

Government Cost Shifting to the Mornington Peninsula Shire



Executive Summary

The purpose of this report is to highlight the financial implications faced by the Mornington Peninsula Shire Council (MPSC) due to the ongoing practice of cost shifting by the State and Federal Governments. Over the years, this has posed a significant financial challenge, jeopardizing both the provision of essential services and the financial sustainability of local governments.

Cost shifting manifests when other tiers of government:

- Reduce the funds allocated to Local Government in real terms, yet expect the same, if not higher, level of service delivery.
- Introduce new responsibilities for Councils without accompanying them with adequate resources.

This report identifies numerous instances of cost shifting, often resulting from State or Federal Governments implementing legislation or programs that mandate Local Government participation. Examples include the recent kindergarten reforms, the Recycling Victoria kerbside reform, and the management of the expansive Foreshore. Regrettably, these mandates often come without sufficient funding, considering the level of service expected.

As illustrated in the subsequent tables, due to cost shifting, MPSC anticipates an expenditure of \$38.1M in operational costs for 2023/24, with projections reaching a staggering \$234M over the subsequent five years.

Capital expenditure, influenced by cost shifting, is projected at \$6.4M for 2023/24, amassing to \$38.4M over the next half-decade.

Operating					
Item	FY24 Costs	Estimated cost FY25	Estimated cost FY26	Estimated cost FY27	Estimated cost FY28
Food Organics Garden Organics			1,690,994	1,741,724	1,793,976
Electrical Line Clearance	991,000	1,026,676	1,059,530	1,091,316	1,124,055
Inspection and Reactive Pruning Program	213,200	220,875	227,943	234,782	241,825
Statutory Planning	4,418,376	4,577,437	4,723,915	4,865,633	5,011,602
Building Services & VBA requirements	1,053,330	1,091,250	1,126,170	1,159,955	1,194,753
Libraries	2,105,062	2,180,844	2,250,631	2,318,150	2,387,695
Maternal and Child Health	258,272	267,570	276,132	284,416	292,948
Early Years	138,171	143,145	147,726	152,158	156,723
Local Emergency Relief Services	1,076,580	1,115,337	1,151,028	1,185,558	1,221,125
Immunisation	320,514	332,053	342,679	352,959	363,548
SEW Fire Hydrant Maintenance	200,000	207,200	213,830	220,245	226,853
School Crossings	691,736	716,638	739,571	761,758	784,611
Mowing	110,000	113,960	117,607	121,135	124,769
CCTV	109,200	113,131	116,751	120,254	123,862
Climate Change Response and Mitigations	4,632,711	4,799,488	4,953,072	5,101,664	5,254,714
Foreshore Management	8,431,276	8,734,802	9,014,316	9,284,745	9,563,287
Kindergartens	650,000	673,400	694,949	715,797	737,271
Emergency Management	4,934,661	5,112,309	5,275,903	5,434,180	5,597,205
Environmental Health	59,444	61,584	63,555	65,461	67,425
Planning Compliance on State own land	6,466	6,698	6,913	7,120	7,334
Short Stay Tax	887,500	919,450	948,872	977,339	1,006,659
Total Cost Impact to Shire	31,287,499	32,413,849	35,142,086	36,196,349	37,282,239
Landfill Levy	6,771,246	7,015,010	7,239,491	7,456,676	7,680,376
Glass Recycling Stream				1,800,000	1,854,000
Food Organics Garden Organics			6,300,000	6,489,000	6,683,670
Bin Lid Standardisation					2,400,000
Total Cost Impact to Community	6,771,246	7,015,010	13,539,491	15,745,676	18,618,046
Total Cost Impact	38,058,744	39,428,859	48,681,577	51,942,024	55,900,285

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Capital					
Item	FY24 Costs	Estimated cost FY25	Estimated cost FY26	Estimated cost FY27	Estimated cost FY28
Foreshore Management	1,150,000	1,360,000	865,000	1,420,000	875,000
Kindergartens	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Local Emergency Relief Services	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Libraries	1,245,000	1,409,442	1,182,030	1,199,871	1,222,968
Total Cost Impact to Shire	6,395,000	6,769,442	6,047,030	6,619,871	6,097,968
Glass Recycling Stream			4,650,000		
Food Organics Garden Organics			1,800,000		
Total Cost Impact to Community	-	-	6,450,000	-	-
Total Cost Impact	6,395,000	6,769,442	12,497,030	6,619,871	6,097,968

Furthermore, MPSC is set to pass on a significant \$6.8M to the Community via the Waste Service Charge in 2023/24, culminating in \$68.1M over the ensuing five years. Additional one-off costs include:

Street Lighting Upgrade	\$2.5M
Extreme weather events:	\$2.0M
Council Elections:	\$0.8M

With 81% of MPSC's revenue originating from rates, the Council finds itself in a precarious position, shouldering the brunt of these shifted costs.

The government's 'Fair Go Rating System' further complicates matters. This system mandates an annual limit on rate increases, set by the Minister for Local Government. Any proposed increase beyond this limit requires the Essential Services Commission's endorsement.

The 'Fair Go Rates System', since its inception, has been a thorn in MPSC's side, challenging its long-term financial viability. The system curtails the Council's ability to generate necessary revenue for maintaining service standards and investing in community assets.

It's noteworthy that Local Government expenses have surged significantly beyond the Consumer Price Index (CPI). This is primarily attributed to a limited supplier pool and the escalating costs of infrastructure delivery. The rate cap becomes even more restrictive when juxtaposed with the more pertinent Local Government Cost Index. As a result, MPSC's capability to deliver services and address infrastructure renewal needs is on a downward trajectory. This underscores the pressing issue of cost shifting, which jeopardizes the municipality's financial sustainability.

Regrettably, Local Government has a limited arsenal to counteract cost shifting, and all potential solutions carry repercussions for the local community. The following strategies remain viable:

- Trimming investments in other services to accommodate cost-shifted services within the existing budget.
- Expanding the operating budget to finance cost-shifted services, which would eat into the surplus typically reserved for capital works.
- Augmenting the operating budget and seeking an exemption from the rate cap to elevate rates beyond the stipulated limit, although this might not garner State Government approval.
- Lobbying for supplementary funding from the State and Federal governments to alleviate the financial strain associated with cost-shifted services.

The following section of the report outlines in detail each area of Council that has a cost shifting impact.

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Food Organics Garden Organics

Food Organics Garden Organics (FOGO) recycling is the separation of all food scrap and organic material, inclusive of green waste from general waste. Food waste makes up about 45% of the Mornington Peninsula's waste. When placed in the rubbish bin, it is landfilled where methane, a green house gas 25 times stronger than carbon dioxide, is created.

Recycling Victoria states an intent to improve regulation and planning for recycling services in general. A kerbside reform package exists to standardise services, which includes rolling out mandatory FOGO in 2026/27 for households still not covered with all households covered by 2030.

MPSC currently offers an opt in Green Waste service which is a user pays service. This service currently contributes \$1.7M per annum to the operating surplus, aiding in the recovery of overheads and supporting other essential services. However, once FOGO is mandated in 2026/27, this will constitute lost revenue.

MPSC has adopted a full cost recovery process for waste services. Therefore, any costs incurred by Council to deliver FOGO will also be passed on to the community via the Waste Service Charge, which is predicted to be a \$1.8M initial capital investment and an annual operational cost of \$6.3M totalling to an estimated additional cost to the community of \$21.3M over the next 5 years. This is driven by additional bins, processing costs and collection costs as the bin numbers increase from 50,000 to approximately 99,000. Initial costs are expected to be incurred in 2025/26.

The above costs are an estimation only and subject to change dependent on the final service delivery model. In addition, it may not adequately account for rising waste and recycling costs associated with global fuel rises, inflation and supply chain issues up until the service is fully rolled out.

Electrical Line Clearance

Electrical Line Clearance (ELC) helps prevent vegetation from growing too close to electrical lines. The absence of these measures can result in safety risks such as electrocution, fire (including bushfire) and diminished reliability of electricity supply.

Under the Electricity Safety Regulations imposed by Energy Safe Victoria, MPSC is responsible for the preparation of an:

- ELC Management Plan
- Annual proactive inspection program for electrical spans
- Annual proactive pruning program to maintain vegetation compliance of street trees in Hazardous Bushfire Risk Areas (HBRA)
- Biennial proactive pruning program to maintain vegetation compliance of street trees in Low Bushfire Risk Areas (LBRA).

In addition, MPSC must ensure that any reactive request or report is responded to and managed for compliance as per the obligations set out in the Electricity Safety (Electric Line Clearance) Regulation 2020.

MPSC has over 40 townships, with 16,828 spans within the Declared Area and 646 identified as HBRA. The compliance requirements continue to increase with each review of the Electricity Safety (Electric Line Clearance) Regulation 2020, completed on average every 5 years. These increased compliance obligations in addition to Energy Safe Victoria enforcements (each non-compliance amounts to \$4,544 per tree) adds pressure on service delivery and in turn, the financial burden to MPSC.

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As legislation and regulations have been amended over the years, each change has presented additional challenges to MPSC including but not limited to:

- Safety obligations, including suitably qualified resources.
 - Increase in mandatory training for non-electrical workers has gone from a “Limits of Approach” 1 day course with a half yearly refresher, to an 11 day “ESI Certificate II” course and a 1-day annual refresher resulting in higher training and employee costs.
- Plant and Equipment requirements for the safety of workers.
 - Original requirements did not include insulated bucket on an Elevated Work Platform with a quarterly testing requirement.
- Increased requirements, auditing and monitoring for compliance which results in a need for additional resources within MPSC.
- Programming in relation to ELC. Each change to regulations requires a review of the services to deliver vegetation compliance which may result in ESV enforcement and financial penalties. This is of concern for MPSC, as there are limited opportunities to increase revenue to fund the service changes surrounding this process.

Further to considering the impact of these increased financial and operational obligations, it is important to note the necessity for the role of Local Government to be clearly defined under appropriate legislation. This will ensure Local Government responsibilities are clear, whilst also clarifying any entitlement to an allocation of financial and other counter-disaster resources from State Government level that is available.

As it stands, MPSC has budgeted that the costs relating to ELC will be \$991k in 2023/24 with costs estimated at \$5.3M over the next 5 years.

Inspection and Reactive Pruning Program

MPSC undertakes maintenance programs that include tree inspections, vegetation pruning, street tree replacement, bushland management and much more.

MPSC is responsible for roadside vegetation management on ‘urban’ roads. If a speed change is made permanent of 60km or less by Head, Transport for Victoria (HTfV) the road is reclassified as an ‘urban’ road and maintenance then becomes the responsibility of MPSC.

HTfV is not required to fund works to bring the road and vegetation management up to an acceptable level required where MPSC is the responsible road authority and these tasks fall to MPSC. This may include, tree inspections, pruning and possible removals of risk trees.

In addition to this, MPSC has entered into an Operational Works Maintenance Agreement with HTfV for delivery of services along roads where HTfV is the Responsible Road Authority. This agreement has been renewed for over 10 years and includes: Grass Mowing, Edge Trimming, Grass and Weed Control, Tree and Shrub Management, Noxious Weed Control, and Litter Control. This agreement doesn’t take into consideration community reputation which would be impacted if MPSC choose to cancel this agreement. Costs to carry out this service also continue to increase due to the current volatile market and resource limitations.

MPSC has budgeted that the costs relating to Inspection and Reactive Pruning Program will be \$213k in 2023/24 with costs estimated at \$1.1M over the next 5 years.

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Statutory Planning

A planning permit is required for new use or development of home or land.

MPSC is responsible for receiving and assessing planning applications and ensure that they comply with legislation and our strategic planning scheme.

The set statutory planning fees by State Government to Councils for Planning Applications provides only a small proportion of the cost to deliver the planning services to the municipality. There have also been increased costs associated with the administration of VCAT matters and duplicate work given delays with having planning scheme amendments approved by the Planning Minister.

MPSC continues to receive the most planning permit applications than any other Council in the State which means a higher workload per planner.

Planning reform has reduced the involvement of Council as primary decision maker in some types of applications, but still expect Council to undertake work in a referral capacity– there are no fees or funding for this. Some examples are:

- A new Development Facilitation Program (key worker accommodation application in Sorrento & gas energy facility in Hastings);
- New Planning Rules including applications under Clause 53.19 for non-Government Schools

The below information is based on data provided from June 2023 Local Government Performance Reporting Framework:

Cost per application \$2,361

Revenue per application \$1,575

Net cost \$786 per application

This is based on 2,422 planning applications received with cost of \$5.7M offset by revenue of \$3.8M. This identifies a gap of \$1.9M 2022/23. In 2023/24, the shortfall is expected to be \$4.4M (\$8.7M of expenditure offset by \$4.3M revenue) with an impact of \$23.6M over the next 5 years.

Building Services & VBA requirements

The common services of the Statutory Building Team includes:

- Report and consent (Part 5 & Part 10 - Siting and flood approvals)
- - Building Compliance (General & Pool & Spa safety barrier compliance)
- - Place of Public Entertainment Approvals
- - Record Keeping under the Building Act 1993
- - Provision of copies of records

Since the initial deregulation of the building industry in the early 1990's there has been an incremental shift in responsibility to Councils as part of the building system. This has come primarily from legislative change which has resulted in greater inspection and oversight for Municipal Building Surveyors (MBS) including Essential Services Inspections, Swimming Pool and Barrier Compliance. The Building, Planning and Heritage Legislation Amendment (Administration and Other Matters) Bill 2022 was introduced into Parliament on Thursday 23 June 2022. This Bill has since expired however highlights the significant attempt to cost and risk-shifting for councils to address combustible cladding and other non-compliant / defective building works. Under this bill, It is considered unreasonable and unworkable to expect an MBS to identify

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non-compliance once a build is almost complete when previous documentation approval and mandatory inspections have been undertaken by a private building surveyor (PBS).

There are hundreds of high and extreme risk buildings that are being managed by the Victorian Building Authority (VBA), many of which remain unresolved. This includes minimum 21 buildings in the MPSC at this point in time. The return of the MBS function from the VBA to councils for high and extreme rated buildings with combustible cladding, will result in Council taking on significant risk and cost.

Council has concerns with orphaned building permits where the appointed PBS is no longer the relevant building surveyor for unfinished building projects. This results in further shifts of the liability and burden of response to Council. This approach exposes Council and the MBS to liability as they do not have the same immunity under the Building Act as the VBA has per Section 127 the Act.

The expected net cost for MPSC to deliver the building service in the 2023/24 financial year is \$1M (\$3M of expenditure offset by \$2M revenue) and impact is expected to be \$5.6M over the next 5 years. This is expected to increase further should potential changes proposed by the State Government putting greater responsibility on the MBS in relation to inspections of completed developments, combustible cladding and orphaned building permits be implemented.

Libraries

MPSC Library Service strives to provide equal access to information, ideas and lifelong learning opportunities through a range of services and programs. Our libraries are situated at Mornington, Rosebud, Hastings and Somerville while our Mobile Library visits 16 towns each week.

The library service is an integral part of the community and based on June 2023 Local Government Performance Reporting Framework there are almost 25,000 active library borrowers for 2022/23 with over 1M items borrowed across our five library sites.

In 2022 a state-wide survey of around 34,000 Victorian public library users was undertaken and 48% of MPSC Library users rated our library service "10 out of 10" and our average customer satisfaction score was 8.5 out of 10. Respondents also noted that they felt safe in the library and "felt better" at the library.

Traditionally, the funding model for public libraries has been 50/50 with contributions equally from the Victorian Government and Local Government. Victorian Government funding to MPSC has since declined to just 17% of public library operating costs, with MPSC now contributing 83% of the \$6.4M total cost per 2023/24 budget. The expected grant income from State Government is \$1M, leaving a \$2.1M shortfall. MPSC works closely with Public Libraries Victoria who advocate for improved funding to this valuable service.

In terms of economic benefits, a 2016/17 study found that Victorian public libraries collectively generated around \$1.1billion in benefits to the community. Despite what public libraries bring to the community, Victorian Government funding is not keeping pace with inflation, rising costs and increases in demand for library services.

MPSC has budgeted that the costs relating to our Library service will be \$2.1M in 2023/24 with costs estimated at \$11.2M over the next 5 years. Capital Works incurred will be \$1.2M in 2023/24 and \$6.3M over the next 5 years. This is per the Long Term Capital Works plan and doesn't account for any emergency works required.

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Maternal and Child Health

The Maternal and Child Health (MCH) Service is a universal program that provides a critical service in promoting the health, development, wellbeing, and safety outcomes for children up to school age and their families. Early identification of health, social, and wellbeing risks ensures early referrals to intervention services, thereby improving outcomes for children and their families. MPSC currently has 9,218 infants/children enrolled in the service.

The Universal MCH program is provided through a partnership between the Department of Health (DH) and MPSC and is funded in accordance with the principles outlined in the Memorandum of Understanding (MOU), which outlines a (50:50) contribution between DH and MPSC. However, MPSC is estimated to contribute 66% in 2023/24. This is a projected shortfall of \$258k.

The Universal MCH Service is primarily delivered through 10 Key Age & Stage (KAS) consultations as outlined in the KAS framework, with 6.75 hrs of funding allocated per child. This framework was developed in 2004 and implemented in 2009 however has not been reviewed in the intervening 18 years.

Since 2004, multiple mandatory assessment initiatives have been added to KAS consultations in addition to the additional workload created with the introduction of the Child Information Sharing Scheme [CISS] and the Family Violence Information Sharing Scheme [FVIS] responsibilities. Each initiative requires additional consultation time for screening, record keeping and reporting, however no further funding has been provided to adjust KAS appointment times to incorporate the additional workload.

Families are presenting with increased complexities including increased mental health concerns, family violence, early discharge from hospital and limited community supports and services, requiring longer and more frequent MCH assessments and consultations.

The cumulative effect of these added initiatives, increased complexities and subsequent increased demand on consultation times, means that the MCH service can no longer be sustained with the currently funded 6.75 hrs hours allocated to each child. MPS MCH service currently delivers 7.45 hrs service per child to complete the 10 KAS consultations.

MPSC has budgeted that the costs relating to our MCH service will be \$258k in 2023/24 with costs estimated at \$1.4M over the next 5 years.

Early Years

Best Start is a Victorian Government early years initiative. Localised and targeted approaches are used to support children (0 – 8 years old) and families to achieve their hopes and aspirations for a bright future.

MPSC work in partnership with agencies, services and community to:

- Strengthen collaboration and continuity between early childhood services
- Provide culturally safe environments for our Aboriginal and Torres Strait Islander families
- Boost access and participation in playgroups, kindergarten, and maternal and child health services

MPSC receives Kinder Central Registration & Enrolment Scheme (CRES) funding which supports 0.6 FTE Early Years Planning and Support Worker who provides a single point for families to apply for multiple kindergarten services within a local government area and helping them secure a place that meets their needs and encourages closer links between Maternal and Child Health (MCH) and family support services,

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kindergartens and councils, to improve the early identification and engagement of families who need more support

The expectation of the State Government is that the funding is used to provide training and upskilling of the best start partnership, community engagement initiatives, content development, data analysis, etc. With the increase in the scope of work within the team as a result of the increase workload generated by the Kindergarten Reform, the Early Years Planning and Support Worker (0.6 FTE) is significantly short to support families, service providers and internal and external stakeholders through the reform.

MPSC does not receive any funding from the State Government for its role as a municipal planner for early years services. The requirement for Councils to strategically plan for early years services and facilities has grown since 2009 when significant Commonwealth and State Government reform agendas were first announced (with subsequent policies announced since then); and there will continue to be a requirement for this due to the Victorian Government's recent announcement of free kindergarten from 2023 and increasing the weekly hours of 4 year-old kindergarten from 15 to 30 from 2025.

These reform agendas rely on Councils and private service providers to plan for facilities that meet demand, There have previously been one-off planning grants for local government, but these do not fully cover the cost, nor are they sources of on-going funding. Council has limited resources at its disposal and is obligated to allocate them equitably to benefit the whole community. Any additional investment toward infrastructure to support the implementation of the reform may compromise broader community infrastructure needs. Further consideration needs to be given to whether Council has the capacity to provide additional financial support and investment for the roll out of the State Governments significantly expanded kindergarten services, through the provision of renewed, redeveloped or additional new infrastructure, on behalf of the Department of Education.

MPSC has budgeted that the costs relating to our Early Years service will be \$138k in 2023/24 with costs estimated at \$738k over the next 5 years

Local Emergency Relief Services

There are many Organisations that Council provides funding for emergency and vulnerable person relief that are the responsibility of the State Government. Due to the lack of contribution from the State Government Council is needing to provide continual support to address the gaps.

The below is funding for the direct subsidies to support these groups operations based on 2023/24 budget:

Peninsula Legal Aid Service	\$54,855
Vinnie's Kitchen	\$3,933
Community Houses	\$310,500
Community Support Centres	\$707,292
Total	\$1,076,580

There is also insignificant indirect support from Council in the form of provision of buildings, maintenance, and land in some instances.

MPSC's contribution to the Community Support Centres has been paid under the Funding Agreement dating back to 2001 which shows an increase from \$24K (2001) to \$235,764 (2023/2024) so significant increases in base funding over the years and totalling over \$2.8 - \$2.9 Million to each centre. State Government does not provide any funding to support these services.

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Due to the lack of social housing on the Mornington Peninsula, Council has committed \$10M worth of land assets to support the development of social housing, which is the responsibility of State Government.

MPSC has budgeted that the costs relating to our Emergency Relief Services will be \$1.1M in 2023/24 with costs estimated at \$5.7M over the next 5 years.

Also due to the lack of social housing on the Mornington Peninsula, MPSC has committed \$10M worth of land assets to support the development of social housing, which is the responsibility of State Government.

Immunisation

The Immunisation Service provides vaccines in accordance with the National Immunisation Schedule including:

- Childhood (six weeks to four years old) immunisation program for the community
- School age (year 7 and year 10) immunisation program to 11 Secondary Schools and 2 Special Development Schools
- Vaccines for population groups identified as more vulnerable to infectious diseases for example, Influenza vaccines for pregnant women.

These vaccinations are funded by the Commonwealth and Victorian Governments.

MPSC also fully funds Influenza vaccines for MPS staff.

Funding provided does not fully cover the costs to service the program and based on projected 2023/24 budget figures, expected grant will cover 22% of budgeted cost, leaving a \$321k shortfall. There is potential for additional grant amount to be received based on number of immunisations delivered which would reduce this gap but this is unknown at this stage.

MPSC has budgeted that the costs relating to our Immunisation service will be \$321k in 2023/24 with costs estimated at \$1.7M over the next 5 years.

Fire Hydrant Plug Maintenance

MPSC are responsible for maintaining fire hydrant plugs within the municipality.

The responsibility lies with Council because fire hydrants are considered to be part of the public infrastructure, and the council is responsible for the maintenance of all public infrastructure.

MPSC had previously included this service in the maintenance contracts, until South East Water (SEW) informed MPSC that they would be taking over the activity and charging us for the service. Following meetings and correspondence, SEW took on the maintenance service and MPSC receive an annual invoice from SEW for maintenance of fire plugs across the municipality, which is approximately \$200k per year.

The Water Act 1989 states that a "council may require an Authority that has a water supply district situated wholly or partly within the council's municipal district to fix fire plugs to any of the works of the Authority within the water supply district in suitable locations for the supply of water for fire-fighting purposes, and a council must meet the costs of providing, installing, marking and maintaining all fire plugs that the council requires under subsection (1) to be installed in its municipal district". However, the primary purpose of fire plugs is access to water for emergency operations, which is usually the CFA.

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The CFA documentation states, "Hydrants allow Victoria's fire services to access water during emergency operation and their identification is important so that precious time is not wasted trying to locate them." CFA have a reference document for Councils, water authorities, contractors, land developers and any other parties responsible for provision and maintenance of the identification components of street hydrants for firefighting purposes in Victoria. However, the main use and access for water from fire plugs is CFA and other authorities.

Therefore MPSC is contributing \$200k in 2023/24 and an estimate of \$1.1M over the next 5 years, on the maintenance of Fire hydrants that are used by CFA and other State authorities.

School Crossings

MPSC has 76 supervised Schools Crossings.

The School Crossing Supervision Program was introduced in 1975 under a joint funding arrangement between the State (Department of Transport formally VicRoads) and Councils, however over the years this contribution has diminished. There is currently no subsidy process as Department of Transport are working on a risk assessment-based subsidy scheme. Until this has been rolled out, they are just paying us a lump sum for all crossings in operation.

MPSC receives funding for approximately 30% of the salary of a school crossing supervisor. This does not include additional costs such as onboarding, uniforms, training, PPE etc. The State also doesn't fund Infrastructure requirements.

Local Governments are not obligated to provide any school crossings under the Local Government Act, however if this service wasn't provided the results would be dire.

Victorian Government funding to Mornington Peninsula Shire for School Crossings has now declined to 23%, with MPSC now contributing 77% of the \$2.5M total cost per 2023/24 budget. The expected grant income from State Government is \$0.6M, leaving a \$0.7M shortfall. This assumes a 50/50 split.

Therefore MPSC is contributing \$692k in 2023/24 and an estimate of \$3.7M over the next 5 years to the School Crossing Supervision Program to ensure there are safe school crossings for our community.

Mowing

MPSC maintenance teams are responsible for the upkeep of grass in some open space areas such as parks, reserves, foreshore, sports fields, roadsides and bushlands. These areas are managed by our contractors who have crews proactively completing programmed works as well as reactively responding to community requests.

MPSC has entered into an Operational Works Maintenance Agreement (OWMA) with the Head, Transport for Victoria (HTfV) for delivery of services along roads where HTfV is the Responsible Road Authority (RRA). This agreement has been renewed for over 10 years and includes: Grass Mowing, Edge Trimming, Grass and Weed Control, Tree and Shrub Management, Noxious Weed Control, and Litter Control.

The agreement sets out the HTfV requirements for services, including primary obligations regarding the management and payments and then the council works, response times, insurance and indemnity.

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The services HTFV provide has a direct focus on road safety and do not allow for amenity or align to the services MPSC provide along roads where MPSC is the responsible RRA.

The value of the agreement doesn't financially cover the cost of service and MPSC have budgeted that cost of mowing roadsides where MPSC is not the Responsible Road Authority is \$110k in 2023/24 and an estimate of \$587k over the next 5 years

CCTV

Due to community safety expectations, MPSC install and maintain CCTV on behalf of Victoria Police (VicPol) which consists of 44 cameras, across 7 townships. The cameras are used by VicPol for public safety and MPSC do not have sight of the vision.

The original CCTV Servicing agreement commenced under a lump sum agreement in July 2017 which included:

- 6- monthly cycle clean and maintenance of the cameras on the networks at Hastings, Mornington, Mt Martha , Mt Eliza and then Rye added in 2019
- During and after hours call outs to CCTV issues by our electrical team
- Any replacement parts and Contractor CCTV technician call outs was billed under works order.

MPSC currently has a capital renewal project for replacement of systems in Hastings and Mornington for public areas. State government offers grants for the installation but does not cover the ongoing maintenance costs.

The current monthly costs for CCTV adjust depending on the cyclic inspections, cleaning, servicing, and call outs. This on average is approximately \$4,100 per month with additional work order costs associated with technician callouts, including replacement parts which continue to escalate as assets reach end of life (approximately \$15k per quarter).

Therefore MPSC is contributing \$109k in 2023/24 and an estimate of \$583k over the next 5 years to install and maintain CCTV used by State Government.

Climate Change Response and Mitigations

MPSC recognises that the climate emergency presents an unprecedented challenge and we are proud to be part of an international movement taking urgent action to reduce emissions and to address climate change impacts. Our Climate Emergency Plan provides a clear plan to achieving net zero carbon emissions for the entire Mornington Peninsula by 2040. We have a number of projects and collaborations underway to achieve this ambitious goal.

MPSC is responsible for climate change adaptation and the promotion of climate change mitigation under legislation including the Climate Change Act 2017 and Local Government Act 2020.

MPSC declared a Climate Emergency in August 2019 and adopted its Climate Emergency Plan in August 2020. This plan outlines how Council will respond to the challenge of climate change out to 2030, including how Council will work with their community and other levels of government. In consultation with community, a net zero emission by 2040 target was set along with key targets and actions under seven key summits including Leadership and Governance, Advocacy, Zero Carbon Energy, Resilient and Adaptive Community, Sustainable Transport and Travel, Sustainable Land Use and Environmental Restoration and Circular Economy and Zero Waste.

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Councils continue to take on roles that practically should be led by State Government including coordination and investment in renewable energy, development of planning controls and emission reduction plans for community.

The dedicated Climate Change Team in place costs approximately \$2.8M per annum per 2023/24 budget. The estimated amount provided is a minimum and it's difficult to quantify the full amount of Climate Change Response, Adaptation and Mitigation across the whole Organisation. Councils also wear a significant cost impact in mitigating and dealing with the effects of climate change, particularly in relation to public infrastructure, climate change adaptation and managing climate change risk. Resources are committed to identifying, monitoring, and implementing controls in strategic and statutory planning activities, public infrastructure construction and management and general service provision.

Additional related costs in 2023/24 budget include Water & Coasts Team, Urban Forest Strategy & Biodiversity Plan, and one-off cost for street lighting energy efficiency upgrade (\$2.47m).

Overall, MPSC is contributing an estimated \$4.6M in 2023/24 and an estimate of \$24.7M over the next 5 years towards climate change response and mitigations.

Foreshore Management

Mornington Peninsula makes up 10% of Victoria's coastline (192 km) in total. MPSC is the Committee of Management for 62km of this total area and is responsible for the maintenance and management of foreshore Crown land. Our coastlines are enjoyed by all Victorians and provide significant economic, environmental, social and cultural benefits. With growing pressures of increased visitation, impacts of climate change and public risk management, the cost of coastal management is continuing to increase substantially.

Each year around 8 million people visit the Mornington Peninsula enjoying its unique coastal environment, villages and hinterland. The cost for MPSC to maintain infrastructure on foreshore land, keep beaches clean, safe and accessible currently exceeds \$8M per annum. These costs continue to rise as service levels are driven to increase along with the higher numbers of visitors during peak periods.

Changes in legalisation and the development of new Policies at a State level have led to uncertainty around roles and responsibility for the funding and management of actions between State and Local governments. Since the release of the Marine and Coastal Policy 2020, more and more of the cost of managing our coasts has shifted from the State to Local government.

Climate change is affecting our coasts now. Rising sea levels and more frequent intense storm events cause widespread damage to infrastructure and the environment.

Instead of just being responsible for 'business as usual' maintenance and immediate risk, Councils now must respond to and plan for the immense costs that will result from the impacts of climate change on our foreshores and coastal communities. This includes immediate action to address issues like landslips and developing long term adaptation strategies to meet the challenges ahead.

The risks associated with coastal inundation and erosion hazards are extensive. The ongoing risk assessment and management of this influences:

1. Emergency/event response and public safety management,
2. ongoing maintenance and management of our coastline and the existing natural and built assets, and
3. forward planning, with consideration to the most up to date climate change predictive scientific data regarding sea level rise, storm surges, inundation, and the relationship with flood events and stormwater flows.

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MPSC has budgeted that the operational costs relating to Foreshore Management will be \$8.4M in 2023/24 with costs estimated at \$45M over the next 5 years. Capital Works incurred will be \$1.2M in 2023/24 and \$5.7M over the next 5 years. This is per the Long Term Capital Works plan and doesn't account for any emergency works required.

Kindergartens

MPSC support Kindergartens through coordination of the Kindergarten Central Registration (KCR) and use MPSC-owned buildings.

Early Childhood Education and Kindergarten is the responsibility of the State Government through the Department of Education (DE). There is no explicit obligation to provide early years infrastructure in the Local Government Act. Despite this, MPSC, along with many other Local Governments, have historically facilitated multiple roles in the early years sector to support children and families to have access to services. MPSC provides a central enrolment service for some of the kindergartens across the municipality. It is important to note that MPS Council is NOT a direct provider of kindergarten services however has historically provided some of the infrastructure required to deliver kindergarten services. Kindergarten providers, through Committees of Management and an Early Years Manager currently operate out of 28 Council facilities.

The State Government has introduced the largest reform of early childhood education in Victoria's history, fundamentally redesigning the kindergarten service system so all Victorian children can access two years of funded kindergarten prior to formal schooling. In 2022 the Victorian Government expanded the Best Start, Best Life program, which included providing 15 hours of 3-year-old kindergarten (increasing from 5 hours) and making kindergarten "free" for families state-wide. Over the next decade, four-Year-Old Kindergarten will now also need to transition to 'Pre-Prep', increasing by 15 hours to a 30 hour a week program.

Requirements to deliver the reforms is a significant infrastructure challenge for all local governments including MPSC, as existing older facilities cannot be easily modified to meet demand. 20 out of 28 of MPSC's kindergarten facilities (71%) are more than 40 years old, not fit for purpose and many on constrained sites. Total preliminary minimum infrastructure costs for Council owned facilities housing kindergarten programs, should Council address the demand generated by the reform at 16 of the 28 sites is estimated to be nearly \$54M. Council is eligible to apply for funding through the Victorian School Building Authority to offset some of these costs however there is no guarantee that grant applications would be successful nor is it likely to cover the majority or full cost of any projects. This estimate does not include the increased operational or maintenance costs placed on Council to manage additional/ expanded facilities. The increased funding that was announced by the State Government in April 2023 is acknowledged, however it still falls short with regards to Councils ongoing capacity to continue to provide and invest in those facilities currently being used for kindergarten services on behalf of the State Government, within its broader Capital Works Program.

According to MAV analysis, in the period between 2014 and 2018, Local Governments across Victoria invested a combined total of \$478M in early years infrastructure which is three times the amount invested by the State Government (\$123M) in the same period. The DE's Kindergarten Infrastructure Services Plan (KISP) with MPSC, a joint plan between local governments and DE, provides an indication of the growth in demand for kindergarten places and infrastructure out to 2029 across the municipality as a result of the State Government reform. With the recent announcements of expanded kindergarten reform, the KISPs now need to be updated to reflect the additional impact of pre-prep. Regardless, this plan is not a commitment by Council to sustain current supply or meet the unmet demand for kindergarten places through the provision of further infrastructure investment.

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It is estimated that MPSC will invest \$650k in 2023/24 on basic operating costs related to kindergarten (including central enrolment service resourcing) and basic facility maintenance, and \$3.5M over the next 5 years. We also expect to incur \$2M per year in capital works expenditure.

Emergency Management

MPSC has obligations under the Emergency Management Act 2013 to prepare and respond to municipal emergencies. In December 2020 there were reforms to the Emergency Management Act which legislated the positions of Municipal Emergency Management Officer (MEMO) and Municipal Recovery Manager (MRM) as senior Council Officers. These positions are responsible for coordinating resources and community recovery for emergencies.

Council is obligated to have these positions and receive no funding for the roles by state. Council has paid \$16k in 2022/23 for over award payments to have staff on call 24 hour per day. To not have staff available 24 hours per day puts Council at risk of not meeting obligations under the Act, including relief accommodation (including DFFH clients) after a single incident emergency at the cost of Council which used to be fulfilled by Australian Red Cross.

The inadequacy of State funding of VicSES and CFA have left Council to provide grants, funding, fuel cards, vehicles, permit waivers, signage and peppercorn leases to help these agencies service the community since the 70s. In 2021/22, Council provided \$300k of funds across CFA groups to assist with emergency services and some installation of key infrastructure. Examples in addition to this include rent assistance for Westernport Coast Guard and subsidy payment to Surf Life Saving Victoria.

Council is required to absorb costs in the response phase of an emergency such as traffic management, heavy machinery for clearing of which Council contractors are used at Council cost as well as Council staff ordinary hours spent on response, relief and recovery are not recoupable. This coupled with the complicated Disaster Recovery Funding Arrangements (DRFA) system makes it increasingly difficult to recoup funds spent on emergency response.

Fire agencies require Council to assess essential water used, replace it and get funding back from DECCA for water component with no funding for Council officer time. Further, Neighbourhood Safer Place - Places of Last Resort; fire agencies deem when there is a need for one and this is usually at a Council facility and must be maintained to a certain standard and signed at the expense of Council.

Based on 2023/24 budget and 2022/23 expenditure, Council spends approximately \$4.9M per year from our operational budget on Emergency Management obligations and this is estimated to be \$26.4M over the next 5 years. This excludes one-off emergencies such as the October 2022 storm damage clean up.

Environmental Health

MPSC's Environmental Health Team is responsible under the Public Health and Wellbeing Act for investigating environmental issues that are impacting on the health of residents. This can include a range of issues such as asbestos, pest control and infectious disease control. MPSC's Environmental Health Team supports and assists the State Government Department of Health and Human Services to investigate cases and outbreaks of infectious diseases through inspections, sampling and questionnaires.

While there is no financial cost shifting in terms of direct service delivery, there is a significant increase in officer time due to legislative changes and increased obligations on Council Environmental Health teams. This relates to the following core environmental health areas:

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1. **Food Safety:** Recent changes to the Food Act and food business risk classification system will require increased officer time to roll out during annual premises registration and inspection. This applies to our admin staff and Environmental Health Officers. We estimate this will add 15-20 minutes to the annual inspection of our 1,260 registered food businesses (300 - 400 hours). This change has already added around 5 days of officer time to our annual renewal of registration process and the pending introduction of the FoodTrader online registration system for temporary food premises will require around 40-50 hours of officer time for training and data management, with further time needed to educate food businesses and community groups. Estimate up to 80 hours across the team. Based on this data, annual estimate cost is \$30k.
2. **Environment Protection Act:** The amended Act places increased obligations on Councils and property owners in relation to septic system management. Complexity in information management, powers of entry and enforcement processes from this State Government framework requires increased time for both our Wastewater Officers and the admin staff. Without the \$20K DECCA funding and the SEW MoU we would not be able to fully implement these changes. After implementing these changes since 2021, we estimate that the complexity requires 0.25 FTE of a Band 5 Wastewater Officer, plus considerable time spent by our Legal team on EP Act interpretation. Based on this data, annual estimate cost is \$24k.

Changes to the EPA Officer for the Protection of the Local Environment (OPLE) program have led to more commercial pollution issues being managed by MPSC. Cases and projects previously handled by our embedded EPA OPLE are now dealt with by Environmental Health, Planning Compliance or Litter Prevention teams. The change to OPLE's based at South Metro Region has detrimentally affected our Environmental Health services. we estimate at least 20 additional cases (30 hours approximately). Based on this data, annual estimate cost is \$2k.

3. **Gastro Outbreak Investigation:** Recent changes to the definition of an unknown gastro outbreak by DFFH caused an increase in the number of outbreaks reported to Council. Estimate 10 additional outbreaks over 12 months, 6 hours of officer time per outbreak. Based on this data, annual estimate cost is \$4k.

Overall, MPSC is contributing an additional \$59k in 2023/24 and an estimate of \$317k over the next 5 years due to legislative changes and increased obligations on Council.

Planning Compliance on State own land

The Planning and Asset Compliance team is currently responsible for the enforcement of the Planning Scheme, the Planning and Environment Act and Council Local Laws on land that is not managed or owned by MPSC.

The primary example of this involves enforcement on public infrastructure land (such as road reserves, drainage reserves and bushland/coastal reserves) that are owned and managed by other public State authorities. These authorities include but not limited to Department of Transport (DoT).

There does not appear to be any agreements between authorities as to who is responsible for the enforcement of these laws on the varying areas of land. (E.g., which authority is responsible for the enforcement of advertising signage on a freeway road reserve.) Technically, both Council and DoT have enforcement powers to regulate signage on land however it is not clear who is responsible in particular situations, however, DoTs website direct people to Council to make a complaint.

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The time commitment for these complaint calls is approximately 2 hours per week which is an approximate cost to Council of \$6k in 2023/24 and \$35k over the next 5 years.

Landfill Levy

Council pays a landfill levy on every tonne of waste that is disposed to landfill.

MPSC pays a waste levy directly due to waste received at the MPSC's Rye Landfill and indirectly through solid inert waste from the MPSC's resource recovery centres taken to the Grosvenor Lodge landfill in Tuerong.

The purpose of the landfill levy is to incentivise waste reduction and fund waste prevention initiatives in Victoria.

Since 2019-20 the landfill levy has increased by 91 per cent to \$125.90 per tonne.

Councils have not seen a commensurate re-investment of this money back into local resource recovery. Further, Councils understand that this funding has been invested in the establishment of regulatory bodies, supporting EPA and other state government agencies, rather than on ground, sector-based action.

MPSC will pay landfill levy of \$6.8M based on 2023/24 budget and \$36.2M over the next 5 years. This cost is passed on to the Community via a Waste Service Charge.

Glass Recycling Stream

As part of the Victorian Government's "Recycling Victoria: A New Economy" policy and plan, MPSC are working towards meeting all the specified requirements.

This includes the provision of a separate glass collection service by 2027 for all Victorian households. MPSC has not yet set a date for the introduction of a separate glass service. We are waiting until the Container Deposit Scheme (CDS) is introduced (in November 2023) to understand how this may impact glass recycling, before considering possible timelines and options.

Initial projections for the cost of rolling out and collection of glass is \$4.7M initial capital investment and an annual operational cost of \$1.8M. These costs are an estimate only and subject to change dependent on the final service delivery model.

The recycling processing facilities will still maintain the ability to sort glass from mainstream recycling material. No business case analysis has been provided by the State Government to support a separate glass service vs impacts of CDS.

In addition, it may not adequately account for rising waste and recycling costs associated with global fuel rises, inflation and supply chain issues up until the service is fully rolled out.

The need for a glass only collection service has been determined prior to understanding the impacts of the Container Deposit Legislation (CDS) to commence in November 2023. It's likely the CDS will remove a significant volume of glass from the mainstream recycling. In addition, there is an opportunity for the State Government to expand the list of items that fall under the CDS eg: wine bottles to further reduce the volume of waste in the mainstream recycling stream.

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Once rolled out, the annual estimated cost is \$1.8M per year and \$9.3M over 5 years. In addition to this, there will be an initial capital works expenditure incurred of \$4.7M. This cost is passed on to the Community via a Waste Service Charge.

Bin Lid Standardisation

The State Government is creating a standardised system for recycling and waste — the aim is for all households to recycle and sort waste the same way, no matter where you live.

This includes standardised bin lid colours, therefore, MPSC is required to change the colour of the bin lids for our household waste (green to red) and recycling (blue to yellow) to meet this requirement.

MPSC has commenced this transition to new bin lid colours and is practicing a gradual approach with damaged or new bins being issued in the new colours to begin with.

MPSC has approximately 200,000 bins which require this change. Other than the change required by the State Government there is not considered to be any other reason to have these bin lids changed.

To meet the required target of a complete changeover by 2030 it's estimated that we will be required to undertake a bulk changeover of bin lids estimated at approximately 120,000 lids.

The bulk changeover will likely incur a cost of \$2.4M. These costs are an estimation only and subject to change dependent on the final service delivery model. In addition, it may not adequately account for rising waste and recycling costs associated with global fuel rises, inflation and supply chain issues up until the service is fully rolled out. This cost is passed on to the Community via a Waste Service Charge.

Urban Stormwater

The responsibility of drainage infrastructure is shared between Council and Melbourne Water. Generally, this responsibility is determined by the 60ha rule. Catchments greater than 60ha are the responsibility of Melbourne Water and catchments less than 60ha are the responsibility of Council. This rule is currently being reviewed within the Melbourne Urban Stormwater Institutional Arrangements Review (MUSIA).

A significant proportion of Council drainage drains to Melbourne Water infrastructure. There are situations where reducing the flood risk in Council assets necessitates the upgrade of Melbourne Water assets. There are also cases where the Melbourne Water assets back flow into Council assets resulting in flooding. In both these scenarios the responsibility currently resides with Council as the flooding is from Council pits but the assets that need upgrading belong to Melbourne Water. On ground solutions that mitigate localised flooding often require extensive upgrade or redesign of drainage infrastructure that can cost in the millions of dollars for a single project. Ongoing and comprehensive investment in drainage network is beyond the capacity of the Council's capital works budget and projects are prioritised and delivered on a case-by-case basis.

Another scenario where the responsibility and the cost of mitigation is challenging is with regards to the generation and treatment of pollutants. The source of the pollutants, the damage caused by the pollution and the recommended solution to reduce the impacts may be in three separate locations with different responsibilities. For example, Balcombe Estuary, has an issue with sediment deposition from unsealed roads. There are shared responsibilities between Melbourne Water, who are responsible for the health of the Estuary, and Council, who are responsible for the roads.

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Melbourne Water is an important partner when reducing pollutants in our waterways and bays, and reducing flood risk and we will continue to work with them to deliver critical infrastructure. We request that there is clarification on the financial responsibility of our organisations and a consistent application of who should pay.

MPSC are currently progressing with a long-term sedimentation plan which is estimated to cost \$2.46M but it is unclear on how much should Council contribute to the cost. MPSC currently have no funds budgeted for these projects.

Landslips

Much of the Mornington Peninsula's 192km of coastline comprises of rocky cliffs that continue to naturally erode overtime. Impacts from extreme weather events and changes in hydrology because of built housing and infrastructure can increase the instability of coastal cliffs, resulting in more severe erosion events and landslips.

As Committee of Management for foreshore Crown Land, MPSC has a responsibility to manage immediate risk and does so by making areas safe by removing dangerous material and installing temporary fencing and signage.

Landslips and cliff overhangs can block access to foreshores, damage infrastructure and pose a risk to public safety.

These reactive risk management works cost MPSC more than \$200,000 per annum.

The costs of repairing infrastructure, including stairs, carparks, paths, retaining walls and other protective structures is much higher. Who is responsible for these costs can be unclear due to mix of land ownership and/or land manager obligations.

For example, a series of rockfalls and landslips following high intensity rainfall events during 2022 have impacted the cliff path at Beleura Hill, Mornington. This scenic, 100-year-old path is now closed to the public as it is unsafe after several sections have fallen away and others remain unstable. MPSC is completing a risk assessment and options report at the cost of \$85,000 to investigate what needs to be done to reopen the path. A further \$100,000 has been committed to begin design work for construction. Any engineering options for re-opening the path will be extensive due to the steep terrain, limited access and complex land ownership (a mix of private, Crown and MPSC owned land). High level estimates for works required range between \$2M – 4M. This level of investment is simply beyond the capacity of Council and funding from State and or Federal government will be required if reopening the path is to succeed.

In another example, during September 2020, a roadside landslip occurred in Mount Martha, blocking the Esplanade and access to residential properties. Emergency works to make the area safe, reopen the road and access to homes was undertaken by MPSC, with some assistance from the Department of Transport and Planning. These reactive works to date have cost MPSC \$300,000. Again, there is a mix of land management arrangements here with a combination of Crown, Department of Transport and Planning (DTP) owned and MPSC managed land. Remediation works to restore stability to the slope and protect from further slippage are estimated to cost around \$4M. Who will fund these works, either fully or in a shared agreement has not yet been finalised between the different land managers, with the DTP recently indicating that there is no State budget available for this project. This is yet another example where the limited resources available to MPSC in a rate capped environment are being spent in response to the damaging effects of extreme weather on infrastructure where there is a shared responsibility between State and Local government levels.

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Short Stay Tax

Over 1.6 million people stay overnight when visiting the Peninsula each year, making it the third largest short stay rental accommodation destination in Australia. The Mornington Peninsula Shire Council welcomes greater numbers of visitors to the region, but must also ensure that the local communities continue to enjoy the benefits the area has to offer.

In May 2018, MPSC adopted the Short Stay Rental Accommodation Local Law, providing clear guidelines on the required standards for the operation of this type of accommodation. The Local Law places the responsibility for occupant behaviour on the owner of the property.

This law requires the owner to:

- Register the property with Council
- Appoint a designated contact person to respond to neighbour complaints within two hours
- Ensure occupants adhere to the Code of Conduct
- Provide adequate off-street parking and garbage bins
- Display your registration number on all online platforms that advertise the property

The short stay registration income is budgeted to be \$871k in 2023/24.

In September 2023, it was announced that Victoria will become the first state in Australia to tax short-stay accommodation such as Airbnbs in an attempt to combat the housing crisis.

From 2025, a 7.5 per cent levy on short-stay accommodation revenue will be introduced, with the funds raised to be used to fund social and affordable housing.

A quarter of that tax revenue will go towards the construction of homes in regional Victoria.

It is expected with the introduction of this new tax, MPSC will no longer be able to charge the short stay registration fee, resulting in lost revenue of \$888k in 2023/24 and \$4.7M over 5 years.