ones that communicate these things, and council will effectively get brandished or tarnished, if you like, when there are changes made and people assume that it is council that is

making them. If I can touch on kindergarten, for example, because of the constant changes with the kindergarten or early years reforms, Knox council got to a point where we really had to do a significant service review, and it was a very lengthy process. It pretty much took this term of council to decide to withdraw from being a direct sessional kindergarten provider. I believe this is a good outcome. When we are talking about financial sustainability, that is what we need to do – assess what we are delivering and if we can continue to do it or if there is a better option. Fortunately for kindergarten there is. There is a great option. But the message to the community is we are constantly cutting services that they value, and it is difficult to convey the whole story and retain that trust in the community.

**Rachel PAYNE:** Yes. Thank you. Thank you, Navec.

**The DEPUTY CHAIR:** Beverley.

**Bev McARTHUR:** Thank you very much. Congratulations for doing an assessment and withdrawing from a service that can be conducted by another sector – or in fact things that the state government should be doing themselves. Did they make you roll out the vaccination program? Do you do that?

**Jude DWIGHT:** We do.

**Bev McARTHUR:** Did you get an email from them to say that there would be a \$6000 administration charge and a \$2 fee per jab?

**Jude DWIGHT:** Yes, we have received –

**Bev McARTHUR:** What have you said to them about that?

**Jude DWIGHT:** We have received the letter very recently. The person responsible for that is currently on leave, but there will be communication back to –

**Bev McARTHUR:** Will you consider saying, ‘Take it back. You can go and do it at your health service. We can’t afford to burden ratepayers with this’?

**Jude DWIGHT:** I think we will have to absolutely consider the options, yes.

**Bev McARTHUR:** With the three-year-old kindergarten, which the government constantly touts as free, how much is that costing you or your ratepayers in providing the facilities?

**Jude DWIGHT:** So the infrastructure cost –

**Navec LORKIN:** What I would say in regard to the term ‘free’ is I think the ‘free’ refers to the parents not actually paying for kindergarten, not that it is actually –

**Bev McARTHUR:** Well, there are a lot of parents that are paying as well, aren’t there?

**Navec LORKIN:** free for council to deliver. Certainly, even though we are primarily exiting direct service provision in the kinder space, providers will be heavily using our facilities to do so. So yes, at this time we have the infrastructure costs which remain –

**Bev McARTHUR:** How much are they? Have you estimated how much the infrastructure costs are for you to provide the state government’s free three-year-old kindergarten?

**Navec LORKIN:** At the moment we do not have any future plans to upgrade those facilities in a material way.

**Bev McARTHUR:** But you have to maintain them.

**Navec LORKIN:** Most maintenance responsibilities sit with the providers. If something structurally goes wrong with the building, then as per a number of leases we would need to remediate that during the lease term, and it will be a consideration for the next council when the leases expire as to what we do with those facilities.

**Bev McARTHUR:** Another cost imposed on you is all the business of reporting and compliance and the local amendments to the *Local Government Act*, and the code of conduct is a cost, really, if you have to engage in implementing it. I understand your council has been considered wanting in this area, so to speak, because there are allegations that the council and the administration have weaponised the code of conduct at the expense of ratepayers in order to attack each other personally to the point where long-term councillors and those who have only served one term are so traumatised that they are not standing again. Is this the case at Knox?

**Jude DWIGHT:** There is one councillor who has made the claim that the code of conduct has been weaponised against her. During my term as Mayor, I would not support that claim. Of course various councillors have different interpretations on how they feel the code of conduct is used. However, my experience is that Knox council has not drawn on the code of conduct in times that they probably should have or could have in other council areas. I think the reason for that councillor standing is a personal one, and I probably cannot comment any further on that.

**Bev McARTHUR:** On the compliance costs of all of this, how much is that costing ratepayers?

**Jude DWIGHT:** In terms of how many code of conduct – am I at liberty to give this information?

**Navec LORKIN:** No. We will say that we will take that on notice.

**Bev McARTHUR:** Okay. Take that on notice. That would be very good. Just with regard to the rate cap, which is the only, I would say, stop on excesses by local government that the ratepayers have – and you have obviously decided you have to move out of some services that can be provided by others – is it time that local government just got back to the core services they should be delivering? Given that state government want to impose on you greater costs of delivering services – library or maternal health and welfare and every other thing – should you just get back to the core services that you should be providing? If you have other things that you want to do, then you could go to your ratepayers and suggest, ‘Do you want this extra service? Are you prepared to pay?’

**Jude DWIGHT:** That is what occurs when we do our council plan and our community plan. Obviously the council plan happens at the commencement of each term, and the community plan is for 10 years. That consultation piece is about determining what our community actually want to see council spend money on, and it is the overarching plan that we make our decisions through. Understanding what core service is I guess is a little bit grey in the sense that, if we are being required to come up with council and community plans to direct the work of council, do those things that are included in that then become our core service? Is that our core commitment to our community? It is difficult to understand where that line is of providing a service that is needed and expected and then responding to future need as needs arise. While it may not have traditionally been a core service, it is still a required service for councils to deliver.

**Bev McARTHUR:** Required by whom?

**Jude DWIGHT:** That is where it is hard to differentiate, isn't it, because obviously as a leader responding to your community there is going to come a time where you have actually got to consider other services to be able to meet those basic community needs. I would say it is a bit of both, but I do think that, given the financial pressures, we have to be really careful and, for all new councillors coming in, be very, very careful about what we determine is necessary for councils to deliver, for sure.

**Bev McARTHUR:** How many people participate in your community consultation and engagement? How many do participate? I have been on council, so I do understand how many people participate in these surveys.

**Jude DWIGHT:** We have had excellent participation in our council and community plan.

**Bev McARTHUR:** What percentage of ratepayers?

**Navec LORKIN:** I could take on notice the exact number, but what we have seen over the last two years is an increase in people being engaged in even the annual budget process and providing feedback in that space.

**Bev McARTHUR:** We would love to hear the percentages, over a period of time, of participation. Thank you.

**The DEPUTY CHAIR:** Sarah.

**Sarah MANSFIELD:** Thank you for appearing today. I am interested in an issue that has been raised by many councils, and that is the impact of a growing asset renewal gap. I just want to explore how your council may be experiencing that or addressing it and what changes you would like to see the state government making to help councils with respect to asset renewal.

**Navec LORKIN:** At this stage we do not have a material asset renewal gap, although probably one of the biggest areas – and we are waiting on the updated condition assessment reports – is on our buildings, because primarily our buildings, or a number of our buildings and facilities, were built in that 1960s-type era. They are potentially getting closer to end of life, so that is probably one of our biggest areas where we are expecting or anticipating a growing asset renewal gap. As per the recommendations in the submission, what we would really like to see as a first pass, regarding improving how much we are able to invest in asset renewal, is a look at the actual rate cap itself and the methodology and how that is calculated, because local government really need an ongoing and sustainable revenue source to be able to continue to renew our asset bases. Also I will mention just briefly perhaps grants, because oftentimes when we get grants, while we appreciate the grants that do come through for our infrastructure, they are for facilities that are not quite ready to be renewed yet or they are for new infrastructure. They are not really based around renewal, so some sort of untied grant scheme or an increase in the federal assistance grants which is untied that we are able to invest there is what would be most useful to us.

**Sarah MANSFIELD:** That is certainly something that again other councils have raised, the issue of grants. On grants, are you able to indicate what proportion of your council's revenue comes from grants?

**Navec LORKIN:** Yes. It is around 15 to 20 per cent annually, depending on the year.

**Sarah MANSFIELD:** Some councils have found it requires potentially significant resources to be invested in grant application processes, whether it is staff or just even time and resources, for grants that they may or may not get, and it then may also come with administrative burdens if they are successful in getting them. Is that something your council has experienced?

**Navec LORKIN:** From the perspective of writing the grants, I would say that we are relatively proficient in actually writing grant applications, and we are also relatively successful. However, certainly when it comes from an efficiency perspective in acquitting the grants and even the milestones of those grants, that can be really quite labour intensive. Take the LRCI grants as an example. It is a federal government stream and quite a recent stream introduced through COVID, but they need to be externally audited each year. That comes at a cost, and also just the nature of that work is really intensive. Also once we have put in for a number of grants, not particularly the LRCI but other grants, to have them acquitted oftentimes there is quite a delay in receiving a response, and then there is just a slight change in process. It can be eight or 12 months before we then actually receive the funding for, say, milestone payments, so that also has an impact.

**Sarah MANSFIELD:** Thank you, Chair.

**The DEPUTY CHAIR:** John.

**John BERGER:** Thank you, Chair. I do not have any questions for these witnesses, but I thank them for their appearance today.

**The DEPUTY CHAIR:** Michael.

**Michael GALEA:** Thank you, Chair. Thank you, both Mayor Dwight and Ms Lorkin, for joining us today. Just to start with, Mayor, you mentioned some of the peak bodies that Knox particularly engages with earlier – ERG and GSEM. Would it be fair to say that they are the main peak advocacy groups that Knox engages with?

**Jude DWIGHT:** Yes. There is also the MAV and the LGA of course, but in terms of our regional advocacy work, it is through GSEM and ERG.

**Michael GALEA:** Excellent. Thank you. I believe you are the current chair of the ERG.

**Jude DWIGHT:** That is right.



**Michael GALEA:** As you are finishing a term there too, I acknowledge you for that. We were just talking about the capital works and grants space particularly. I am curious to know if you have any information on the depth of Knox's capital works program and how that compares with other similar municipalities, if it is bigger or if it is smaller?

**Navec LORKIN:** Are you referring to the total allocation?

**Michael GALEA:** The total allocation, yes.

**Navec LORKIN:** We can provide you that information. We did do some work on that a couple of years ago, and we have been intending to refresh it, where we actually had a look across the capital programs of all municipalities and broke that down between asset renewals, upgrades and new. I am happy to provide that to the committee.

**Michael GALEA:** That would be terrific, thank you. There was some discussion as well about kindergartens, and I obviously understand that Knox has outsourced the operation of kindergartens in the city. I am just curious to know if I am correct with this, that through the state government's Best Start, Best Life reforms the funding per student was actually higher than what Knox was charging parents under the previous scheme. Is that correct?

**Navec LORKIN:** That is correct.

**Michael GALEA:** How much of a difference was there in how much more the state government was providing?

**Navec LORKIN:** I would have to take that on notice as to the actual gap. I will just say that we are currently still providing kinder services. We primarily transition out as of 1 January 2025. We are retaining kinder services at two of our sites that also run long day care.

**Michael GALEA:** Based on that then would it be fair to assume that the decision to shift away from the direct operated model was not primarily a financial one?

**Jude DWIGHT:** It is still financial because of all of the other costs that come with delivering. Aside from just the face-to-face delivery of kindergarten – obviously this is the infrastructure question earlier. If we maintain delivery of kindergarten, we also have to make sure that those buildings are up to scratch through council budget as opposed to the private providers being responsible for that, and obviously the staffing costs then attach. So yes, there is a big financial component to that decision.

**Michael GALEA:** But those facilities, I think as you said before, are still council owned; is that correct?

**Navec LORKIN:** Yes. They are still council owned, and they are being leased to the providers.

**Michael GALEA:** Sure. Thank you. On waste management charges, and again I appreciate the council's feedback on that, the directive to change that obviously came following an Ombudsman's recommendation. There was a council – not Knox, I should emphasise – that the Ombudsman found to have dramatically overreached with what it was claiming through the waste levy charge to ratepayers. Given that that is where the Ombudsman has come from, do you have a different view on how that charge should be implemented, and/or what do you see as the best solution to this and how you could provide those broader public waste services without going against what the Ombudsman said?

**Jude DWIGHT:** Thank you for asking. Obviously the Ombudsman can make those recommendations. The way that I view it as a councillor, as an elected representative, is that I would like to see any of the services attached to where – you know, obviously whatever we collect has to go to our transfer stations. My understanding is that it actually makes sense for anything we do that then has to go through that same transfer station to be part of the waste charge. Where we are collecting dumped rubbish or public litter bins and that kind of thing, that is all part of a municipality waste service, and I think that it is very appropriate that it be under the waste charge for residents.

Things that were also identified through that report were things like tree planting and various other services that absolutely should be funded by rates. I just do not see that the line is necessarily where the minister has arrived at. I think some of those other things should still be included in the waste charge.

**Navec LORKIN:** Also, if I may just add, certainly how we had looked to apply the waste charge was also in line with the Supreme Court's decision and outcomes in that space. I guess that is also where it is slightly disappointing that the updated guidelines have not taken into account the Supreme Court's decision.

**The DEPUTY CHAIR:** Which case is that?

**Navec LORKIN:** Sorry?

**The DEPUTY CHAIR:** Which case is that?

**Navec LORKIN:** The challenge at the Supreme Court?

**The DEPUTY CHAIR:** Yes.

**Navec LORKIN:** I believe it was Mornington Peninsula.

**The DEPUTY CHAIR:** Right.

**Navec LORKIN:** I can confirm.

**Michael GALEA:** Interesting. Thank you. I know that Knox has done a considerable amount of work in the waste space generally over the past few years with moving towards a circular economy. At the risk of exciting my colleague Mrs McArthur too much, is Knox also part of the regional waste-to-energy project?

**Jude DWIGHT:** Yes. You can excite Bev on that one. We have also signed on to that one.

**Bev McARTHUR:** Wonderful.

**Michael GALEA:** Okay. Thank you.

**Bev McARTHUR:** I love waste to energy.

**Michael GALEA:** Thank you very much.

**Jude DWIGHT:** No problem.

**Michael GALEA:** Thank you, Chair.

**The DEPUTY CHAIR:** Are there more questions? Sarah?

**Bev McARTHUR:** Tell us how much you will save from being part of this waste-to-energy program.

**Jude DWIGHT:** The waste-to-energy program is to deal with the residual waste. Currently we have got landfill that is getting a gate fee, and that will incur potentially increasing fees because as we run out of space those fees will absolutely go up.

**The DEPUTY CHAIR:** It is avoiding fees, is it?

**Jude DWIGHT:** It is avoiding fees, and it is hard to know the comparison because we do not know how much that is going to increase to, but obviously there is also a cost to process through waste to energy, and I am hoping that we can tap into that Scandinavian model so that we can get as much out of it.

**Bev McARTHUR:** There is a good one in London. They are all around the world. When I was in London and spoke to the waste-to-energy plant people, they did not care what the price of energy was on the day, the spot price, because they were making money out of councils who were paying them to dispose of 30 per cent of London's waste on a daily basis. It is highly successful. But the councils who are running it in Scandinavia are making money. Good luck. You might have a new source of income instead of a cost.

**Jude DWIGHT:** Yes. It solves all problems.

**The DEPUTY CHAIR:** Can I thank you both for your presentation. It has been very helpful.

**Jude DWIGHT:** Thank you.

**The DEPUTY CHAIR:** There are a number of things on notice, and we look forward to those. Thank you very much.

**Committee adjourned.**