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Patterson Lakes Beach Maintenance Strategic Review

Final Report

23 September 2024

A Marsden Jacob Report

Prepared for Kingston City Council and Melbourne Water Corporation
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Acknowledgements
Marsden Jacob consulted widely for this report. We would like to acknowledge and thank all the people we engaged with during this project. The report is better for your input. All final recommendations and views in this report are attributable to Marsden Jacob unless otherwise stated.

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1. Executive summary

1.1 About this Strategic Review

This Strategic Review explores options to enhance the value and outcomes of maintaining the artificial beaches in the Tidal Waterways and Quiet Lakes precincts of Patterson Lakes Waterways. This collaborative effort between Kingston City Council (KCC) and Melbourne Water (MW) responds to governance and institutional challenges identified post the 2012 Patterson Lakes Independent Review. These challenges include reconciling General Rates Revenue allocation, managing resident expectations, and addressing rising beach maintenance costs.

1.2 Objectives

The Report, commissioned by MW and KCC, has six primary objectives:

- Identify challenges faced by KCC and MW in beach management and maintenance.
- Outline public safety considerations and potential service delivery models.
- Propose options for improved beach management, including governance, customer experience, service delivery, erosion control, and public safety enhancement.
- Identify potential economic benefits and partnerships to support recommended management strategies.
- Reassess the Independent Review recommendations against current societal expectations and agency obligations.
- Focus on Governance Arrangements

The Patterson Lakes Waterways Management Plan ('the Plan'), renewed for 2022-2027, clarifies the roles and responsibilities of MW and KCC. It aims to guide the management and maintenance of Patterson Lakes Waterways, outlining services provided by MW and KCC and setting measurable targets. The Plan mandates a review of shared governance every five years or sooner if performance targets are not met.

The Project Steering Group's assessment indicates that current governance arrangements, although resilient and effective over the past decade, could be more efficient. A reset of these arrangements is necessary to better align with the desired outcomes.

1.3 Scope

The project scope includes:

- Reviewing existing reports, studies, and data from the Independent Review into Patterson Lakes Management.

- Conducting site visits to assess beach conditions and identify management, safety, and customer experience issues.
- Researching best practices for artificial beach management, including erosion control, weed and litter management, and public safety enhancement.
- Developing a report with findings, recommendations, and potential governance structures and economic models.
- Presenting the report to the local council and MW.

1.4 Brief history of Patterson Lakes

Before the 1970s, Patterson Lakes was a low-lying, flood-prone area. In the 1970s, developers transformed it into a residential suburb with man-made canals and three land-locked lakes (Lake Legana, Lake Illawong, and Lake Carramar) known as the Quiet Lakes. The Tidal Waterways, separated from the Patterson River by floodgates, serve both flood protection and recreational purposes. The Quiet Lakes function as stormwater runoff retarding basins, interconnected by pumps and drains.

In 1973, the Dandenong Valley Authority (DVA) was tasked with maintaining the Patterson Lakes Waterways, funded by a Special Precept Rate. This rate was levied on properties within the DVA's boundary, requiring each Council to levy a rate on behalf of the DVA.

In 1991, MW merged with the successor to the DVA - Dandenong Valley and Western Port Authority (DVWPA) – and assumed management of the Patterson Lakes Waterways, funded by the Special Precept Rate introduced by the DVA. A regulatory change in 1997[1] resulted in the Special Drainage and River Improvement Rate replacing the Special Precept Rate and explicitly required that Melbourne Water consult a community-based committee before imposing the Special Drainage and River Improvement Rate.

In 2005 MW was required by the economic regulator[2] to formally consult with the customer committees prior to submitted its proposed Special Drainage and River Improvement Rate for approval[3].

In 2012 MW proposed replacing the basis for calculating the Special Drainage and River Improvement Rate from a percentage of property value to a fixed annual charge designed to recover the costs of providing services to properties subject to the Rate. The change in approach had the consequence of increasing the amount paid per property. MW received around 150 submissions to its consultation paper on this proposal, the majority of which expressed dissatisfaction.

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[1] The MMBW (Amendment) Act 1997
[2] the Essential Services Commission (ESC)
[3] In June 2008 the requirement for consultation was further strengthened by inclusion of prescribed matters and that consultation occur annually

In response to community concerns, the Minister for Water established the Patterson Lakes Independent Review (IR) in September 2012 to recommend actions for a sustainable management framework and equitable funding model.

1.5 The Independent Review

1.5.1 Terms of Reference

The IR considered historical agreements, asset responsibilities, capital renewal responsibilities, regional services, local services, and effective delivery methods. It concluded that the 1973 Agreement was no longer relevant, the Precept Rate[4] should cease, and that MW should manage the waterways with funding from the Melbourne Metropolitan Waterways and Drainage Charge, a fixed annual charge which all properties in Greater Melbourne were required to pay.

1.5.2 Conclusions

Key conclusions of the IR included:

- Management and governance of the waterways have changed since their creation.
- The Precept Rate is no longer suitable.
- The 1973 Agreement is no longer in operation.
- The waterways serve drainage and recreational functions.
- Water quality for primary contact cannot be guaranteed; secondary contact standards should be maintained.
- A full audit of waterways' assets is needed.
- Various funding sources are available.
- Shared governance is appropriate.

1.5.3 Recommendations

Key recommendations included:

- Consolidate titles to the waterways.
- Maintain minimum water quality standards.
- Implement the Quiet Lakes Water Quality Management Plan.
- Review and manage the Quiet Lakes infrastructure.
- Cease the Precept Rate and replace it with a new funding framework.

[4] The Special Drainage and River Improvement Rate continued to be known as 'The Precept Rate' by the majority of people who were required to pay it.

- Empower Parks Victoria as the Waterways Manager.
- Conduct a full audit of assets.
- Develop a Management Plan collaboratively.

Option 1 – the preferred governance model

The IR Report outlined three alternative institutional and governance models as a means of illustrating the scope of change required. The preferred model of the IR was Option 1, which proposed that the waterways be managed as public assets, funded by the Melbourne Metropolitan Waterways and Drainage Charge. Additional services required by stakeholders would be funded on a project basis. Parks Victoria would manage the recreational functions of the Tidal Waterways. However, Option 1 did not recommend that beach maintenance services be funded and delivered by KCC.

1.6 Evaluation of the Independent Review findings and recommendations

This Strategic Review has evaluated the IR Report recommendations, identifying a number of recommendations that have hampered the funding and delivery of beach maintenance services ever since the IR Report was released.

1.6.1 Discontinuation of the Precept Rate

The IR Report recommended ceasing the Precept Rate, a regulated revenue source for beach maintenance. The Precept Rate mandated transparency and formal consultation, requiring MW to outline proposed activities, forecast efficient expenditure, propose prices, and submit detailed plans for approval. This system allowed ratepayers to understand service fees and encouraged efficient service delivery. Discontinuing the Precept Rate removed these regulatory benefits and oversight by the Essential Services Commission (ESC).

1.6.2 Sand renourishment of Tidal Waterways beaches

The IR Report did not address the responsibility for renourishing artificial beaches within the Tidal Waterways or their funding sources, despite recognising their importance for public recreation and the existence of State Government policy[5] on Port Phillip Bay beach renourishment. This omission has led to concerns about beach erosion and public safety among residents.

1.6.3 Funding of artificial beach maintenance

The IR Report recommended Option 1 for managing Patterson Lakes Waterways, which allocated beach maintenance to KCC, funded by General Rates Revenue. The IR Report failed to recognise that

[5] The Victorian Government classifies sand renourishment of Port Phillip Bay's natural beaches as a capital project, periodically funded through the Department of Environment, Energy, and Climate Action (DEECA). Similar considerations were not extended to artificial inland beaches, although it would have been logical to do so.

KCC had the option of imposing a Special Charge on properties that would benefit from beach maintenance services.

1.7 Current Arrangements as articulated in the 2022 Management Plan

The current arrangements for management of all functions relating to the Patterson Lakes Waterways are set out in the 2022 Management Plan. These arrangements are as follows:

- **Melbourne Water:** Manages flood protection and drainage, including floodgates, retaining walls, and water quality. It conducts structural assessments, repairs, and sediment removal, and supports recreational benefits by maintaining rock beaching and jetties.
- **Kingston City Council:** Manages stormwater and local infrastructure, maintaining stormwater quality and incorporating Water Sensitive Urban Design (WSUD) practices. It also manages artificial sand beaches and lighting bollards.
- **Beach maintenance funding:** In 2017 KCC introduced a Special Charge that applied to properties adjacent to the Quiet Lakes. It recovered approximately 49% of beach maintenance costs at Quiet Lakes. That Special Charge was removed in 2022 as a result of a KCC resolution in September 2021. KCC has not imposed a Special Charge on Tidal Waterways properties. As a result, from 2022 onwards, beach maintenance costs are entirely funded from General Rates Revenue[6].
- **Beach maintenance delivery:** Shortly following the release of the IR Report, KCC reached an agreement with MW for beach maintenance services at both Quiet Lakes and Tidal Waterways to be delivered by MW under contract. This was a pragmatic approach that recognised that MW and its predecessors had been delivering these services since the artificial beaches were created. MW has contracted third party service providers from a panel of pre-qualified organisations to deliver the services. The service provider is given access to the Tidal Waterways artificial beaches by MW-employed staff who operate a MW-owned boat and barge within the Tidal Waterways.

1.8 The private benefits of Patterson Lakes artificial beaches

This review aims to determine whether the artificial beaches of Patterson Lakes Waterways serve a public or private purpose, assessing the extent to which those benefits can be enjoyed by all members of the public or just a specific group. Drawing this distinction is necessary for understanding the public policy implications of the current funding arrangements for artificial beach maintenance whereby KCC funds beach maintenance services entirely from General Rates Revenue and evaluating options to reform those arrangements.

The artificial beaches of Patterson Lakes provide benefits that are only available to properties adjacent to those beaches. While Tidal Waterways offer public recreational benefits, the adjoining artificial beaches do not. The general public is not permitted to access the artificial beaches and in

[6] KCC reduced the frequency of beach maintenance activities at Quiet Lakes from monthly to bi-monthly at this time.

most cases infrastructure such as fences and signage actively discourage entering the artificial beach areas.

Given the private nature of these benefits, it is fair and practical for the adjacent property owners to bear the maintenance costs. Mechanisms like the now discontinued Precept Rate and Special Charge ensure that private beneficiaries pay for the benefits only they can enjoy. Governance and funding should reflect these private benefits, with targeted charges on benefiting properties being a fair and efficient approach, aligning with economic principles. A Victorian Civil and Administrative Tribunal (VCAT) ruling on the validity of a Special Charge imposed on properties adjacent to Quiet Lakes confirmed the validity of the Special Charge, based partly on these principles.

1.9 Challenges with beach maintenance

KCC and MW have faced a range of challenges in maintaining the artificial beaches of Patterson Lakes Waterways since the IR Report was released. This Strategic Review focus on four in particular.

1.9.1 Financial constraints

KCC faces substantial financial burdens in funding beach maintenance, significantly impacting its budget. The operational costs for beach maintenance, which includes activities such as beach raking, debris collection, and weed spraying, are high. Asset maintenance within Tidal Waterways and Quiet Lakes further strains resources, with costs from 2014 to 2021 estimated at $287,300 over that period.

Annual maintenance costs have increased significantly since the IR Report was released. KCC expects total costs to approach $350,000 in the 2025 financial year.

All beach maintenance costs are funded from General Rates Revenue. This can be partly attributed to the IR Report identifying General Rates as a funding source in its preferred 'Option 1' governance model and failing to recognise a new Special Charge as a valid mechanism to recover the costs of providing beach maintenance services. Had it done so, it is arguable that far less uncertainty would exist regarding the validity of applying a Special Charge to fund the service.

1.9.2 Policy and process inefficiencies

The process that led to the discontinuation of the Special Charge for Quiet Lakes properties in September 2021 highlights significant deficiencies in the local government decision-making process compared to the more formal regulatory price determination framework that Melbourne Water adheres to. In that instance, a decision with material financial implications for KCC (agreeing to re-enter a management plan with Melbourne Water without a corresponding funding mechanism) was made without thorough analysis or supporting evidence from professional Council staff. Decision-makers were not provided with the necessary information to understand the potential unintended consequences of their actions. Additionally, local government lacks an appeal or submission process, which can impede the achievement of optimal policy outcomes.

1.9.3 Funding mechanisms and their impacts

The reliance on General Rates Revenue as the primary funding source for beach maintenance created funding instability because the funding allocated was typically lower than the cost of providing the services. This drew continued attention to beach maintenance services, motivated in part by concern for the implications for the broader financial position of KCC as a result of allocating a growing share of General Rates Revenue to the services. The discontinuation of the Special Charge further exacerbated the situation. This means the current funding model is inherently unsustainable, highlighting the need for a dedicated and stable funding mechanism to support long-term maintenance and management of the Patterson Lakes Waterways artificial beaches.

1.9.4 Governance and institutional challenges

The absence of a single lead agency responsible for both funding and delivering beach maintenance services is likely the primary factor contributing to residents' dissatisfaction with the current governance and institutional arrangements. The existing structure, where KCC is responsible for funding while contracting MW to deliver services through a third-party provider, creates a disconnect in accountability. Residents direct their complaints to KCC, which distances them from the actual service provider, leading to a perception that it is impossible to hold any one party accountable. The complexity of these arrangements, along with KCC's sense of disconnection from service delivery and MW's concerns over unstable funding and compensation risks, further exacerbates the governance challenges.

1.10 Strategic objectives for reform

Four objectives for reform have been developed to address the four challenges. These are summarised in Table 1, along with the expected benefits from identifying and implementing a reform option that aligns to the objectives.

Table 1: Objectives for, and expected benefits of, reform to address problems

Problem statements	Reform objectives	Expected benefits
• Financial constraints in beach maintenance funding. • Funding mechanisms and their impacts.	Establish a long-term, stable, and feasible funding source	By adopting a stable funding mechanism, KCC or MW can ensure efficient allocation of resources, reduce financial constraints, and enhance the transparency of beach maintenance funding.
	Demonstrate value for money in delivering agreed Level of Service targets	By demonstrating value for money KCC and MW can ensure that beach maintenance services are delivered efficiently and effectively, providing clear evidence of value for money to all stakeholders.
Policy and process inefficiencies	Integrate stakeholder feedback and expert recommendations into decision-making	A more transparent approach to decision-making that is more likely to result in outcomes that are prudent, efficient, and better address the practical and financial challenges faced by the responsible institutions.
Governance and Institutional Challenges	Principles for decision-making on changes to governance of beach maintenance service funding and delivery	KCC and MW can have confidence that any changes to the governance of beach maintenance services are well-considered, transparent, and effective.

1.11 Reform options

Six alternative options for reform of institutional and governance arrangements of beach maintenance services have been developed with the aim of providing plausible reform options to achieve the reform objectives.

Table 2 provides a concise description of each model, outlining the proposed adjustments to institutional responsibilities and funding arrangements.

Table 2: Summary of reform option attributes

Option	Institutional responsibilities	Funding mechanism/s
1. Precinct-Based	MW responsible for Tidal Waterways beaches KCC responsible for Quiet Lakes beaches	MW and KCC would introduce a new property-based charge to fund the beach maintenance services provided to the properties in each of the precincts serviced by each institution
2. MW Only Option	MW solely responsible for all Patterson Lakes Waterways beaches	MW would introduce a new property-based charge to fund the beach maintenance services provided
3. KCC Only Option	KCC solely responsible for all Patterson Lakes Waterways beaches	KCC would introduce a new property-based charge to fund the beach maintenance services provided.
4. Self-Regulation Option	An Owners Corporation would be established to be responsible for beach maintenance services at both the Tidal Waterways and Quiet Lakes Precincts. would be established to be responsible for beach maintenance services.	The Owners Corporation would fund beach maintenance services through revenue raised by a charge imposed by the Owners Corporation on member properties.
5. Beach Maintenance Utility Option	Formation a dedicated utility jointly owned by MW and KCC that has the sole purpose of providing beach maintenance services in both precincts.	The utility would be funded by a new property-based charge introduced by either MW or KCC.
6. Refreshed Management Plan	MW and KCC maintain their current roles and responsibilities for beach maintenance, enhanced by greater transparency for: • KCC as the funding institution • MW as the institution providing the services • Property owners with respect to achievement of agreed Level of Service	Funded by a new property-based charge introduced by either MW or KCC.

1.11.1 Option 1 – Precinct-Based

Option 1 – the Precinct-Based Model – proposes reallocating beach maintenance responsibilities between MW and KCC based on their respective precincts. MW would manage the Tidal Waterways precinct, leveraging its specialised equipment and expertise in water management, while KCC would oversee the Quiet Lakes precinct, drawing on its experience with local recreational parks and community engagement. This division of responsibilities ensures that each entity is best suited to deliver the desired outcomes for their designated areas.

Funding for beach maintenance under this model is also precinct-based. MW would introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC, to cover the costs in the Tidal Waterways precinct. KCC would implement a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that benefit from the services in the Quiet Lakes precinct. This approach aligns the costs with the beneficiaries, promoting financial stability and reducing reliance on general rates revenue. Enhanced transparency and accountability would be achieved through regular public reporting and community engagement, ensuring residents are informed and can hold the responsible entities accountable.

1.11.2 Option 2 – Melbourne Water only model

Option 2 assigns both funding and delivery of beach maintenance services in the Tidal Waterways and Quiet Lakes precincts to MW, reverting to the pre-IR arrangement. This model simplifies accountability by making MW the sole responsible entity, leveraging its long-standing role since 1991. The approach provides a unified management structure, one funding avenue, and a single authority for resident and external agency interactions. However, it must address historical dissatisfaction with service standards noted in the IR Report.

Under this model, MW would introduce a tariff under section 259(1) of the *Water Act 1989*, determined by the ESC, to fund the maintenance services. The transition plan includes stakeholder engagement, defining roles, securing funding, and implementing a service delivery framework. MW would also commit to transparent and regular reporting on its performance, enhancing community engagement through newsletters, forums, and online updates. This model aligns with reform objectives by providing a stable funding source, demonstrating value for money, integrating stakeholder feedback, and establishing clear governance, although it faces challenges in securing political support and managing stakeholder resistance.

1.11.3 Option 3 – Kingston City Council only model

Option 3 proposes that KCC assume full responsibility for both the funding and delivery of beach maintenance services in Patterson Lakes Waterways. While this model aims to streamline governance, ensure direct accountability, and leverage KCC's expertise in managing local recreational reserves, it faces significant challenges that undermine its viability as a reform option.

The proposed funding mechanism involves introducing a Special Charge under section 163 of the *Local Government Act 1989*, targeting properties that directly benefit from the beach maintenance services. However, garnering political support for reintroducing this charge, especially given Council passed a resolution that it be removed in September 2021, is a substantial obstacle. Resistance to the new charges that would be introduced by KCC, particularly from those who will face the charge for the first time, could further impede implementation. Moreover, the transition of responsibilities from MW to KCC is fraught with logistical challenges, including the acquisition of specialised equipment and the transfer or recruitment of skilled staff to operate that equipment in the Tidal Waterways.

Given these significant obstacles, Option 3 is unlikely to be a feasible reform option, despite its potential benefits in terms of unified governance and local accountability.

1.11.4 Option 4 – Self-Regulation model

Option 4 proposes a self-regulatory model where residents form an Owners Corporation to manage and fund beach maintenance services in Patterson Lakes. This model aims to empower residents by giving them direct control over service levels and pricing, theoretically leading to tailored solutions that meet local needs and preferences. Funding would be raised through fees levied by the Owners Corporation, ensuring that costs are directly linked to the services provided. Service delivery would be managed by the corporation, leveraging local knowledge and resident input to prioritise and customise maintenance activities.

However, the feasibility of this model is highly questionable. Achieving unanimous participation from property owners is critical for financial viability, yet it is inherently difficult to secure. This reliance on full participation makes the funding model unstable and potentially unworkable. Additionally, the complexity of managing public reserves and ensuring consistent service levels due to diverse stakeholder interests presents significant challenges. Effective governance structures and conflict resolution mechanisms are crucial but difficult to implement. The need for comprehensive legal advice, the potential for service delivery interruptions, and the lack of a precedent for such a model further undermine its practicality. Given these substantial obstacles, Option 4 poses high risks and is poorly aligned with the reform objectives.

1.11.5 Option 5 – Beach maintenance utility model

Option 5 proposes the creation of a joint venture between MW and KCC to form a dedicated utility focused on beach maintenance services. This model aims to centralise asset management and contractor engagements, leveraging the combined resources and expertise of both entities to enhance service delivery efficiency. The joint venture would handle all beach maintenance services across both the Tidal Waterways and Quiet Lakes precincts, aiming for a cohesive and coordinated approach. While the establishment of a new organisational structure introduces overhead costs and complex legal matters, the potential long-term benefits of improved coordination and service efficiency are significant, making this a potentially viable option for sustainable beach maintenance.

Funding for this model would be sourced through a beneficiary pays mechanism, with MW introducing a tariff under section 259(1) of the *Water Act 1989* and KCC implementing a Special Charge under section 163 of the *Local Government Act 1989*. The centralisation of services under the joint venture is expected to optimise the use of resources from both MW and KCC, although the transition involves complex coordination and potential service disruptions.

The joint venture would commit to transparent updates to keep the community informed. However, the success of this model hinges on the regulatory framework it falls under, with ESC oversight being most likely to ensure robust stakeholder engagement and the incorporation of expert recommendations. Without such oversight, the regulatory uncertainty poses a risk to the effectiveness of this model.

1.11.6 Option 6 – Refreshed Management Plan model

Option 6, the Refreshed Management Plan model, proposes maintaining KCC as the primary entity responsible for funding and managing beach maintenance services while enhancing the existing framework to improve transparency, accountability, and community engagement. This option builds on the current Management Plan, which has been effective for over seven years, by addressing identified deficiencies through strengthened governance and reporting mechanisms. The aim is to maintain the stability of the current system while introducing targeted improvements that ensure better oversight and service delivery, ultimately reinforcing trust with the community.

Under this model, KCC would reintroduce a Special Charge under section 163 of the Local *Government Act 1989*, targeting properties adjacent to the artificial beaches in both the Tidal Waterways and Quiet Lakes precincts. KCC would continue to contract MW to deliver the beach maintenance services, with enhanced procurement processes to ensure competitive selection of service providers. An evaluation committee, comprising members from both KCC and MW, would oversee contractor performance. Robust reporting and accountability measures would be implemented, with regular updates on beach maintenance activities communicated to the community. This model emphasises comprehensive stakeholder engagement and continuous improvement through annual performance reviews, ensuring that community needs and preferences are effectively integrated into the decision-making process.

1.12 Recommendations

Based on the in-depth analysis of six proposed options, the primary recommendation of MJA is to pursue **Option 2 – Melbourne Water Only Model**. Recognising potential resistance to this option, **Option 6 – Refreshed Management Plan Model** and **Option 1 – Precinct-based Model** are also suggested as contingencies.

1.12.1 Primary recommendation: Option 2 – Melbourne Water Only model

Option 2 – Melbourne Water Only model is identified as the most robust and pragmatic solution. This model assigns MW the sole responsibility for funding and delivering beach maintenance services in both the Tidal Waterways and Quiet Lakes precincts. Key advantages include:

- **Streamlined Governance:** Consolidates all responsibilities under MW, simplifying accountability.
- **Stable Revenue Stream:** Introduces a tariff under section 259(1) of the *Water Act 1989*, ensuring predictable and transparent funding through the ESC price determination process.
- **Expertise and Efficiency:** Leverages MW's long-standing experience in managing large-scale waterway projects to maintain consistent service standards.
- **Enhanced Monitoring and Accountability:** Regular performance reporting and community engagement will incentivise MW to meet service standards and address past issues.

Despite potential political challenges associated with introducing a tariff, these can be mitigated through transparent communication and stakeholder engagement.

1.12.2 Contingency recommendations

Option 6 – Refreshed Management Plan model serves as a balanced alternative that builds on the existing framework while addressing current deficiencies. Key features include:

- **KCC Responsibility:** KCC remains the primary entity responsible for funding and managing beach maintenance.
- **Dedicated Revenue Stream:** Reintroduces a Special Charge under section 163 of the Local Government Act 1989, ensuring stable funding.
- **Enhanced Procurement and Oversight:** Improved contractor selection processes and an evaluation committee comprising KCC and MW members.
- **Robust Reporting and Community engagement:** Regular public updates and enhanced transparency measures.

Challenges related to political will and community resistance can be managed through comprehensive consultations and phased implementation.

Option 1 – Precinct-based model divides responsibilities along precinct lines, assigning MW to the Tidal Waterways and KCC to the Quiet Lakes. Benefits include:

- **Specialised Expertise:** MW's experience with complex waterways and KCC's familiarity with local recreational spaces.
- **Clear Funding Mechanism:** MW introduces a tariff under the Water Act, while KCC implements a Special Charge under the Local Government Act.
- **Efficiency and Accountability:** Utilises each entity's strengths and promotes transparency through regular updates and community engagement.

Potential challenges of political resistance and coordination between MW and KCC can be mitigated through proactive stakeholder engagement and clear communication protocols.

1.12.3 Options to discard

- **Option 3 – Kingston City Council Only model:** Faces significant logistical and political challenges, including the need for KCC to acquire specialised equipment and trained personnel, and likely community resistance to reintroducing Special Charges.
- **Option 4 – Self-Regulation model:** Deemed impractical due to complexity and reliance on full resident participation, leading to potential financial instability and governance challenges.
- **Option 5 – Beach Maintenance Utility model:** Introduces bureaucratic and regulatory complexities, potential service duplication, and the need for clear demarcation of responsibilities, making it less viable.

1.12.4 Conclusion

MJA recommends pursuing Option 2 – Melbourne Water Only model as the primary approach for managing beach maintenance services in Patterson Lakes Waterways. This model offers a streamlined, efficient, and transparent solution under a single accountable entity. The Refreshed Management Plan model and Precinct-based model are viable alternatives that also address the core objectives of stability, accountability, and effective service delivery. Adopting these recommendations will ensure sustainable and effective beach maintenance services that meet the community's needs and expectations.

2. About this Strategic Review

The purpose of this Strategic Review is to investigate options that may deliver better value and outcomes for the maintenance of the artificial beaches located in the Tidal Waterways and Quiet Lakes precincts of the Patterson Lakes Waterways.

KCC and MW agreed, in partnership, to explore beach maintenance improvement options for Patterson Lakes Waterways.

This was in response to the ongoing challenges of maintaining the artificial sand beaches following governance and institutional changes implemented in response to the Patterson Lakes IR. Challenges have included reconciling allocation of General Rates Revenue to maintenance of artificial beaches that are not accessible to all ratepayers, managing the expectations of residents with respect to the maintenance level of service that can be provided by KCC while the beneficiaries of beach maintenance services do not contribute to the costs through a beneficiary pays mechanism and the rising overall cost to ratepayers of providing beach maintenance services that are entirely funded from General Rates Revenue.

2.1 Objectives

This Report reviews current arrangements for artificial beach maintenance services in Patterson Lakes Waterways, evaluates options for the reform of current governance arrangements, and makes recommendations for consideration by KCC and MW.

The Project, commissioned jointly by MW and KCC, has five objectives:

1. Identify the challenges faced by KCC and MW in managing and maintaining the beaches to meet community expectations
2. Outline public safety considerations and explore possible service delivery models
3. Provide options to improve future management of the beaches, including governance and land management arrangements, strategies for improved customer experience, service delivery, reduced erosion, and enhancing public safety
4. Identify potential economic benefits in both public and private, and potential partnerships, that could be leveraged to implement the recommended management strategies
5. Retest the IR recommendations and assigned responsibilities against current society expectations and current agency remits / statutory obligations

2.2 Why the focus on governance arrangements?

The Patterson Lakes Waterways Management Plan ('the Plan') is a collaborative arrangement developed through negotiation by MW and KCC to clarify roles and responsibilities of the agencies with the goals of:

- providing the framework to guide the management and maintenance of the different water bodies of Patterson Lakes Waterways in a manner that is responsive to a range of environmental and community values
- outlining the management services provided by MW and KCC
- providing measurable targets which the management services should achieve

The Plan was renewed in 2022 for the five-year period 2022-2027.

Section 5 of the Plan requires that *"the agreed shared governance of the Patterson Lakes Waterway assets and management services is to be reviewed every five years. An earlier review can be undertaken as agreed by the responsible management agency if the performance targets outlined within Section* 4.0 Assets and Management Services *are not being satisfactorily met*."

This Strategic Review concentrates on reviewing current arrangements and presenting various options for reform of arrangements that govern beach maintenance services within Patterson Lakes Waterways.

The existing cooperative arrangement has demonstrated resilience and effectiveness over the past decade, despite facing numerous challenges described in detail in this Review.

However, the Project Steering Group's initial assessment is that the current governance arrangements could be more efficient and effective in delivering the desired outcomes outlined in the Plan. Consequently, a review of these arrangements was commissioned.

For the purposes of this evaluation, key terms are defined as follows:

- **Institutional Arrangements:** This refers to the organisations involved, the rules under which they operate, and their functions and practices.
- **Governance:** As defined by the Governance Institute of Australia (2018), governance encompasses "the systems by which one or more institutions is controlled and operates, and the mechanisms by which it, and its people, are held to account." This includes setting objectives, ethics, risk management, compliance, and administration.
- **Collaborative:** This term signifies MW and KCC establishing a partnership to achieve mutually beneficial goals, which neither could accomplish independently.

2.3 Scope

The project scope of works included, but was not limited to the following tasks:

- Reviewing existing reports, studies, and data related to the IR into Patterson Lakes Management**.**

- Conducting site visits to assess the current state of the beaches and to identify any issues related to beach management, safety, customer experience, and asset management.
- Conducting research to identify best practices for managing artificial beaches, including strategies for reducing erosion, managing weeds and litter, and enhancing public safety. All delivery and service options were to be considered.
- Developing a report outlining the consultant's findings, recommendations, and potential governance structures and economic models addressing public and private benefits and potential partnerships.
- Presenting the report to the local council and Melbourne Water.

2.4 The purpose of this Report

This Report will be used by MW and KCC to inform their consideration of future institutional and governance arrangements for beach maintenance services. Delivery of this Report does not trigger any decisions by either MW or KCC, and the commissioning of this Report should not be misconstrued as a commitment by either institution to reforming the current governance arrangements.

We appreciate some readers of this Report will be well-versed in the context and history of the Patterson Lakes Waterways and may have a high level of awareness of current institutional and governance issues. However, it has been necessary to set out the relevant events that led to the need for this Project, because the weaknesses apparent in the current arrangements are in part a function of these events.

3. Background

3.1 Brief history of Patterson Lakes

Prior to the 1970s, the region now known as Patterson Lakes consisted of low-lying, flood-prone terrain. In the 1970s, developers transformed this area into a residential suburb featuring a network of man-made canals and tidal waterways that connect directly to the Patterson River, and three land-locked lakes —Lake Legana, Lake Illawong, and Lake Carramar - collectively known as the Quiet Lakes.

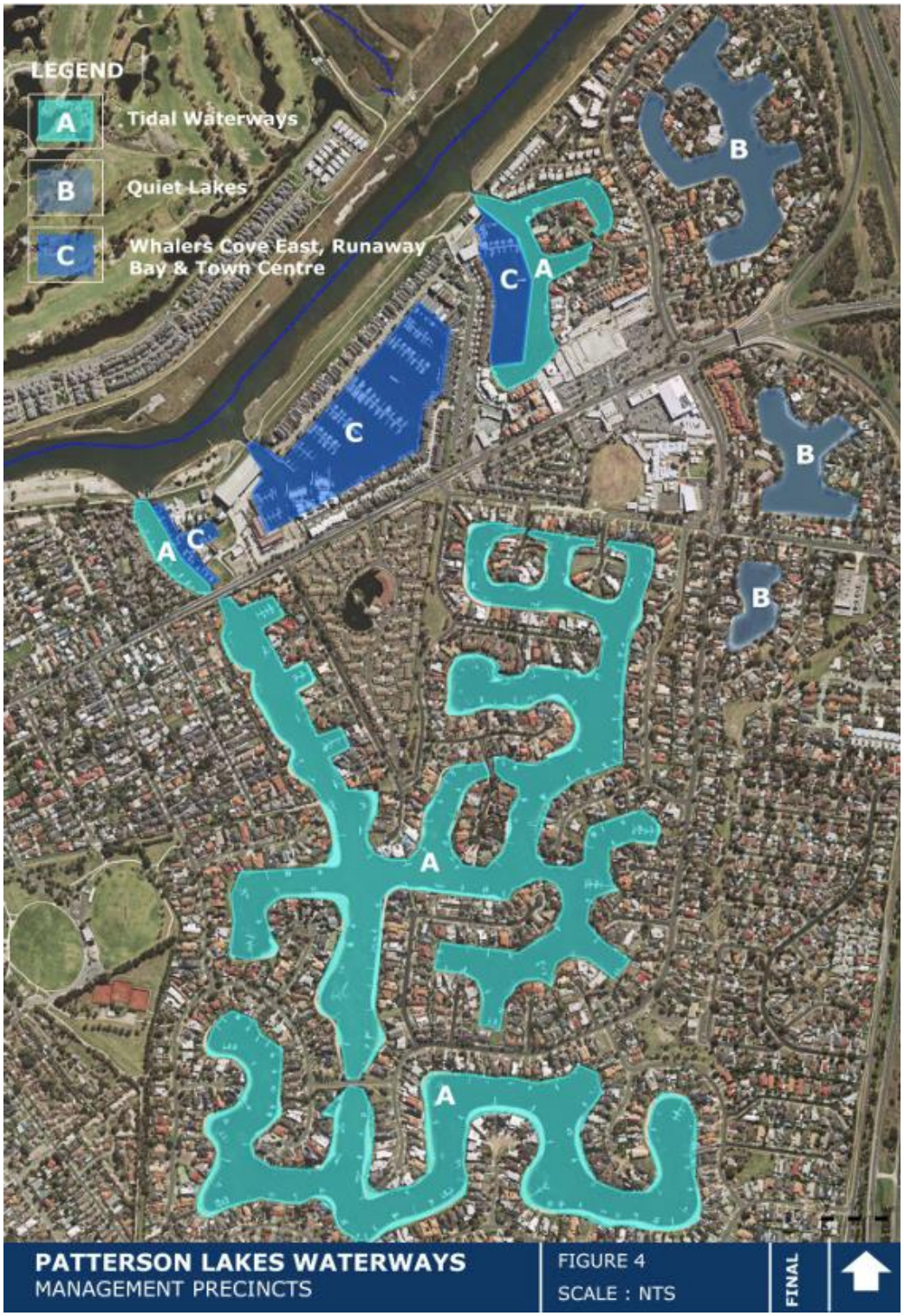
The Tidal Waterways are demarcated from the Patterson River by floodgates, which play a crucial flood protection role infrastructure of the area. The Tidal Waterways function both as a drainage system and as a recreational space, particularly for the boating community.

In contrast, the Quiet Lakes comprise a brackish system of three man-made, shallow lakes designed as stormwater runoff retarding basins. The three lakes are interconnected through a network of pumps and drains, which also serve to connect the lakes to the Patterson River and Kananook Creek.

A key aspect of the Patterson Lakes development was its establishment as a private waterfront community, characterised by artificial beaches. Access is generally exclusive to properties directly bordering the artificial beaches, even though the artificial beaches are on land owned by Melbourne Water and over which it has a three-metre easement.

The layout of the Patterson Lakes Waterways is illustrated in Figure 1.

Figure 1: Patterson Lakes Waterways Management Precincts



In 1973, an Agreement was established, stipulating that the Dandenong Valley Authority (DVA) would be responsible for maintaining the Patterson Lakes Waterways. As part of this arrangement, a Special Precept Rate was introduced to fund these maintenance efforts. The term 'Special' is important because the DVA already raised funds through a precept to fund its ordinary works and undertakings. The precept was to each of the municipalities within the boundary of the DVA and effectively

required each Council to levy a rate (based on the value of a property) on behalf of the DVA. This was necessary because the DVA was not authorised to make or levy a rate on properties directly.

Properties that were subject to both the Precept and Special Precept Rates are illustrated in Figure 2.

Figure 2: Properties that were subject to the Precept Rate

The powers to impose the Special Precept Rate were granted through passage of the *Dandenong Valley Authority (Amendment) Act (1975).*

Section 33A of the amendment permitted DVA to issue a special precept where:

- the DVA had been requested by a majority of the persons within the special precept Area to undertake works
- it appeared to the DVA that such works or undertakings were for the particular benefit of the special precept area
- A detailed budget of expected costs, funds available to offset the costs and revenue sources had been submitted to the Minister at least two months prior to the financial year in which the works were to be undertaken
- Ministerial approval had been granted to imposing the special precept.

Of particular relevance to this Strategic Review, the DVA was required to set out each year a budget for the services requested under the special precept and to demonstrate to the Minister that the revenue would be sufficient to offset the expected costs. The Council collecting the special precept was entitled to retain up to 5% of the total to offset the costs of collecting the funds.

The amendment did not explicitly detail the extent to which the Authority was required to consult with the properties requesting the services regarding the costs of providing those services. However, certain implications and responsibilities can be inferred based on the provisions of the amendment and general principles of public administration.

Given that the process required a majority of the persons liable to be rated for the works or undertakings to be supportive, this suggests an initial level of consultation and agreement among the property owners that the works were necessary.

The requirement that the Special Precept Rate be approved by the Minister implies the Minister was representing the interests of the properties that were to be subject to the Special Precept Rate.

The amendment that made the Special Precept Rate possible indicates therefore that a degree of consultation regarding the reasonableness of the costs of delivering the requested services was a core element of the institutional settings from the time Patterson Lakes was first developed.

3.2 Microeconomic and water sector reforms of relevance to Patterson Lakes

Significant reforms to the Victorian water sector were implemented through the two decades spanning 1990 to 2010. Two outcomes from the reform process were of direct relevance to this Strategic Review.

3.2.1 Merger of Melbourne Water and the Dandenong Valley and Western Port Authority (DVWPA)

Melbourne Water and the Dandenong Valley and Western Port Authority (DVWPA) merged on 5 November 1991, which resulted in Melbourne Water assuming the management role for the Patterson Lakes waterways, funded by revenue raised by the Special Precept Rate.

Amendments made through passage of the *MMBW (Amendment) Act 1997*[7] allow Melbourne Water to impose a Special Drainage and River Improvement Rate to effectively replace the Special Precept Rate levied by the former DVA. Patterson Lakes was split into two distinct sub-areas: Tidal Waterways and Quiet Lakes. This was for the purpose of applying differentiated rates on properties in each sub-area.

The amendment also put beyond doubt the powers of Melbourne Water to impose both the Metropolitan Drainage and River Improvement Rate[8] (the precursor to the Waterways and Drainage Charge) under s281 of the MMBW Act and the Special Drainage and River Improvement Rate under s281A.

The amendment to the *MMBW (Amendment) Act 1997* explicitly set out a framework for consultation with those who would be paying the Special Drainage and River Improvement Rate. Melbourne Water was not permitted to impose the Special Rate unless a community-based committee, with a membership comprising at least two-thirds of its number from owners or occupiers of rateable properties, had been consulted. The broad consultation provisions set out in the DVA (Amendment) Act 1975 were changed to explicitly require consultation with the impacted parties directly rather than with the Minister.

From 2005 onwards Melbourne Water submitted its prices for approval by the ESC on an annual basis after consulting with customer committees established under the provisions of the *Dandenong Valley Authority (Amendment) Act 1975*. Customers continued to be actively involved in the committees and the ESC had not identified any preference to change the approach. In the ESC price determination published in June 2008, the consultation requirements were further strengthened through the ESC setting out precise and detailed pricing principles that Melbourne Water was required to follow when developing annual pricing proposals for the Patterson Lakes Special Rate over the period 2009-10 to 2012-13:

- consult with the respective customer committees in each special drainage area on the prices to apply in subsequent regulatory years of this regulatory period. In doing so, it must provide members of the committees with details of:
  - the activities proposed to be undertaken over the forthcoming year;
  - detailed forecasts of the efficient level of expenditure that is directly related to those activities; and

[7] "The purpose of this Act is to empower Melbourne Water Corporation to levy a special drainage and river improvement rate in the Patterson Lakes area and validate the metropolitan drainage and river improvement rates levied in that area since its inclusion in the metropolis on 6 November 1991."

[8] To fund drainage management and flood protection across the 'metropolis' of Melbourne

  - proposed prices and estimated revenue for each special drainage area;
- not propose prices that seek to recover more than the efficient level of expenditure that is directly related to those activities;
- submit the proposed prices, detailed expenditure forecasts and proposed activities/service levels to the Commission for approval at least 30 business days prior to the commencement of the regulatory year; and
- separately record the actual costs and revenue associated with each of the special drainage areas, which the ESC would review as part of its regulatory accounting and audit processes.

Table 3 is taken from the documentation that was provided to the community committees for the 2012-13 year. It provides a comprehensive overview of the proposed works and services and the frequency at which those services were proposed to be undertaken. This illustrates the level of transparency that those paying the Special Charge were entitled to under the regulatory framework that existed prior to the appointment of the IR (see section 3.3). In this context it is understandable why some customers are unhappy with the extent of consultation regarding the provision of beach maintenance services and the charges that have been imposed at times.

We note that the IR Report did not mention the history of consultation requirements in relation to the Special Precept Rate and/or the Special Charge, or the increasing formalisation of those requirements right up until the commencement of the IR. It is likely therefore that in forming its conclusions that the IR was unaware that these provisions were a key attribute of the institutional and governance arrangements it was reviewing, and therefore unaware of the consequences of making changes to those arrangements.

We outline in further detail what those consequences have been in section 3.3.4.

MJA is of the view that this has been a contributing factor to the difficulties faced by KCC and MW in managing residents' expectations with respect to beach maintenance services.

Table 3: Service delivery as reported in the Independent Review Report

Works	Frequency of works	Annual $ cost
Tidal Waterways (Opex)		
Beach raking	Monthly	16,600
Debris collection beach and foreshore	Monthly	60,000
Beach weed spraying	Monthly	21,900
Limited waterway dredging	As required within budget	39,000
Grass maintenance to access easements	Monthly	12,800
Operation of the floodgates	As required	6,600
Retaining wall maintenance and monitoring	Yearly	9,700
Jetty maintenance	Yearly	30,500
Inter-connecting pipe maintenance	Yearly	3,000
Convening the PLAC, newsletter and website		14,600
Floodgate maintenance and dredging	Quarterly	70,000
Boat and barge maintenance	Yearly	45,900
General civil assets monitoring/works	As required	17,400
TOTAL		**348,000**
Quiet Lakes (Opex)		
Beach grooming	Monthly	9,908
Debris collection	Monthly	45,000
Carp removal	Annual	12,500
Water quality improvement program	Yearly	30,000
Water quality testing	Weekly	20,000
Beach weed spraying	Monthly	7,008
Lighting bollards inspection program	Half yearly	1,000
Sand retrieval/replenishment	As required	15,000
Grass maintenance to access easements	Monthly	18,000
Convening the PLAC, newsletter and website		11,000
TOTAL		**169,416**

Source: PLIR (2013), p.78-79

3.2.2 Replacing property value rates with cost-reflective charges

The second reform came in June 2004 when the Bracks Government released its action plan, *Our Water Our Future*[9]. Action 7.9 (page 148) committed the Government to designating Melbourne Water as the Authority responsible for waterway management, regional drainage and floodplain management throughout the whole of the Port Phillip and Westernport catchment. The policy was enacted by virtue of an Order in Council (Government Gazette No. S 224, published 18 November 2005).

A bundle of regulatory changes was required to permit Melbourne Water to impose a property-based charge (the 'Waterways and Drainage Charge') to recover the additional costs. The Minister made a series of changes to the Melbourne Water Statement of Obligations (SOO) between 2005 and 2007 to set out clear requirements in relation to waterway management, regional drainage and floodplain management functions. The jurisdiction of the ESC set out in the Water Industry Regulatory Order (WIRO) published in 2003 already allowed it to consider a charge related to waterways functions.

Initially the Waterways and Drainage Charge was calculated by multiplying a rate in the dollar by the 1990 Net Annual Value (NAV) of a property[10], subject to a minimum price. The charge was levied on all properties located within the area designated as the Urban Growth Boundary[11] at that point in time.

Victoria had agreed to phase out drainage charges set as a proportion of property value through National Competition Policy agreed at the Council of Australian Governments (COAG) in April 1995. Consistent with the intent of the Victorian Government policy commitment, Melbourne Water set out its intent to phase out Waterways and Drainage Charges based on property values for residential customers over the next regulatory period (2008 to 2013) in its 2008 Water Plan submission. In addition to the National Competition Policy driver, Melbourne Water argued that the property value approach was inconsistent with the cost reflective pricing principles set out in the Water Industry Regulatory Order, was costly to maintain and was confusing for customers because it was on a different basis to that used by local government.

For residential customers Melbourne Water proposed to stage the reform on a gradual basis by maintaining the rate on $NAV constant in real terms and increasing the minimum price by approximately $2 per year in real terms over the regulatory period, thereby increasing the percentage of customers facing the fixed minimum charge. As it stood, around 60% of residential customer already paid the minimum price. Melbourne Water proposed to abolish charges based on

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[9] Dept. of Sustainability and Environment. (2004) 'Securing our water future together', Victorian Department of Sustainability and Environment, Melbourne.

[10] Section 280 of the then Melbourne and Metropolitan Board of Works Act 1958 set out the powers of the Board to impose a fee under a tariff on property in the form of (a) a fixed amount; or (b) an amount fixed according to (i) the net annual value of the property; or (ii) the site value of the property; or (iii) the capital improved value of the property; or (iv) the size of the property; or (v) the use of the property; or (vi) how the use or development of the property is controlled under a planning scheme; or (vii) the extent of use of or benefit from works or services provided by the Board; or (c) any combination of amounts referred to in paragraphs (a) and (b).

[11] Department of Infrastructure (2002) *Melbourne 2030: Planning for Sustainable Growth*, Melbourne

$NAV for residential customers and charge every residential customer the same fixed charge from 2012-13 onwards.

Given the potentially significant change involved in such reform, Melbourne Water proposed to conduct an extensive community consultation and engagement program prior to the submission of its 'Water Plan 3' proposal to the ESC in 2012.

Consultations attracted around 500 submissions regarding Melbourne Water's pricing reform proposals for Patterson Lakes. A variety of issues were raised, including the inequities of the approach and the size of the proposed price increases. Although, we note that at least one submission recognised a distinction between the public benefits of the waterways and the private benefits of the artificial beaches:

> *For non visual amenity and non Drainage and Flood protection, of course, residents should have to pay for their exclusive recreation facilities, but this is limited to the Jetties and Beach Maintenance. All other works are primarily for Drainage and Flood protection by Melbourne Water Assets and should be paid for by the Waterways and Drainage Charge (WDC).*[12]

In response to these issues, in September 2012, the Minister for Water established the Patterson Lakes IR. A four-member expert panel was appointed to consider submissions and conduct a public hearing. The purpose was to recommend actions for creating a sustainable management framework based on a fair and equitable funding model, recognising all beneficiaries of both the Patterson Lakes Tidal Waterways and Quiet Lakes.

3.3 The Independent Review

3.3.1 Terms of Reference

Outlined below are the matters that the Terms of Reference (ToR) required the IR to consider (Table 4) and the outcomes the ToR required the IR to deliver (Table 5). Each table also includes how the IR addressed each matter in the Patterson Lakes IR Report:

Table 4: Terms of Reference – Matters the IR was to consider

Terms of Reference	How the Independent Review responded
Review relevant historical agreements and their legal status today	The Review has considered historical matters including the creation of the Patterson Lakes Waterways, their approvals, the 1973 Agreement and the influence of the events that have occurred over the past 40 years. The Review has concluded that the 1973 Agreement has been discharged and has done its job. The Review is also comfortable with the view that the charging of a Precept Rate has been possible over time. However, the Review has also concluded that it is no longer relevant and suitable given the classification of the Tidal Waterways and Quiet Lakes.

[12] Submission to 2011-12 Price Review Melbourne Water's Special Drainage Areas, Andrew and Lynne Meehan

Terms of Reference	How the Independent Review responded
Review and identify what assets and services should be the sole responsibility of the Precept Rate Payers	In response to this question, the Review considers that those assets that should be the sole responsibility of the residents are their own properties. The Review has recommended that the Precept Rate in its current form cease and hence the assets within the Patterson Lakes Waterways remain the responsibility of Melbourne Water. The jetties and moorings remain the responsibility of Melbourne Water and managed by Parks Victoria on a cost recovery basis.
Review and identify what percentage of the proposed capital renewal should be the responsibility of Precept Rate Payers	The Review considers that the responsibilities for capital renewal of assets associated with the Patterson Lakes Waterways lie primarily with Melbourne Water. This is because these assets, apart from those associated with private boating such as mooring areas and jetties, are inherently linked to their flood protection and drainage benefit to the wider community beyond just the residents of the Patterson Lakes Waterways.
Clarify what regional services Patterson Lakes Residents receive from Melbourne Water's General Drainage Charge	The Review considers that the residents of Patterson Lakes receive regional services from the flood protection and drainage functions of the Tidal Waterways and Quiet Lakes. The tidal Waterways also offer a regional recreational service associated with the public boating and fishing community.
Clarify the services Patterson Lakes Residents receive from Kingston City Council rates	The Review considers the residents of Patterson Lakes receive those services from Council that are linked to local drainage and management of stormwater flows that feed into the Patterson Lakes Waterways. The management of drainage and stormwater infrastructure supports and influences both the quantity and quality of water that ends up in the waterways and lakes. Accordingly, Council plays an important if not symbiotic role in conjunction with Melbourne Water with respect to managing water quality. Council also should extend its municipal functions to provide beach raking, promenade maintenance & cleaning, litter & debris removal, beach weed control, grass mowing at access points, and maintenance of drains and pits.
Explore the most effective delivery method to provide value for money services to Patterson Lakes Tidal Waterways and Quiet Lakes Precept Rate payers and the broader community	The Review considers the best value for money method for delivering services to the Patterson Lakes residents and broader community is through action coordinated under an integrated and collaboratively developed management plan for the Patterson Lakes Waterways. Whether actions are to support public or private benefit, having an agreed framework under which decisions are made and resources costed, allocated and funded will be of most value. Options for delivery of services are available from Melbourne Water, Parks Victoria and/or Kingston City Council. Funding sources could be from the Metropolitan Waterways and Drainage Charge, tariffs levied under the *Water Act 1989* or via private contracts. The key element from the Review's perspective is that whatever approach is used, it is one that has been developed under a management plan process.

Terms of Reference	How the Independent Review responded
Seek expert industry advice on the management of constructed lakes systems and related funding/pricing approaches to inform the recommendations	The Review has considered other examples of similar forms of residential waterfront development in helping to form its views. Examples include Sanctuary Lakes and Martha Cove in Melbourne, Riviera Harbours in Paynesville, West Lakes and Glenelg Patawalonga Lakes in South Australia, and Hope Island and Kawana Waters in Queensland. The Review has also considered other lake environments with respect to management arrangements such as Albert Park Lake to assist in its deliberations. Whilst these examples are of some guidance, the ultimate management plan for the future of the Patterson Lakes will rely upon the joint and collaborative approaches contained in the Review's Recommendations. This has been achieved elsewhere, and the Review is confident that a sustainable management framework will produce a better collective outcome for the property owners, the public users of the waterways, and for government.

Table 5: Terms of Reference – Outcomes the IR was to deliver

Outcomes required by the ToR	How the Independent Review Responded
Outcomes-Based and Accountable Management Framework	Management and governance for the Patterson Lakes Waterways has changed since they were created from the former Carrum Carrum Swamp around 40 years ago. Although the intentions for a private residential waterfront living environment may have been clear at the time the Quiet Lakes and Tidal Waterways were created, the statutory intent is not so clear. The Review considers that the Patterson Lakes Waterways are made up of a series of waterbodies that have distinctive characteristics and issues. These elements warrant the application of an outcomes based management framework that reflects these differences and is sustainable in the long term. The Review has put forward in this report a management framework that better reflects the current function, use and context within which the Quiet Lakes and Tidal Waterways occur.
Economic, environmental, and socially sustainable management arrangements	It is a framework that is considered to be sustainable and equitable because it draws upon both public and private values, sources of funding and engagement of management expertise within a process of collaborative action via a management plan process.
Clearly documented and agreed levels of service that meet residents' expectations under a sustainable funding arrangement where costs of delivering the	The Review has provided information in its report on documenting levels of service that reflects both the public flood protection/drainage function of the Patterson Lakes Waterways as well as the public recreational value of the Tidal Waterways and private recreational value of the Quiet Lakes.

Outcomes required by the ToR	How the Independent Review Responded
recreational and drainage services are recovered	

The IR Report, published on 8 March 2013, made 15 conclusions and 26 recommendations in total. Each are outlined below.

3.3.2 Conclusions

The Review made 15 conclusions. Those of direct relevance to this Report are in **bold**:

1. Management and statutory governance of the Tidal Waterways and Quiet Lakes (Patterson Lakes Waterways) has changed since they were created 40 years ago.
2. The Patterson Lakes Waterways have different characteristics and issues and generally applying a Precept Rate over them is no longer relevant and suitable.
3. The 1973 Agreement is no longer in operation; it was brought to an end when the obligations were discharged;
   a. The 1973 Agreement was never binding on Melbourne Water; and
   b. The 1973 Agreement has been overtaken by the events of time and requires replacement through a new management framework.
4. The Quiet Lakes and Tidal Waterways are reserved for drainage and recreational functions.
5. Any intention in the 1973 Agreement to designate the Patterson Lakes Waterways as a private reservation was displaced by their subsequent reservation in the subdivision plans and their design and construction as public drains.
6. **The Tidal Waterways are used for public purposes, both in terms of their drainage function and being a place of recreation.**
7. The Quiet Lakes have a public drainage function.
8. Maintaining water quality for primary contact purposes (including swimming) in waterways and lakes in urban areas cannot be guaranteed.
9. The goal should be to maintain water quality to secondary contact standard as a minimum and warnings posted when quality falls below this standard or when algal blooms are a health hazard.
10. A full audit of waterways' assets and condition report should be compiled by Melbourne Water in conjunction with the three Authorities, prior to the roles and responsibilities being transferred.
11. **A variety of funding sources are available to support a sustainable management framework. The primary sources of ongoing funding are considered to be associated with the Melbourne Metropolitan Waterways and Drainage Charge for those services considered to have a regional and**

community benefit or the application of user pays funding alternatives for those services and assets that are linked to private recreational benefit.

12. **Implementation options are available and shared governance is an appropriate way forward.**
13. **Following the circulation of the Review's Report, a Management Plan needs to be developed by Melbourne Water collaboratively with the Patterson Lakes Waterways stakeholders to complement the Review's Report.**
14. The Management Plan and its development process aims to:
    a. Build more trusting relationships between all stakeholders
    b. Provide the framework to guide the management and maintenance of the different water bodies of Patterson Lakes in a manner responsive to a range of environmental and community values
    c. Communicate management intent associated with managing and maintaining the Lakes
    d. Document the management vision, objectives and services that will be aimed for
    e. Identify needed funds and personnel and roles of the different authorities
    f. Provide performance indicators to monitor the achievement of the Management Plan objectives.

3.3.3 Recommendations

The Review made 26 recommendations. Those of direct relevance to this Report are in **bold**:

1. That the Review recommends that Melbourne Water make arrangements to consolidate the titles to the waterways into one Certificate of Title.
2. That minimum water quality standards in the Quiet Lakes and Tidal Waterways is maintained to comply with secondary contact criteria as defined under the ANZECC Guidelines and SEPP – Waters of Victoria as amended from time to time.
3. That the recommendations of the Design Flow 'Quiet Lakes Water Quality Management Plan' be implemented, following the completion and an assessment of the bore water trial.
4. That a review of the Quiet Lakes headworks infrastructure be undertaken by Melbourne Water, to determine what has been altered from the original engineering design. Adequate through flows in Lake Carramar are to be guaranteed by Melbourne Water.
5. That Melbourne Water review the current bore water trial, and by the end of 2013 ascertain the long term quantity and quality of groundwater required. Then consult with Southern Rural Water and Kingston Council regarding the on-going sustainability of groundwater extraction for the Quiet Lakes.
6. That the system of the interconnecting water flows between the three Quiet Lakes be managed, funded, and operated by Melbourne Water to deliver the outcomes recommended in this Review. These are to be funded from the Melbourne Metropolitan Waterways and Drainage Charge.
7. That Kingston City Council maintains the local drainage network in accordance with its Integrated Water Cycle Strategy 2012, to ensure maximum water volume inflows, and the highest practical water quality

stormwater flows into the waterways. This is to be funded from rate revenue, and other government project funds. Deliverables are to be audited annually, and reported to the Patterson Lakes community.

8. That Kingston City Council investigate the pre-treatment of stormwater inflows into the Quiet Lakes to achieve the appropriate water quality standard to maintain secondary contact criteria in the Quiet Lakes. Any re-development projects that stem from this investigation should be scoped and designed in consultation with the Patterson Lakes community and Melbourne Water.

9. That the Quiet Lakes property owners consider what, if any, additional capital projects they may jointly require to achieve water quality levels over and above secondary contact standard, e.g.: Class A recycled water, and Solar Bees for each lake.

10. **That Melbourne Water manage, operate, and maintain the Tidal Waterways functions from the Melbourne Metropolitan Waterways and Drainage Charge.**

11. **That the Precept Rate in its current form is to cease from the end of the 2012/13 financial year, and be replaced by a funding framework that augments the Melbourne Metropolitan Waterways and Drainage Charge.**

12. **That Option 1 as outlined in Chapter 6 of this Report is to be the basis of the future sustainable management governance for service provision.**

13. That Melbourne Water empower Parks Victoria as "Waterways Manager" for all the Patterson Lakes Waterways (with the exception of Runaway Bay/Middle Harbour which is under the control of Cavendish Properties), subject to contractual Agreement covering services provision and funding revenues.

14. That Melbourne Water, in conjunction with Kingston City Council and Parks Victoria conduct and report on a full audit of the assets and conditions of the Patterson Lakes Waterways, prior to the roles and responsibilities being transferred.

15. **That any additional services sought and agreed between the Authorities and the property owners are to be delivered on a user pays cost recovery basis.**

16. That renewal costs for retaining walls are the responsibility of Melbourne Water.

17. **That remaining services, maintenance, and assets renewals as itemised in the Review's Report are split between the three Authorities (Melbourne Water, Kingston City Council, and Parks Victoria), and funded from appropriate revenue streams within each jurisdiction**.

18. That the Melbourne Water works depot located on the Patterson River bank abutting "The Boulevard" is closed, and Melbourne Water cooperatively utilize the existing and additional Kingston City Council and Parks Victoria depots as alternative sites.

19. That existing jetty and mooring leases are replaced with new leases entered into on a full cost recovery basis that includes jetty maintenance, replacement and dredging necessary for navigation and berthing, under the auspice of Parks Victoria (under delegation from Melbourne Water).

20. That the section of the Tidal Waterways known as Whalers Cove located between the westernmost floodgates and McLeod Road bridge be vested to Melbourne Water by Kingston City Council.

21. That Melbourne Water retain ownership and management of the drainage functions of the Patterson Lakes Waterways.

22. That Parks Victoria and Kingston City Council work cooperatively with Melbourne Water and the community to achieve a long term management framework for the Patterson Lakes Waterways.

23. That Parks Victoria assume responsibility for the recreational functions of the Tidal Waterways, including appointment as a Waterway Manager under the Marine Safety Act (Vic) 2010 and funding provision through the Parks and Reserves Trust Account.

24. That in the event that Parks Victoria is unwilling or unable to assume responsibility for the Tidal Waterways, then Melbourne Water will need to pursue the following:

    a. Declaration of the Tidal Waterways as a recreational area pursuant to s122ZA of the Water Act and adopt Model By-Laws: Recreational Areas

    b. Approval from the Minister for funding from the Parks and Reserves Trust Account;

    c. Appointment of Melbourne Water as a Waterway Manager for the Tidal Waterways pursuant to the Marine Safety Act 2010.

25. That Melbourne Water liaise with Kingston City Council to pursue a rezoning of the Patterson Lakes Waterways from the Residential 3 Zone to the Public Use Zone 1 - Service and Utility.

26. Prepare a Management Plan as follows:

    a. Establish a Steering Committee and appoint an independent facilitator.

    b. Determine content of the Management Plan. The content of the Management Plan complements the outcomes of the Review and needs to include:

        i. Definition of different precincts or components of the water bodies.

        ii. Classification of the waterways and environs.

        iii. Statutory requirements and policy framework.

        iv. Clear indication of where and when actions relating to the delivery of the Plan will differ between areas, “one size fits all” will not apply.

        v. Roles and responsibilities of authorities including services to be delivered and funding sources.

        vi. Ongoing monitoring, investigations and research.

    c. Identification of indicators for measuring performance over time.

    d. Application and implementation of the Management Plan in both a statutory and management governance sense.

3.3.4 Option 1

Recommendation 12 identified Option 1 as the basis of future sustainable management governance for service provision.

Option 1, as described in the IR Report, is outlined below. Note that beach maintenance services are not directly referenced in the passage.

1. *The Quiet Lakes and all the Tidal Waterways being holistically and equally regarded as "waterways" under the* Water Act*, and additionally being part of the regional drainage network and floodplain management jurisdictional responsibility of Melbourne Water.*
2. *The Melbourne Metropolitan Waterways and Drainage Charge funds should then be applied to these assets in the same manner as for Melbourne Water's entire broader catchment jurisdiction, and be treated as public assets.*
3. *The current Precept Rate would cease.*
4. *Any additional service provision required and agreed to by the stakeholders would be costed, and funded equitably by the respective beneficiaries, on a project basis.*
5. *For example, if the Quiet Lakes residents seek water quality for swimming, the additional cost of delivery (both operational and assets renewal) should be compiled and agreed with Melbourne Water. Melbourne Water should ensure that the current assets are functioning as originally designed, in order to achieve at least Secondary Contact quality water as a minimum standard. (It was acknowledged in the 1994 MOU that no water quality guarantee was ever expected nor provided.)*
6. *Kingston City Council should review its performance with regard to the quality and quantity of stormwater inflows to the waterways from the local drainage network.*
7. *The Tidal Waterways from the westernmost floodgates, and within Mariner's Cove and Town Centre Harbour are entirely Melbourne Water public waterways. Melbourne Water under this overarching jurisdiction should appoint Parks Victoria as "Waterways Manager" for these waterways.*
8. *Melbourne Water also owns the Runaway Harbour and Inner Harbour waterways. Cavendish Properties Pty has assigned responsibilities under the Licence Agreement to manage and operate these waterways.*
9. *Melbourne Water, Kingston City Council, and Parks Victoria should deliver services related to their respective responsibilities, and this service provision should be based upon separate contractual Agreement/s.*
10. *Melbourne Water should respond to the Essential Services Commission that the costs for operations, maintenance, and future capital works to deliver these functions, be included within its total 2013 Water Plan budget under the Melbourne Metropolitan Waterways and Drainage Charge.*
11. *The Precept Rate in its current form is no longer charged after the 2012-13 Financial Year.*
12. *This should result in a benchmark level quality of services being provided, where secondary contact water quality (meeting ANZECC and Environment Protection Authority criteria) would be the reasonable and practical standard in all the Patterson Lakes Waterways.*
13. *The section of the Tidal Waterways at Whaler's Cove (floodgates to McLeod Road) should be vested by Kingston City Council to Melbourne Water, and continuity created along the property boundaries with respect to access. The tidal Waterways should be contiguous, and Melbourne Water should have established legal grounds to enter into and manage the leases for jetties and moorings. Melbourne Water should engage Parks Victoria to fulfill this function under contractual Agreement, such that Parks Victoria generates revenue on a costs recovery basis.*
14. *All retaining wall maintenance and renewal costs should be the responsibility of Melbourne Water, on the basis that they constitute part of the waterways infrastructure. Parks Victoria should similarly be contracted by Melbourne Water to deliver these services, because Parks Victoria is best equipped in the area.*
15. *All of the balance of the commercial and residential properties within the Runaway Bay precinct (CDZ1 zoning) would continue to be subject to the Cavendish Properties Pty Ltd Licence Agreement covering the operations and maintenance of those waterways and foreshore assets, including*

relevant retaining walls. This should also include the Pier One development and The Cove Hotel (which are currently not included).

16. *All current jetty and mooring leases under Melbourne Water control should be annulled. Melbourne Water should contract the services of Parks Victoria to manage and operate the new leases, with lease charges being on a total cost recovery basis. This should include the maintenance of existing jetties, the jetty replacement program capital costs, and dredging of the Tidal canals/Mariners Cove/Town Centre Harbour inside the floodgates. Implementation of this new arrangement is detailed further in Chapter 7.*

3.4 Current arrangements

The Patterson Lakes Waterways Management Plan ('the Plan') was renewed in 2022.

The Management Plan outlines the roles and responsibilities of Melbourne Water, Kingston City Council, and Parks Victoria for the management and maintenance of the waterway systems.

3.4.1 MW responsibilities

Melbourne Water is responsible for flood protection and drainage within the Patterson Lakes Waterways. The agency manages and maintains flood protection infrastructure, including floodgates and retaining walls. Melbourne Water conducts structural assessments, repairs, and replacements of drainage pipes and interconnecting pits. Additionally, Melbourne Water removes accumulated sediments in the Quiet Lakes to maintain drainage function and storage capacity.

For water quality management, Melbourne Water undertakes water quality surveillance and testing, particularly for Blue-Green Algae (BGA) and E. coli, to ensure the water remains safe for recreational use. Melbourne Water also manages and funds the operation of drainage pump stations and maintains water quality through measures such as sediment removal and control of exotic fish populations.

In supporting recreational benefits, Melbourne Water maintains rock beaching associated with sand beaches, ensuring structural integrity through repairs and replacements as necessary. The agency also manages jetties and maintenance access points, conducting regular inspections and performing necessary repairs.

3.4.2 KCC responsibilities

Kingston City Council focuses on stormwater management and local infrastructure maintenance. The Council maintains the local drainage network to ensure high water quality in stormwater flows and incorporates Water Sensitive Urban Design (WSUD) practices in road upgrades. Regular maintenance activities include structural assessments, repairs, and replacements of concrete edging, drainage pipes, and bridge culverts. The Council also removes litter, debris, and sediment from drainage pits and sand beaches.

In this context, KCC has adopted a coordinated approach to integrated water management that addresses both local and broader regional challenges and opportunities, reflected in 'Our Local

Waterways: Kingston's Integrated Water Strategy' adopted in 2022. Developed in collaboration with state government agencies, this strategy aims for comprehensive water and drainage system management within the municipality. Effective management within the City of Kingston necessitates the involvement and coordination of numerous stakeholders. These include Melbourne Water, neighbouring councils, the Environmental Protection Authority, water retailers, emergency services agencies, Commonwealth agencies, businesses, and the local Kingston community. Kingston City Council allocates approximately $8 million annually to renew old stormwater drains and roads[13].

Kingston City Council also manages sand beaches through activities such as beach planning/raking, debris collection, and beach spraying. Additionally, the Council is responsible for lighting bollards, conducting inspections, repairs, and replacements as needed to ensure safety.

Beach maintenance is currently performed as a service by MW on behalf of KCC, funded by General Rates revenue.

MW uses an integrated weed management approach at the Quiet Lakes and Tidal Waterways. This approach consists of mechanical raking and herbicide treatment.

3.4.3 Parks Victoria responsibilities

Parks Victoria is responsible for boating safety within the tidal waterways under the Marine Safety Act 2010. As the waterway manager, Parks Victoria applies and enforces the 'Vessel Operating and Zone Rules' to promote safe boating practices. This ensures that the tidal waterways remain safe for recreational boating, contributing to the overall enjoyment and safety of the waterways for all users.

3.4.4 Artificial beach maintenance targets and measures

The section of the Plan that relates to artificial beach maintenance is replicated in Table 6. KCC is required to fund, manage and maintain sand beaches for the function of recreational benefit. The Plan is silent on sand renourishment responsibilities.

[13] Kingston City Council (2022) *Our Local Waterways: Kingston's Integrated Water Strategy*

Table 6: Section of the Plan relating to Beach Maintenance

Asset	Landowner	Function	Responsible Agency	Funding	Management Service(s)	Target	Measure
Sand Beaches	MW	Recreational benefit	KCC	Rate Revenue	Manage and fund maintenance activities to the sand beaches (this does not include sand renourishment).	Ensure sand beaches have no more than 10% weed cover or loose debris.	Performance assessed annually by reference to KCC record of incident response.

The most recently available schedule for Beach Maintenance planned for FY23/24 is outlined in Figure 3 below.

Figure 3: Patterson Lakes Waterways planned beach maintenance schedule FY23/24

Patterson Lakes Waterways - Beach Maintenance 2023/24 delivered by Melbourne Water for Kingston City Council

QUIET LAKES

Service	FREQUENCY PER ANNUM	SCHEDULED SERVICE DATES 2022/23											
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Beach Maintenance of the sand areas (including Debris Raking & collection, Beach Planing followed by Weed Spraying)	6	■		■		■		■		■		■	
Beach Spraying	6	■		■		■		■		■		■	
Sand Retrieval	1		■										
clearing of spoon drains to remove sand buildup	2					■				■			

TIDAL WATERWAYS

Service	FREQUENCY PER ANNUM	SCHEDULED SERVICE DATES 2022/23											
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Beach Raking & Debris Collection	6	■			■		■		■		■		■
Beach Spraying	6	■			■	■	■		■		■		
clearing of spoon drains to remove sand buildup	2						■				■		

Notes:
Please note the following:
Maintenance will generally begin the first week of the month unless other wise advised.(Please Note times may vary throughout the month as access to locations via the barge will be based on suitable tide times, height and access in and around moorings.)

3.5 Summary

The historical development and management of Patterson Lakes illustrate a complex interaction between urban planning, flood control, and community expectations. The transformation of the area from low-lying, flood-prone land into a residential suburb with man-made canals and lakes led to significant legislative and structural changes. Initially, the Dandenong Valley Authority, through a Special Precept Rate, managed the area. Responsibility for maintenance and funding shifted to Melbourne Water following the merger with the Dandenong Valley and Western Port Authority, accompanied by legislative amendments that formalised consultation requirements with residents.

The evolution of the funding model, from property value rates to cost-reflective charges, reflects broader microeconomic and water sector reforms aimed at enhancing transparency and equity. The Patterson Lakes IR, initiated in response to community concerns, highlights the need for an outcomes-based and accountable management framework. The Review's recommendations emphasise collaborative governance, sustainable funding, and equitable service provision, balancing public and private interests.

The next chapter will provide an evaluation of the conclusions and recommendations of the IR Report.

4. Evaluation of the Independent Review findings and recommendations

This section evaluates the conclusions and recommendations of the IR Report regarding beach maintenance services. It assesses the potential implementation challenges following the report's delivery and addresses the difficulties experienced in managing beach maintenance since the IR Report was completed.

4.1 Removed a regulated source of revenue for beach maintenance services

The IR Report recommended discontinuing the Precept Rate, which had been a regulated revenue source for beach maintenance services. The regulated pricing process mandated transparency and formal consultation, ensuring that the service provider outlined the basis for the regulated price and engaged with ratepayers on:

- Proposed activities for the forthcoming year
- Detailed forecasts of efficient expenditure directly related to those activities
- Proposed prices and estimated revenue for each special drainage area

The service provider was obligated to:

- Propose prices that did not exceed the efficient level of related expenditure
- Submit proposed prices, detailed expenditure forecasts, and service levels to the Commission for approval 30 days before the regulatory year
- Record actual costs and revenue for each drainage area, subject to the ESC review

This system allowed ratepayers to understand service fees and incentivised efficient service delivery. By discontinuing the Precept Rate, the IR removed these regulatory benefits and ESC oversight.

4.2 Failed to address the question of sand renourishment of Tidal Waterways beaches

Despite recognising that the Tidal Waterways beaches are intrinsically linked to public recreation, the IR Report did not provide any findings, conclusions, or recommendations concerning the responsibility for the renourishment of artificial beaches within the Tidal Waterways or their funding sources. The report's conclusions omit mention of the Tidal Waterways' artificial beach areas, contrasting with the explicit reference to the renewal costs of retaining walls, which also serve as interfaces between the Tidal Waterways and waterfront properties. The reason for this omission remains unclear. However, the lack of allocated responsibility in Option 1 has resulted in residents' concerns regarding beach erosion and the associated public safety risks.

The Victorian Government classifies sand renourishment of Port Phillip Bay's natural beaches as a capital project. The DEECA receives periodic funding to execute renourishment projects at designated locations following a Business Case evaluation. A recent example is the Whitecliffs renourishment, part of the Blairgowrie to Tootgarook project, as shown in Figure 4.

Figure 4: Blairgowrie to Tootgarook beach renourishment (Whitecliffs) works

Source: https://www.marineandcoasts.vic.gov.au/coastal-programs/port-phillip

Beach renourishment is therefore similar in nature to renewal of retaining walls, suggesting it would have been logical for the IR to consider it a capital works item alongside the various other capital costs related to Patterson Lakes Waterways.

4.3 Incomplete expert consultation and hasty recommendations

The poorly worded findings and conclusions of the IR Report, lacking robust empirical evidence, caused significant uncertainty and confusion, and the financial implications of some recommendations suggest that the IR did not consult with local government finance and regulatory economic experts.

As an example, the Review recommended a model of shared responsibilities, assigning various functions across Patterson Lakes Waterways to KCC, Melbourne Water, and Parks Victoria. However, the IR Report did not explicitly recommend that KCC fund and deliver beach maintenance services.

The first instance where beach maintenance is linked to KCC appears on page 96, stating, "The Review concludes that cost efficiencies might be achieved if the following services were undertaken by the nominated authorities as shown in Table 6." This table is replicated below as Table 7.

Table 7: Allocation of Management Responsibilities for the Patterson Lakes Waterways

Authority	Tidal Canals, including Whaler's Cove & Pier One	Mariner's Cove/Inner & Town Centre Harbour	Quiet Lakes
• Kingston City Council	• Beach raking • Promenade maintenance & cleaning • Litter & debris removal • Beach weed control • Grass mowing at access points • Maintenance of drains and pits • Enforce Planning ordinance compliance.	• Beach raking • Promenade maintenance & cleaning • Litter & debris removal • Beach weed control • Grass mowing at access points • Maintenance of drains and pits • Enforce Planning ordinance compliance.	• Beach raking • Litter & debris removal • Beach weed control • Grass mowing at access points • Maintenance of drains and pits • Civil works outside MW Title. • Enforce Planning ordinance compliance.
• Parks Victoria	• Dredging • Waterweed control • Retaining wall maintenance • Jetty maintenance and replacement • Waterway Management (under the Marine Safety Act).	• Dredging • Waterweed control • Retaining wall maintenance • Jetty maintenance and replacement • Waterway Management (under the Marine Safety Act).	• Sand retrieval (if deemed appropriate) • Waterweed control.
• Melbourne Water	• Tidal floodgates operation and maintenance. • Interconnecting pipelines and pumps maintenance & operations.	• Tidal floodgates operation and maintenance. • Interconnecting pipelines and pumps maintenance & operations.	• Bore and groundwater supply. • Interconnecting pipelines and pumps maintenance & operations. • Water quality monitoring and improvement program. • Algae monitoring. • Solar Bee. • Civil works within MW Title.

The allocation of functions lacked empirical evidence and relied on the following justifications:

- "many services provided by Melbourne Water are already part of the routine works programs of

Council, DSE, and Parks Victoria" – suggesting that KCC has overlapping responsibilities and capabilities with Melbourne Water regarding beach maintenance.

- "(C)ost efficiencies might be achieved if the following services were undertaken by the nominated authorities" – implying that KCC possesses the necessary expertise and resources to deliver beach maintenance functions at Tidal Waterways and Quiet Lakes at a lower cost compared to Melbourne Water.

It can be inferred from Table 6 (replicated as Table 7) that the authors were comfortable allocating the function of beach maintenance to KCC based on high-level principles rather than an analysis of current practices. The principle suggests that by utilising existing staff and equipment, KCC could reduce the costs incurred by Melbourne Water, leading to lower total costs for beach maintenance services at Patterson Lakes Waterways.

However, the IR Report did not consider significant differences between the Port Phillip Bay beach services delivered by KCC and the beach maintenance services at Patterson Lakes Waterways. KCC faces severe constraints in accessing Tidal Waterways and Quiet Lakes artificial beaches with the equipment used on Port Phillip Bay beaches. These artificial beaches are not as accessible, and Melbourne Water accesses them via waterways using specialised barges operated by trained professionals.

Furthermore, KCC performs Port Phillip Bay beach cleaning as a service to Parks Victoria, for which it receives recurrent grant funding from the Victorian state government ($412k[14] in 2022/23). No equivalent agreement was recommended by the IR Report for KCC to undertake beach maintenance without increasing General Rates Revenue or reallocating funds from other functions.

No government directive requires KCC to perform this function.

The sole reason KCC has taken on this function is because the IR Report listed beach maintenance as a Council function in Option 1, supported only by a statement that there may be cost efficiencies from Council performing the function.

In doing so the IR Report recommended a transfer of services to KCC while simultaneously recommending the removal of the source of funding that gave MW the fiscal capacity to deliver the services. This practice is known as 'cost shifting' in the Australian local government context, "where State and Commonwealth governments oblige councils to extend, improve, create, or take over functions without adequate (or sometimes even any) financial compensation" (Dollery, et al., 2006, p. 349). Cost shifting is widely recognised as a causal factor in the state of permanent financial austerity that Australian local government often finds itself.

This indicates that the IR did not have the benefit of advice from economic and financial advisers with expertise in local government and best practice regulatory economics.

[14] City of Kingston (2023) *Adopted Budget 2023/24*, p.64

4.4 Failed to recognise all funding sources available to KCC

The IR Report did not recognise that Victorian local governments could impose a Special Charge with characteristics similar to the Precept Rate. Acknowledging this could have enabled KCC to fund beach maintenance without relying on General Rates Revenue. Instead, the report recommended funding through General Rates Revenue, exposing KCC to risk of significant cost escalations, such as those observed with respect to Tidal Waterways in Financial Year 2023.

Costs are discussed in more detail in Section 5.

4.5 Inconsistencies and ambiguities in the recommended management framework

As outlined, the IR Report recommended Option 1 for future institutional and governance arrangements for Patterson Lakes Waterways. This option suggests managing the Quiet Lakes and Tidal Waterways holistically under the Water Act, integrating them into Melbourne Water's regional drainage network and floodplain management jurisdiction.

However, Option 1 in the IR Report is fraught with inconsistencies and ambiguities, rendering implementation practically impossible under current legislative and regulatory frameworks applicable to MW and KCC. Examples include:

- **Paragraph 4:** "Any additional service provision required and agreed to by the stakeholders would be costed, and funded equitably by the respective beneficiaries, on a project basis." The term "additional service" is not clearly defined. It is unclear what distinguishes an additional service from core services, which are also undefined. Stakeholders may have differing interpretations, leading to disputes and challenges in reaching agreements.
- **Paragraph 9:** "Melbourne Water, Kingston City Council, and Parks Victoria should deliver services related to their respective responsibilities, and this service provision should be based upon separate contractual Agreement/s." The responsibilities of Melbourne Water, KCC, and Parks Victoria are not explicitly defined. Furthermore, it is ambiguous whether the contractual agreements are intended between the three institutions or between each institution and the residents. If agreements are with residents, it is unclear whether there should be a joint contract involving all three institutions or separate individual contracts.
- **Paragraph 10:** "Melbourne Water should respond to the Essential Services Commission that the costs for operations, maintenance, and future capital works to deliver these functions, be included within its total 2013 Water Plan budget under the Melbourne Metropolitan Waterways and Drainage Charge." The term "these functions" is unspecified, leaving ambiguity about which specific operations, maintenance, and capital works are included. The document does not detail the scope and scale of these activities or the nature of the required future capital works.
- **Paragraph 11:** "The Precept Rate in its current form is no longer charged after the 2012-13 Financial Year." The phrase "in its current form" appears here but not in the earlier mention of the cessation of the Precept Rate in paragraph 3. This inconsistency creates confusion about whether the Precept Rate

will be modified or entirely abolished. The lack of clarity on the Precept Rate could lead to different interpretations about its continuation, causing uncertainty and resistance among stakeholders during the transition.

4.6 Inconsistent application of criteria to determine public recreation benefits of artificial beaches

The IR Report selectively highlights public recreational activities in accessible parts of the Tidal Waterways while minimizing the impact of restricted access to the artificial beaches. It observes and emphasizes activities such as boating, fishing, and canoeing in accessible areas but fails to adequately consider that the artificial beaches are inaccessible to the general public.

For instance, the report states, "The Review inspected the Tidal Waterways and observed people in boats fishing, people canoeing as well as the usage of a jet ski." This observation supports the argument for public funding, yet it overlooks the lack of similar public activities on the sandy beaches. Additionally, the report acknowledges, "Land-based access to the Tidal Waterways is extremely limited...public land-based access is through the Melbourne Water depot area, which is presently fenced and locked." This restricted access is significant and undermines the report's conclusion about the public benefits of these areas.

This selective observation leaves open the interpretation of the public benefits of the artificial beaches. The reasoning follows that since the Tidal Waterways provide public recreation benefits, the artificial beaches do too, justifying funding maintenance costs of those beaches from General Rates Revenue.

The IR Report applies inconsistent standards in evaluating the public recreation benefits of Quiet Lakes and the Tidal Waterways. For the Quiet Lakes, the report concludes they do not serve a public purpose due to restricted access, resulting in private benefits for adjoining residents. It states, "The Review concludes that the Quiet Lakes are not exclusively used for a public purpose – this will have an effect on the Review's recommendations with respect to funding allocation for services."

In contrast, it implies that the Tidal Waterways serve a public purpose: "The Review considers the Tidal Waterways to clearly be a place for public recreation and enjoyment." This is despite the report noting on the same page that the Tidal Waterways suffer from similar public access restrictions: "[The artificial beaches] are not significantly used by the public, or that they are, in many instances, incapable of public access, primarily due to many beaches being fronted at the water's edge by rock walls and beaching."

It appears that the IR Report authors applied inconsistent criteria, downplaying restricted public access to Tidal Waterways beaches while highlighting it for Quiet Lakes. This inconsistent application has led to logically flawed and inequitable conclusions about the public recreational benefits derived from artificial beaches at Quiet Lakes and Tidal Waterways, which in turn has led to flawed conclusions by KCC regarding the rationale for publicly funding artificial beach maintenance at both locations.

4.7 Conclusion

The evaluation of the IR findings and recommendations highlights several critical issues regarding the management and funding of beach maintenance services at Patterson Lakes Waterways. The IR's recommendation to discontinue the Precept Rate has inadvertently removed a transparent and regulated source of revenue, thereby eliminating the benefits associated with oversight by the Essential Services Commission.

Furthermore, the IR failed to provide clear guidance on the responsibility and funding for sand renourishment of Tidal Waterways beaches, leaving a significant aspect of beach maintenance unresolved. The report also generated confusion through poorly worded findings and conclusions that lacked robust empirical evidence, particularly in the allocation of management responsibilities. The proposed shared responsibility model, while well-intentioned, did not consider the practical challenges and constraints faced by the KCC in delivering beach maintenance services.

The IR failed to recognise alternative funding sources, such as a Special Charge introduced by KCC. Acknowledging this could have enabled KCC to fund beach maintenance from revenue raised from those exclusively and directly benefiting from the services. Instead, the report recommended funding through General Rates Revenue, exposing KCC to risk of significant cost escalations.

Inconsistencies and ambiguities in the recommended management framework, along with the selective application of criteria to determine public recreation benefits, have led to flawed conclusions.

The findings of this evaluation call for a reconsideration of the IR Report's recommendations, with a focus on establishing clear, evidence-based guidelines and funding mechanisms that reflect the unique challenges of managing artificial beaches within the Patterson Lakes Waterways.

5. The private benefits of Patterson Lakes artificial beaches

The pivotal question of this review is to ascertain whether Patterson Lakes Waterways' artificial beaches serve a public or private purpose, and to determine the extent of the benefits derived by the public versus a specific group, such as adjoining landowners. This distinction is fundamental for evaluating reform options. The question of public versus private benefits from the artificial beaches has plagued policy development, shaped how policy has been implemented, and had profound consequences for the degree to which KCC has been exposed to financial risks.

To the best of MJA's knowledge, this has not been considered from an economic perspective previously. This section will explore this in detail, aligning conclusions with the IR's findings on the private nature of benefits and judicial rulings.

5.1 Summary of findings

Although the IR drew clear conclusions regarding the public and private benefits of the waterways, it did not consider the public versus private function and benefits of the **artificial beaches** in detail. Nor has this been considered in detail in the broader literature reviewed by MJA.

It is therefore necessary in this section to outline MJA's arguments as to why the function of the artificial beaches of the Quiet Lakes and Tidal Waterways is private in nature and why the benefits derived from those beaches accrue exclusively to the properties that adjoin those beaches. This is necessary to support conclusions regarding the most appropriate institutional and governance arrangements for beach maintenance services, including renourishment to address public safety concerns, and the most efficient funding mechanisms.

There appears to be a prevailing assumption among some households that are adjacent to artificial beaches that the public function and benefit of the retarding basins and waterways extend to the artificial beaches and that arguments with respect to management and funding also apply to the artificial beaches. However, MJA is of the view that the evidence does not support this conclusion.

This review concludes that the overwhelming evidence supports a conclusion that the artificial beaches of Patterson Lakes provide an amenity and recreation purpose that is of benefit to a group of clearly identifiable properties that adjoin the beaches. Our conclusion is consistent with Dwyer DP (VCAT) who found "(t)he so-called 'beaches' are not a natural part of the lake, and there is no direct evidence before me that works such as sand retrieval form a necessary part of works required to maintain the water ecosystems, or the drainage system." (para. 55, VCAT P2755/2017 & P2094/2017).

5.2 The artificial beaches of Patterson Lakes Waterways provide private benefits to a small, clearly identifiable group

The IR found that the "Tidal Waterways are clearly used by the public for recreational purposes and are accessible by watercraft" (IR, 2013, p.58) and reported that when the IR "inspected the Tidal Waterways (it) observed people in boats fishing, people canoeing as well as the usage of a jet ski (and) many of the submissions referred to their regular use by recreational and community groups for boating, kayaking, canoeing and fishing." (IR, 2013, p.55-56).

From this, the IR concluded that, in economic terms, the Tidal Waterways are public goods due to these public recreational benefits. This in turn justified "(g)overnment intervention (due to) the community, social and economic benefits of recreational areas. The benefits of open access to recreational areas provides a basis for the government to under-recover its costs and not apply its general policy of full cost recovery" (IR, 2013, p.58).

The IR partly relied on this argument to support its recommendation that MW manage, operate and maintain the Tidal Waterways functions, the Precept Rate cease and be replaced by a funding framework that augments the Melbourne Metropolitan Waterways and Drainage Charge (IR, 2013, p.76).

While it is true that the Tidal Waterways meet the definition of a public good[15] that is not the case for the artificial beaches of the Tidal Waterways.

A public good has two properties to differentiate it from a private good:

- **Non-rival consumption:** consumption by one individual does not reduce the benefits derived by all other individuals.
- **Non-excludability:** consumers cannot, at less than prohibitive cost, be excluded from enjoying the benefits derived from the good.

In the view of MJA the artificial beaches of both the Tidal Waterways and Quiet Lakes largely satisfy the property of non-rival consumption. However, it is clearly not possible for people other than residents of households adjacent to the artificial beaches to enjoy the amenity and recreational benefits.

Yet, it is also not possible to exclude those residents from enjoying the recreation and amenity benefits of the artificial beaches that are accessible from each location.

Public goods with this characteristic are classified as **Local public goods**.

Local public goods differ from public goods because they are only available to people within a certain locality or community rather than in general. Their consumption is non-excludable among the defined local population but is excludable to outsiders. Put differently, private benefits are enjoyed by a small group of clearly identifiable properties and their occupants.

—

[15] A public good was first defined by Samuelson (1954) as a good 'which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good' in contrast to private goods which 'can be parcelled out among different individuals'.

5.2.1 Evidence that Tidal Waterways artificial beaches provide private benefits to a small, clearly identifiable group

The high degree of excludability in place is evidence of private benefits from Tidal Waterways artificial beaches.

There appear to be two possible avenues for the public to access the Tidal Waterway beaches. The first is the Melbourne Water depot area, which is fenced and locked, and is not signposted in any respect to indicate a right of way for the public. The second is via a handful of steeply sloped undeveloped areas immediately adjacent to certain culverts and bridges. 'Goat track' informal pathways have developed over time at some of these locations. However, it would be unreasonable for a member of the public to interpret this as a wayfinding initiative with the intent of signalling public access.

Even if members of the public did gain access via either of these avenues, access would be limited to only a small portion of the Tidal Waterways beaches. Some residents have constructed fences across the artificial beach that adjoins their property, presumably to discourage passage by other residents. In other instances, residents have placed furniture, fire pits, trampolines and watercraft such as kayaks on the artificial beaches.

Figure 5: Equipment stored on Tidal Waterways beach

This supports a conclusion that the artificial beaches of the Tidal Waterways are for some residents viewed as extensions from the private property that adjoins the beach, rather than a public easement for the purpose of public recreation.

The IR Report commentary on the Tidal Waterways artificial beaches is consistent with these findings.

The IR found that the Tidal Waterways were accessed by the general public for sightseeing, especially during the Christmas festive period (IR, 2013, p.33). This suggests that the artificial beaches may contribute to the amenity enjoyed by these members of the public. However, there is no evidence to suggest that the presence of artificial beaches is a key reason for people visiting the Tidal Waterways.

> *"land-based access to the Tidal Waterways beaches is extremely limited, primarily available to adjoining residents. During our visit we observed that maintenance staff and residents could access these areas, but access was impeded by unlawful structures and difficult terrain in some parts.*
>
> *In the absence of public boat ramps, the Tidal Waterways beaches offer limited public access. Private jetties, mooring rights, and physical barriers such as rock walls contribute to this limited accessibility, reinforcing the notion that the beaches primarily serve as a private benefit to adjoining residents".*

5.2.2 Evidence that Quiet Lakes artificial beaches provide private benefits to a small, clearly identifiable group

For the Quiet Lakes, there are a handful of access points to the artificial beaches; however, there are large, prominently placed signs clearly indicating that the beaches are private property for the enjoyment of residents only (see Figure 6).

Site visits by MJA to the Quiet Lakes beaches on 21 November 2023 further reinforced the notion of private amenity benefits for residents adjacent to these artificial beaches. The visits highlighted the very clear signalling from signage and wayfinding infrastructure that the artificial beaches are not for the general public to enjoy:

Lake Legana: Access is predominantly through adjoining private properties, with limited public road access. Signs discourage public access, and observational evidence supported this during the visit.

Lake Illawong: Access is restricted to adjoining properties, with land-based entry possible only through what appeared to be a locked gate.

Lake Carramar: Access appeared to be similarly restricted, with signs clearly indicating that it is private property.

However, in contrast to the Tidal Waterways, no structures such as fences have been built on the easement, and it is less common for residents to impede free passage by placing items on the artificial beaches adjoining their properties. This supports a conclusion that excludability from the enjoyment of the recreation function applies to non-residents. Residents appear to enjoy full access to the entirety of the artificial beach that their property adjoins.

Lake Legana is the largest of the Quiet lakes with a relevant interacting group of 127 households. The smallest is Lake Caramar, with 34 households.

Figure 6: Signage at Lake Legana

The Victorian Civil and Administrative Tribunal (VCAT) ruled on the Special Charge levied by KCC to recover costs of beach maintenance services for properties adjacent to the Quiet Lakes. It provided a detailed analysis of the special benefits these services confer on the abutting properties. The tribunal's decision is grounded in the principle that services providing direct and exclusive benefits to specific properties justify a targeted charge on those properties.

The ruling highlights that the Quiet Lakes area, comprising Lake Legana, Lake Illawong, and Lake Carramar, is a private residential waterfront community with limited public access. This restricted access ensures that only the properties directly abutting the lakes enjoy the recreational and aesthetic benefits of the beach maintenance services. "A feature of the development was that the land was developed as a private residential waterfront community, with limited public access to the waterways" (p. 7). The special charge scheme in place from 1 August 2017 – 30 June 2022, which levied each of the 284 rateable properties a flat fee of $173.92 per annum. It was designed to cover the costs of services that enhance the amenity value of the lakes exclusively for these properties (p. 2).

These services ensure that the artificial beaches are maintained for the exclusive recreational use of the residents, thereby providing a tangible and special benefit. "The abutting residents have a clear expectation that a higher-level service will be provided in relation to the maintenance of the lakes and waterways, over and beyond their drainage function, to enhance their amenity value, and to enable the lakes and waterways (and the immediately surrounding 'beaches' and reserve) to be used for recreational purposes" (p. 10).

The tribunal emphasises that the maintenance services go beyond basic drainage and water quality functions, aiming instead to enhance the recreational and aesthetic qualities of the lakes for the abutting residents (p. 15).

In conclusion, the VCAT ruling provides robust evidence that the benefits of the beach maintenance services funded through the Special Charge are predominantly private in nature. The restricted access to the Quiet Lakes and the specific enhancements to property value and recreational use for the abutting residents justify the targeted charge. "The land abutting the Quiet Lakes arguably enjoys a special benefit, by virtue of the direct and restricted access to the lakes, and the value and use of the land is arguably enhanced by safe and suitable beach maintenance" (p. 17).

5.3 Who should pay for private benefits?

Private beneficiaries of goods and services have an incentive to pay for the provision of those goods and services. However, where a good or service provides private benefits to a small, clearly identifiable group, there is an incentive for each member of the group to 'free-ride' on the contributions made by other members of the group, in the hope that they will be able to contribute less but still enjoy the group benefit. This typically results in an under provision of the beneficial service because private sector providers find that it is difficult to recover the full willingness to pay from each member of the group because some members engage in free-riding behaviour.

The viability of private delivery hinges on the practicality and cost-effectiveness of preventing non-payers from accessing the goods. The presence of 'free-riding', where individuals benefit from a good or service without contributing to its cost, can significantly hinder the market's ability to supply these goods adequately. Without effective mechanisms to exclude non-contributors, there is a risk of these goods being underprovided, as the market fails to capture the full value of the service for all beneficiaries.

This will lead to an inefficient outcome because the quantity of the service provided will be less than the quantity demanded. For example, the efficient quantity of sand renourishment at Tidal Waterways is greater than zero because at some point the degree of erosion will increase to the point where it is a threat to the safety of the users of those beaches.

A public institution can step in to ensure that the efficient quantity of the service (in this case, sand renourishment) is provided. Doing so overcomes the free-rider effect that is a barrier to private sector service provision. The public sector institution 'completes the market' by ensuring the efficient level of demand is met.

This does not mean the public institution should also fund the service. The public sector institution typically 'completes the market' with the intent of recovering the costs of provision through a mechanism such as an annual charge paid by members of the private beneficiary group.

This explains why a Special Precept Rate had been applied to residential properties to recover the costs of provision of various maintenance works, including beach maintenance, since 1975.

KCC continued this practice by introducing a Special Charge in 2017 payable by property owners benefiting from Quiet Lakes beach maintenance services, following the transfer of beach maintenance responsibilities to KCC under the Management Plan. KCC opted to recover only 49% of the total costs through the Special Charge, presumably reflecting a belief that some minimum level of service should be provided and only the costs of providing services that were provided over and above the minimum should be recovered through the Special Charge.

However, in the view of MJA this was not necessary because there is no public benefit derived from the artificial beaches at Quiet Lakes. This is consistent with Dwyer DP who stated "some might hold the view that, given the restricted access to Quiet Lakes, and the fact that the residents whose properties abut the Quiet Lakes enjoy special and private recreational benefits that are not generally available to the public at large, the 51% community contribution to the works is generous." (VCAT P2755/2017 & P2094/2017, para. 105). That arrangement came to an end on 30 June 2022 and beach maintenance services are now funded by an allocation from General Rates revenue.

In making its ruling on the validity of the Special Charge, VCAT noted that the development of the Quiet Lakes area as a private community with limited public access created a scenario where the benefits of beach maintenance services are not widely shared by the broader community. This restricted access underpins the rationale for the Special Charge, as the services provided directly enhance the value, use, occupation, and enjoyment of the properties abutting the lakes (p. 8).

The ruling further elaborated that the Council's decision to implement the Special Charge scheme was supported by historical context and practical considerations. The Council's resolutions, surveys of residents to determine their support for contributing toward an annual special charge[16], and ongoing advocacy for state funding[17] demonstrate a systematic approach to recognising and addressing the special benefits conferred on the properties in question.

The VCAT 2017 ruling affirmed that the Special Charge is a fair and appropriate mechanism to fund the beach maintenance services, ensuring that those who receive the special benefits are the ones who bear the costs (p. 18).

5.4 Why it is economically efficient for the beneficiaries to pay for local public goods

The framework applied by the ESC in its determination of the Quiet Lakes bore flushing tariff outlines the economic rationale for recovering costs from the beneficiaries of local public goods.

When considering whether it is economically efficient for a tariff or charge or fee to recover the costs of providing services to a small, clearly identifiable group, the ESC considers:

- the extent to which the proposed tariff would result in the promotion of efficient use of the services by consumers[18]; and

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[16] City of Kingston (2016) Ordinary Meeting of Council Monday, 25th July 2016, Agenda Item No: 10.4, p. 363
[17] City of Kingston (2017) Ordinary Meeting of Council Monday, 27th February 2017, Agenda Item No: 10.5, p. 182
[18] WIRO clause 8 (b)(i)

- provide price signals about the efficient costs of providing services to customers[19].

In the case of the Quiet Lakes bore flushing tariff, the ESC concluded that the allocation of a tariff to consumers that benefit from the services would promote efficient use of the services because the consequences of inefficient demand would be felt financially by the beneficiary. The tariff would also provide appropriate price signals to indicate what the efficient costs of delivery are.

The ESC concluded that a user pays approach to recovering the costs of the services is appropriate and efficient for the following reasons:

- The residents adjacent to Lake Legana and Lake Illawong are the primary beneficiaries of the services covered by the bore flushing tariff, and thus the user pay approach promotes the efficient use of those services by the residents.
- It is efficient to allocate costs to the residents and achieve cost reflective pricing where the residents are the clear primary beneficiaries of the services.
- The residents place value on the bore flushing and monitoring services and want those services to be provided.

5.5 Conclusion

The analysis of Patterson Lakes Waterways' artificial beaches demonstrates that the benefits derived from these beaches are predominantly private, serving a specific group of properties that directly adjoin them. While the Tidal Waterways offer public recreational benefits that justify their classification as public goods, the artificial beaches do not meet the criteria of non-rival consumption and non-excludability to the broader public.

Evidence supports the conclusion that these beaches function as local public goods, providing exclusive recreational and amenity benefits to adjacent residents. The IR's observations, site visits, and judicial rulings consistently indicate restricted public access and significant private use, reinforcing the notion of private benefit.

Given this private nature, it is economically efficient for the beneficiaries—namely, the adjacent property owners—to bear the costs of maintaining these beaches. Mechanisms like the Special Charge ensure that those who directly benefit from the services contribute to their provision, thereby overcoming issues related to free-riding and under-provision.

The governance and funding of artificial beach maintenance should reflect the private benefits conferred, with targeted charges on the benefiting properties being a fair and efficient approach. This aligns with economic principles and judicial findings, ensuring sustainable and equitable management of Patterson Lakes' artificial beaches.

[19] WIRO clause 11(d)(ii)

6. Challenges with beach maintenance

The purpose of this chapter is to identify the challenges faced by KCC and MW in managing and maintaining the beaches to meet community expectations.

Institutional arrangements are the organisations, the rules under which they operate and their functions and practices. Governance is the system by which one or more institutions are controlled and operate, and the mechanisms by which they, and its people, are held to account. Objective setting, ethics, risk management, compliance, and administration are all elements of governance (Governance Institute of Australia, 2018).

Institutional and governance issues are restraining efficient and effective solutions to the underlying problems.

The following four problem statements encapsulate the challenges faced by KCC and MW in artificial beach maintenance.

6.1 Financial constraints

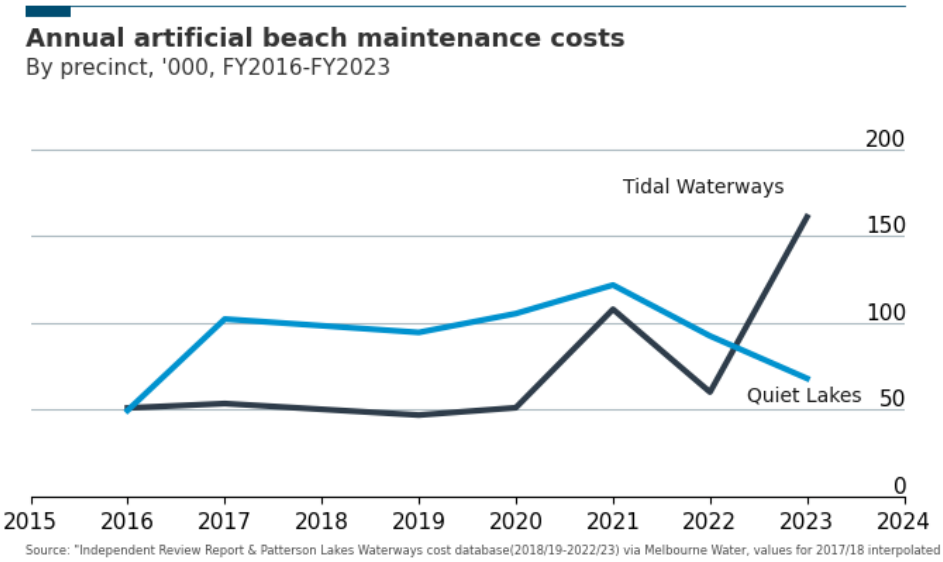
KCC faces substantial financial burdens in funding beach maintenance, with operational costs and asset maintenance expenses significantly impacting the budget.

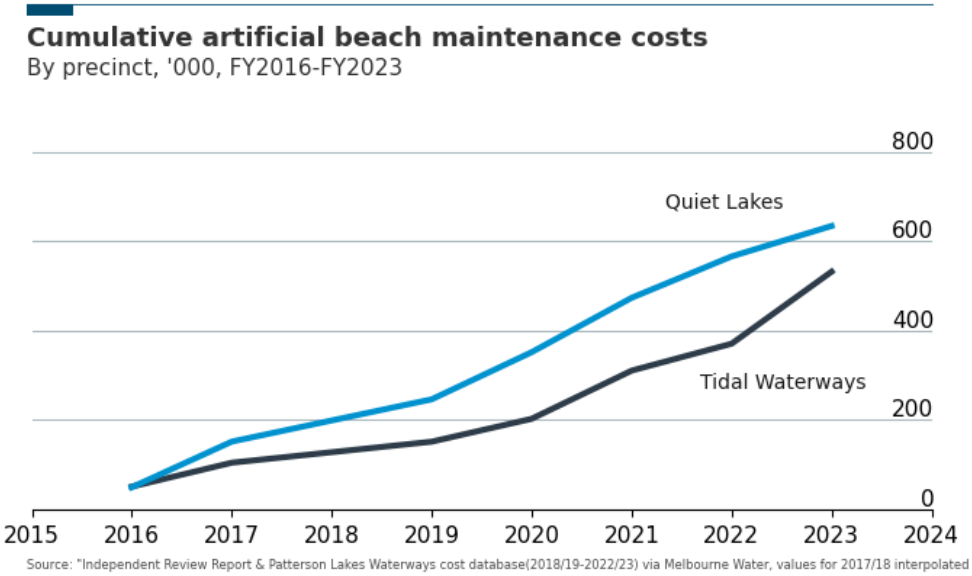
The financial impact of beach maintenance on KCC is well-documented. Operational costs for beach maintenance have escalated from around $200,000 per annum to now around $350,000 per annum.

The decision to ban glyphosate had a documented financial impact. The shift to alternative weed control methods in 2020 resulted in an increase in maintenance costs Council-wide of approximately $1 million. This significant rise in expenditure is reflected in Council financial reports and illustrates the budgetary consequences of the policy change.

The lack of a dedicated revenue stream exacerbates this issue, creating instability and complicating long-term financial planning. Balancing financial sustainability with community values requires careful consideration of both the benefits and costs associated with maintenance practices. Implementing a more stable funding mechanism and reassessing the overall maintenance strategy could help alleviate the financial pressures on the Council and ensure the continued maintenance of the beaches.

The following charts illustrate the financial challenges faced by KCC. The first figure shows the annual artificial beach maintenance costs by precinct from FY2016 to FY2023, highlighting the significant cost increases for both Tidal Waterways and Quiet Lakes. The second figure provides a cumulative view of these maintenance costs over the same period, demonstrating the escalating financial burden on the Council.





6.2 Policy and process inefficiencies

The local government decision-making process often lacks an appeal or submission process and does not provide adequate opportunities for stakeholders to study the basis for decisions, challenge unsubstantiated claims, offer evidence-based counterarguments, or influence decisions that will impact them. This lack of transparency can hinder optimal policy outcomes.

An example of this is the decision by KCC to re-enter the Management Plan with MW without renewing the corresponding funding mechanism. This decision was made based on a resolution put to Council at short notice and without evidence-based or expert input on the potential consequences for KCC. Had there been an opportunity for such input, it is highly likely that a submission would have

demonstrated that eliminating the Special Charge scheme, which generated approximately $49,000 annually, would exacerbate the financial challenges for KCC rather than improving the situation.

This example illustrates the need for a more robust, transparent, and evidence-based decision-making process. Implementing such a process would likely result in policy outcomes that are prudent, efficient, and effectively address the practical and financial challenges faced by the responsible institution.

The local government decision-making process often lacks alignment with principles of prudence, efficiency, and effectiveness. The absence of an appeal or submission process and insufficient transparency in decision-making hinder optimal policy outcomes.

The governance structure does not provide adequate opportunities for stakeholders to study the basis for decisions, challenge unsubstantiated claims, or offer evidence-based counterarguments.

The divergence between Council Report recommendations and Councillor decisions has created notable challenges in managing and maintaining the Patterson Lakes Waterways. This divergence is exemplified by the decision to allocate only $80,000 per annum to Melbourne Water for beach maintenance, a sum significantly lower than the actual costs incurred when Melbourne Water was responsible for these services under the Precept Rate.

The initial Report recommendation was for a more prudent financial allocation, highlighting the real costs of maintaining the beaches. For instance, Melbourne Water's expenses for beach raking, debris collection, and weed spraying in the Tidal Waterways alone amounted to approximately $98,500 annually, while the Quiet Lakes required an additional $62,916, bringing the total to $161,416 per year. Despite these detailed cost analyses, Councillors opted to allocate only $80,000 annually[20].

The financial strain imposed by this insufficient allocation became evident as the reduced budget could not cover the necessary maintenance activities. Council then had to work with Melbourne Water to develop a maintenance schedule that fit within the constrained budget. This resulted in significant service reductions and lower maintenance frequencies by around 50%, which were inadequate to meet community expectations and maintain the beaches' condition.

Moreover, the Officers had also considered alternative funding mechanisms, such as introducing a special rate or levy for properties benefiting from the services. These discussions aimed to establish a more sustainable and equitable funding model that would align with the actual costs and service needs. However, the final Council resolution did not incorporate these recommendations, leading to continued financial instability and suboptimal service levels.

Likewise, the decision to eliminate the Special Charge scheme from 30 June 2022, which partially funded beach maintenance, resulted in financial instability. This scheme, previously generating approximately $49,000 annually, provided a dedicated revenue stream that partially mitigated the financial burden on Council's general rate revenue. Without it, Council now fully funds maintenance

[20] City of Kingston (2015) Ordinary Meeting of Council, Monday 27 July 2015 Agenda item 10.4, p. 400

costs from its general rate revenue, increasing financial strain and potentially diverting funds from other essential services.

The absence of transparent and evidence-based decision-making processes is further exemplified by the Council's resolution to re-enter a management plan with Melbourne Water without a corresponding funding mechanism. This decision reflects a failure to align policy decisions with financial prudence and operational efficiency. Despite acknowledging the need for effective weed management strategies, the Council did not address the funding gap created by discontinuing the Special Charge scheme, illustrating the weakness in the Council decision-making process that does not include a formal process of consultation on draft decisions and resolutions made by Council. Had there been a process for submissions to be made on the draft resolution, it is likely that stakeholders would have made submissions highlighting the potential consequences for the financial sustainability of KCC as a result of re-entering into the Management Plan without the benefit of a cost recovery mechanism.

Additionally, the local governance framework does not facilitate effective stakeholder engagement or provide clear avenues for appeals. Residents and stakeholders are often left without sufficient information or opportunities to influence decisions, resulting in a lack of accountability and potential financial exposure for the Council.

Council decisions on beach maintenance at Patterson Lakes Waterways underscore the need for a more robust, transparent, and evidence-based decision-making process. Implementing such a process would be more likely to result in policy outcomes that are not only prudent and efficient but also effectively address the practical and financial challenges faced by the responsible institution.

6.3 Funding mechanisms and their impacts

The reliance on General Rates Revenue for beach maintenance has created funding instability, particularly for Tidal Waterways. The discontinuation of the Special Charge scheme has further exacerbated financial challenges, leaving KCC without a dedicated revenue stream for these services. This instability complicates long-term financial planning and strains the Council's budget.

The reliance on General Rates Revenue for beach maintenance has created significant funding instability, particularly for the Tidal Waterways. This approach has led to financial challenges due to the absence of a dedicated revenue stream. Initially, the beach maintenance was funded through the Precept Rate, which provided a regulated and transparent revenue source. This rate required formal consultation and oversight by the ESC, ensuring that the service provider outlined the basis for the price and engaged with ratepayers on proposed activities and expenditure forecasts.

However, following the discontinuation of the Precept Rate, the Council was left to fund these services through General Rates Revenue. The Special Charge scheme, which was introduced to offset some of these costs, provided an annual revenue of approximately $49,000 but was allowed to expire on 30 June 2022.

This decision left the Council without a dedicated funding mechanism for beach maintenance, forcing it to fully fund the maintenance plan, which is estimated to cost around $350,000 annually, from its

general revenue. This shift places additional financial pressure on the Council's budget, potentially diverting funds from other critical services and projects.

The implications of this funding instability are significant. The absence of a stable and dedicated revenue stream complicates long-term financial planning and strains the Council's budget. This scenario is reminiscent of the cost-shifting that resulted from the poorly justified suggestion that by the IR that KCC be responsible for beach maintenance without adequate financial compensation.

Council now faces the challenge of managing and maintaining the artificial beaches without the financial stability provided by the Precept Rate or a Special Charge scheme.

Moreover, the decision not to expand the Special Charge scheme to include all Tidal Waterways waterfront properties further exacerbates the issue. This decision limits the Council’s ability to equitably distribute the maintenance costs among all beneficiaries of the artificial beaches, placing an undue burden on general rates revenue.

The current funding model is unsustainable and highlights the need for a reconsideration of the funding mechanisms to support long-term maintenance and management of the Patterson Lakes Waterways.

Alternative perspectives suggest that the higher general rates paid by waterfront properties should cover the specific service fees for beach maintenance. However, this view conflicts with the principles of horizontal and vertical equity and the wealth tax principle, which states that local government or general rates are based on property values and not on specific service consumption.

6.4 Governance and institutional challenges

The absence of a single lead agency responsible for both funding and delivering beach maintenance services is likely to be the primary factor in the sense of dissatisfaction with the governance and institutional arrangements for beach maintenance services expressed by residents.

As outlined previously, at present KCC is responsible for the funding and delivery of beach maintenance services under the Management Plan. But this is only the case because KCC was allocated this role under the preferred option outlined in the IR Report. Without the intervention of the IR, it is highly unlikely that this set of governance arrangements would have emerged.

Notwithstanding the allocation of beach maintenance responsibilities under the Management Plan, in practice, KCC has contracted MW to deliver beach maintenance services, funded by KCC through payments to MW under a stand-alone agreement. This arrangement is a pragmatic response to the IR Report, reflecting the fact that MW had both the capability and capacity to continue delivery of those services because it had been doing so in both the Tidal Waterways and Quiet Lakes precincts since 1991.

However, the services are in practice provided by a third-party service provider chosen from a MW tender panel, as has been the case since MW became responsible for beach maintenance services in 1991.

Although some residents are aware that MW engages the service provider from its panel, a key difference since the Management Plan was entered into is that residents are advised to direct complaints regarding those services to KCC, not MW. This may be creating a sense among some residents that it is impossible to hold the service provider accountable because residents are unable to engage with the institution that has the contractual relationship with the service provider.

Looked at from the resident's perspective, the governance arrangements may appear unnecessarily complex, resulting in the 'buck stopping with no one'. Most residents are unlikely to have allocated their time to understanding why those arrangements are in place by carefully reading the IR Report or following the subsequent sequence of decisions that led to the formation of the current governance arrangements.

It may be that for some residents the absence of a single institution accountable for the delivery of beach maintenance services that also has the direct contractual relationship with the service provider is seen as falling short of the governance arrangements that were in place prior to the establishment of the IR.

From the perspective of KCC, the governance arrangements may be seen as falling short of best practice because KCC is 'disconnected' from the delivery of the services it is responsible for under the Management Plan. This is because the contractual arrangements are between MW and the third party delivering the services, not KCC and the service provider.

From the perspective of MW, it may be frustrated by the lack of a stable, long-term funding mechanism for the provision of beach maintenance services, since it is responsible for payment under the terms of the panel from which the service provider is selected. It may be perceived that there is a risk that MW will at some point not be fully compensated by KCC for the services MW procures from the service provider, given the volatile arrangements for funding the contract between KCC and MW for beach maintenance services.

In summary, the absence of a single lead agency responsible for both funding and delivering beach maintenance services is likely the primary factor contributing to residents' dissatisfaction with the current governance and institutional arrangements. The existing structure, where KCC is responsible for funding while contracting MW to deliver services through a third-party provider, creates a disconnect in accountability. Residents direct their complaints to KCC, which distances them from the actual service provider, leading to a perception that it is impossible to hold any one party accountable. The complexity of these arrangements, along with KCC's sense of disconnection from service delivery and MW's concerns over unstable funding and compensation risks, further exacerbates the governance challenges.

7. Strategic objectives for reform

A unified approach to refining institutional and governance arrangements for beach maintenance is required to achieve improved customer experience and service delivery, enhanced public safety and reduced erosion.

Four objectives for reform have been developed to address the four problems identified in section 6. The four objectives and how they link to the problem statements is summarised in Table 8, along with the expected benefits from identifying and implementing a reform option that aligns to the objectives.

Table 8: Objectives for and expected benefits of reform to address problems

Problem statements	Reform objectives	Expected benefits
• Financial constraints in beach maintenance funding. • Funding mechanisms and their impacts.	Establish a long-term, stable, and feasible funding source	By adopting a stable funding mechanism, KCC or MW can ensure efficient allocation of resources, reduce financial constraints, and enhance the transparency of beach maintenance funding.
	Demonstrate value for money in delivering agreed Level of Service targets	By demonstrating value for money KCC and MW can ensure that beach maintenance services are delivered efficiently and effectively, providing clear evidence of value for money to all stakeholders.
Policy and process inefficiencies	Integrate stakeholder feedback and expert recommendations into decision-making	a more transparent approach to decision-making that is more likely to result in outcomes that are prudent, efficient, and better address the practical and financial challenges faced by the responsible institutions.
Governance and Institutional Challenges	Principles for decision-making on changes to governance of beach maintenance service funding and delivery	KCC and MW can have confidence that any changes to the governance of beach maintenance services are well-considered, transparent, and effective.

A reform strategy that meets these four objectives will provide a comprehensive, coherent, and targeted response to the challenges, ensuring that governance, funding, evaluation, and communication mechanisms are aligned to improve customer experience and service delivery from beach maintenance services. Each of these objectives is outlined in greater detail below.

7.1 Establish a long term, stable and feasible funding source

KCC and MW have utilised various funding sources for beach maintenance services.

Prior to the establishment of the IR, MW was responsible for funding beach maintenance services. MW raised revenue through the Precept Rate, a dedicated charge applied to all properties with direct access to artificial beaches in the Tidal Waterways and Quiet Lakes Precincts. This rate provided a stable and transparent revenue stream specifically earmarked for beach maintenance. The Precept Rate required formal consultation and oversight by the ESC, ensuring that the service provider outlined the basis for the price and engaged with ratepayers on proposed activities and expenditure forecasts. This system allowed MW to effectively fund and manage beach maintenance activities, ensuring that costs were directly linked to the beneficiaries of the services.

General Rates revenue has been the primary source of funding utilised by KCC. However, from 2017 to 2022, a Special Charge was levied on properties with direct access to the Quiet Lakes only, generating $49,000 annually. This charge covered approximately 49% of the estimated maintenance costs for Quiet Lakes beaches. All costs related to Tidal Waterways beaches have been funded entirely by General Rates revenue. The Special Charge was discontinued in July 2022, leaving General Rates revenue as the sole funding source for beach maintenance services in both Tidal Waterways and Quiet Lakes.

To ensure long-term stability and feasibility in funding beach maintenance, it is essential to establish a dedicated revenue stream that directly recovers costs from the beneficiaries. This approach would reflect the private benefits derived from exclusive access to the artificial beaches and provide a transparent, evidence-based process for cost estimation and public scrutiny.

Both KCC and MW have the authority to introduce such charging mechanisms. KCC can levy a Special Charge under section 163(1) of the *Local Government Act 1989,* and MW is empowered under section 259(1) of the *Water Act 1989.*

By adopting a stable funding mechanism, KCC or MW can ensure efficient allocation of resources, reduce financial constraints, and enhance the transparency of beach maintenance funding.

7.2 Demonstrate value for money in delivery of agreed Level of Service targets

Effective institutional and governance arrangements are essential for ensuring value for money in beach maintenance services. This can be achieved through:

- **Central Coordination:** Establish a central coordination point to promptly address beach maintenance issues, ensure necessary actions are taken, and track resolution progress.
- **Performance Tracking and Evaluation:** Implement systems to track and evaluate performance against agreed Levels of Service. This includes identifying and addressing issues through corrective measures.
- **Competitive Contracting:** Award contracts for beach maintenance services through a competitive process. This ensures MW and/or KCC can meet governance requirements and demonstrate value for

money to residents funding these services.

- **Efficient Service Delivery:** Ensure the institution best placed to deliver beach maintenance services is responsible for achieving agreed Level of Service outcomes at the lowest economic cost. Allocate sufficient resources to consistently meet these targets.
- **Transparent Reporting:** Regularly and transparently report performance against the agreed Level of Service outcomes as outlined in the Management Plan. This provides accountability and allows stakeholders to see the value for money achieved.

By focusing on these strategies, KCC and MW can ensure that beach maintenance services are delivered efficiently and effectively, providing clear evidence of value for money to all stakeholders.

7.3 Integrate stakeholder feedback and expert recommendations into decision-making

To enhance service delivery efficiency and financial sustainability, decision-making processes should provide opportunities for stakeholder feedback on the proposed decision, be grounded in empirical evidence and align with expert recommendations. Adopting a decision-making process with these attributes would:

- allow stakeholders to study the basis for decisions, challenge unsubstantiated claims, and offer evidence-based counterarguments
- provide adequate opportunities for stakeholders to influence decisions that will impact them by involving them early and raising potentially unintended consequences from the proposed course of action
- increase the likelihood that policy decisions are based on comprehensive data analysis, empirical evidence, and best practices, minimising the risks associated with decisions based on unchallenged assertions
- provide a structured approach to evaluating the potential impacts of decisions, leading to more informed and effective outcomes.
- Provide an avenue for reviewing and updating decisions when new evidence comes to hand
- ensure stakeholders have access to relevant information, and establish clear accountability structures.

By adopting a decision making process for beach maintenance institutional and governance arrangements with these attributes KCC and MW can develop a more transparent approach to decision-making that is more likely to result in outcomes that are prudent, efficient, and better address the practical and financial challenges faced by the responsible institutions.

7.4 Principles for decision-making on changes to governance of beach maintenance service funding and delivery

This reform objective outlines principles to guide decision-making on governance changes to improve service delivery and financial sustainability in beach maintenance across the Patterson Lakes area. Whether MW, KCC, or a combination of both serve as the lead agency, adopting these principles will identify effective and unified governance arrangements relative to those currently in place:

- **Clarify Oversight Responsibilities:** Ensure clear and defined roles for oversight in each precinct or the entire Patterson Lakes area. This may involve designating a single lead agency or maintaining shared responsibilities between MW and KCC, but with clarified authority and accountability for managing all aspects of beach maintenance.
- **Realign Contractual Arrangements:** Realign contractual agreements to reflect the updated governance structure. This involves revising existing contracts and negotiating new ones to ensure they align with the governance model, whether it is a refresh of current arrangements or a new designation of roles.
- **Define Roles and Responsibilities:** Clearly define the roles and responsibilities of all parties involved in beach maintenance. This ensures that everyone understands their obligations and how they contribute to overall service delivery, promoting accountability and clarity.
- **Establish a Coordination Mechanism:** Develop a robust coordination mechanism to facilitate communication and collaboration between the lead agency or agencies and all other parties involved in beach maintenance. This includes setting up regular meetings, reporting systems, and shared information platforms.
- **Implement Performance Monitoring:** Establish comprehensive performance monitoring and evaluation systems. This includes setting clear performance indicators, conducting regular assessments, and using feedback to make necessary adjustments, ensuring continuous improvement.
- **Work within regulatory Constraints:** Recognise and consider any regulatory constraints faced by KCC and MW. Ensure these constraints are factored into the governance and contractual arrangements to avoid legal and operational issues.

By adopting these principles, KCC and MW can have confidence that any changes to the governance of beach maintenance services are well-considered, transparent, and effective.

7.5 Options for reform

Six alternative options for reform of institutional and governance arrangements of beach maintenance services have been developed with the aim of providing plausible reform options to achieve the reform objectives.

Table 9 provides a concise description of each model, outlining the proposed adjustments to institutional responsibilities and funding arrangements.

Table 9: Summary of reform option attributes

Option	Institutional responsibilities	Funding mechanism/s
1. Precinct-Based	MW responsible for Tidal Waterways beaches KCC responsible for Quiet Lakes beaches	MW and KCC would introduce a new property-based charge to fund the beach maintenance services provided to the properties in each of the precincts serviced by each institution
2. MW Only Option	MW solely responsible for all Patterson Lakes Waterways beaches	MW would introduce a new property-based charge to fund the beach maintenance services provided
3. KCC Only Option	KCC solely responsible for all Patterson Lakes Waterways beaches	KCC would introduce a new property-based charge to fund the beach maintenance services provided.
4. Self-Regulation Option	An Owners Corporation would be established to be responsible for beach maintenance services at both the Tidal Waterways and Quiet Lakes Precincts. would be established to be responsible for beach maintenance services .	The Owners Corporation would fund beach maintenance services through revenue raised by a charge imposed by the Owners Corporation on member properties.
5. Beach Maintenance Utility Option	would Formation a dedicated utility jointly owned by MW and KCC that has the sole purpose of providing beach maintenance services in both precincts.	The utility would be funded by a new property-based charge introduced by either MW or KCC.
6. Refreshed Management Plan	MW and KCC maintain their current roles and responsibilities for beach maintenance, enhanced by greater transparency for: • KCC as the funding institution • MW as the institution providing the services • Property owners with respect to achievement of agreed Level of Service	Funded by a new property-based charge introduced by either MW or KCC.

The remaining chapters of this report provide a detailed description of each option, a high level overview of implementing the option, potential challenges and mitigation strategies and an evaluation of the option against the reform objectives.

7.6 Conclusion

A unified approach to refining institutional and governance arrangements for beach maintenance is essential to improve customer experience, service delivery, public safety, and reduce erosion. The

four strategic objectives for reform outlined in this chapter directly address the challenges identified in the previous section. These objectives are:

- establishing a stable funding source
- demonstrating value for money
- integrating stakeholder feedback
- adopting clear principles for decision-making on governance changes.

By implementing these objectives, KCC and MW can ensure that governance, funding, evaluation, and communication mechanisms are aligned to meet community expectations and maintain the beaches effectively. This comprehensive and targeted reform strategy will lead to more transparent, efficient, and sustainable beach maintenance practices, ultimately benefiting all stakeholders involved.

Six options for institutional and governance reform designed to meet the strategic objectives are outlined in the following chapters.

8. Option 1 – Precinct-based model

8.1 Overview

This model reallocates responsibilities along precinct lines: MW for the Tidal Waterways precinct and KCC for the Quiet Lakes precinct. The rationale is to assign maintenance responsibilities to the entity best suited for delivering the desired outcomes. MW's expertise and specialised equipment for managing the Tidal Waterways make it the ideal entity for this precinct. Conversely, KCC's experience with local recreational parks and varied stakeholder needs positions it well to manage the Quiet Lakes, where resident concerns are most apparent.

8.2 Funding of services

Under this option, funding responsibilities are clearly divided along precinct lines, ensuring that each entity is accountable for securing the necessary resources to maintain their designated areas.

Melbourne Water

Responsible for funding beach maintenance in the Tidal Waterways precinct. MW would introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC.

Kingston City Council

Responsible for funding beach maintenance in the Quiet Lakes precinct. KCC would introduce a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that directly benefit from the beach maintenance services.

8.3 Delivery of services

Service delivery is also divided along precinct lines, allowing each entity to utilise its expertise and resources to effectively manage beach maintenance activities.

Melbourne Water

Delivers beach maintenance services in the Tidal Waterways precinct. This includes the use of specialised equipment, such as purpose-built barges, and managing contractors.

Kingston City Council

Delivers beach maintenance services in the Quiet Lakes precinct. KCC can leverage its experience in managing natural beaches and utilise land-based access to maintain artificial beaches.

8.4 Reporting and accountability

Both MW and KCC would commit to transparent and regular reporting on their performance against targets defined in the Management Plan. This would involve informing the community about the

changes in responsibilities and the rationale behind them, as well as providing updates on maintenance activities and outcomes.

Public reporting

Each entity would report performance at least annually, with an ambition to provide quarterly updates where feasible. This ensures that residents are kept informed and can hold the responsible entities accountable.

Community engagement

Enhanced communication through newsletters, public forums, and online platforms would be essential to maintain transparency and build trust within the community.

8.5 Implementation plan

This implementation plan details the sequential steps necessary to reallocate beach maintenance responsibilities between MW and KCC along precinct lines. The plan covers stakeholder engagement, defining roles, securing funding, developing a service delivery framework, and implementing the new responsibilities. It also includes measures for ongoing reporting and accountability to ensure transparency and continuous improvement.

8.5.1 Step 1: Stakeholder engagement and communication

The first step involves identifying all relevant stakeholders, including MW, KCC, and householders adjacent to the beaches. Consultations will be conducted through meetings and workshops to gather input and address any concerns. Following these consultations, a detailed communication plan will be developed to inform residents about the changes. This plan will include the rationale, benefits, and potential impacts of the new responsibilities.

8.5.2 Step 2: Define roles and responsibilities

In the second step, the specific responsibilities of MW and KCC will be clearly outlined. This clarification will ensure that each entity understands its role in the maintenance of the beaches. The existing Management Plan will be finalised, confirming that its performance targets and service standards will be maintained.

8.5.3 Step 3: Secure funding

For MW, a tariff will be introduced under section 259(1) of the *Water Act 1989*, subject to determination by the ESC. The tasks involved include preparing the tariff proposal, submitting it to the ESC, and conducting the necessary public consultations as required by the ESC.

For KCC, a Special Charge will be introduced under section 163 of the *Local Government Act 1989*. This involves identifying properties that will benefit from the services, developing the Special Charge proposal, and conducting public consultations to secure approval from the council.

8.5.4 Step 4: Develop service delivery framework

Kingston City Council will develop operational plans for the Quiet Lakes precinct. This will include ensuring that land-based access and the necessary equipment are in place. Additionally, training will be provided for staff to effectively manage the artificial beaches.

8.5.5 Step 5: Implementation

During this step, decisions will be made on whether to use a glide path that starts the tariff and Special Charge at a value less than required for full cost recovery, to aid affordability. KCC will then begin service delivery in the Quiet Lakes precinct according to the defined plan.

8.5.6 Step 6: Reporting and accountability

Both entities will commit to regular public reporting, at least annually, with an ambition for quarterly updates where feasible. The community will be kept informed about progress, challenges, and outcomes through newsletters, public meetings, and online platforms.

8.5.7 Assessment and review

Annually, a performance review will be conducted to assess performance against the Management Plan's targets and standards. Feedback from residents and stakeholders will be gathered to inform continuous improvement. Based on performance data and feedback, management plans will be revised and adjusted accordingly.

8.6 Potential challenges and mitigation strategies

8.6.1 Political will and support

Engaging with political leaders early is crucial to securing their buy-in for the precinct-based option. By highlighting the benefits of this approach and building a strong case for the beneficiary-pays funding mechanism, political leaders can better understand and support the rationale behind the reform. This early engagement will help create a solid foundation of political will and support for the successful implementation of the new responsibilities.

8.6.2 Resistance to change

Resistance to change is a common challenge in any reform. To address this, it is important to engage in transparent communication with all stakeholders and actively involve them in the decision-making process. Providing clear evidence of the benefits and long-term sustainability of the Precinct-Based Option will help to alleviate concerns and gain the support of those affected by the changes. Through open dialogue and demonstrated advantages, resistance can be effectively managed.

8.6.3 Bureaucracy and complexity

Implementing the Precinct-Based Option may introduce additional layers of bureaucracy and complexity. To mitigate these issues, it is essential to streamline processes wherever possible to reduce unnecessary bureaucracy. Providing adequate training and resources to those involved in the implementation will also help manage the complexity and ensure a smooth transition. By focusing on efficiency and equipping staff with the necessary skills and tools, the challenges of bureaucracy and complexity can be minimised.

8.7 Assessment against reform objectives

Option 1 is highly aligned with all four reform objectives. It proposes clear and feasible funding mechanisms, leverages the expertise of MW and KCC, integrates stakeholder feedback, and establishes robust governance principles. Despite potential challenges with political will and coordination complexity, the benefits of focused expertise, transparency, and stakeholder engagement offer a compelling case for its adoption.

Table 10: Evaluation of Option 1 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Highly aligned with establishing a long-term, stable, and feasible funding source.
Reasoning	**MW:** Introducing a tariff under section 259(1) of the *Water Act 1989* ensures a stable and dedicated revenue stream directly from the beneficiaries of the Tidal Waterways. This method aligns with past practices and provides predictability and transparency in funding. **KCC:** Implementing a Special Charge under section 163 of the *Local Government Act 1989* offers a long-term solution specifically targeted at property owners who derive the most benefit from Quiet Lakes. Similar to MW's tariff, this charge is clear, direct, and involves consultation, ensuring that stakeholders are aware of and agree to the costs.
Benefits	**Financial Stability:** Both methods directly align the costs with the beneficiaries, reducing reliance on General Rates revenue and ensuring more consistent and targeted funding. **Stakeholder Support:** Majority of rate-payers who do not directly benefit from the artificial beaches may support measures ensuring they do not subsidize these services.
Challenges	**Political Will:** Implementing beneficiary-pays funding mechanisms can face political resistance and requires substantial political commitment. **Complexity of Implementation:** The process is complex due to the need for stakeholder engagement, public consultation, and bureaucratic approvals.

Table 11: Evaluation of Option 1 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	Strong alignment with demonstrating value for money through focused, expertise-based delivery and transparent reporting.
Reasoning	**Central Coordination:** The precinct-based model delineates clear responsibilities, potentially improving focus and efficiency in service delivery. **Performance Tracking and Evaluation:** Reporting mechanisms and performance tracking can ensure both MW and KCC meet agreed service levels. **Competitive Contracting:** Each entity can leverage its existing contracting expertise to ensure competitive service delivery. **Efficient Service Delivery:** MW's specialized equipment and KCC's experience in recreational park management can be utilized to full potential by focusing on their respective areas. Transparent Reporting: Commitment to regular public reporting ensures transparency and accountability.
Benefits	**Focused Expertise:** Assignment of responsibilities to entities best suited for each precinct enhances service delivery efficiency. **Accountability:** Regular and transparent reporting mechanisms ensure that both entities are held accountable for delivering value for money.
Challenges	**Coordination Complexity:** Ensuring seamless coordination between MW and KCC could be challenging, potentially leading to bureaucratic inefficiencies.

Table 12: Evaluation of Option 1 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	Well-aligned with integrating stakeholder feedback and expert recommendations into decision-making, ensuring prudent and efficient outcomes.
Reasoning	**Stakeholder Engagement:** The model includes multiple consultative steps for tariff and charge introductions, ensuring stakeholder feedback is integrated. **Empirical Evidence:** Both entities have the capacity to ground their decisions in empirical evidence, given their past performance and expertise**.** **Transparent Decision-Making:** Regular public reporting and community updates further encourage stakeholder engagement and transparency.
Benefits	**Enhanced Decision-Making:** Integration of feedback and expert recommendations likely leads to more informed, effective decisions. **Stakeholder Acceptance:** Active engagement helps pre-empt potential resistance and aligns decisions with stakeholder interests, leading to higher acceptance.
Challenges	**Consultation Fatigue:** Multiple rounds of consultation can be time-consuming and may fatigue stakeholders, potentially impacting the quality of feedback.

Table 13: Evaluation of Option 1 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Strong alignment with principles for decision-making on governance changes, establishing clear and effective governance structures.
Reasoning	**Clarify Oversight Responsibilities:** The delineation between MW and KCC responsibilities reduces ambiguity and clearly defines oversight roles. **Realign Contractual Arrangements:** Existing contractual arrangements can be updated to reflect this new governance model without major disruptions. **Define Roles and Responsibilities:** This model inherently comes with well-defined roles and responsibilities. **Establish a Coordination Mechanism:** Requires robust coordination mechanisms to ensure that both entities work collaboratively. **Implement Performance Monitoring:** Performance monitoring and evaluation systems are integral through regular reporting requirements. **Work within Regulatory Constraints:** Both MW and KCC are already operating within relevant regulatory frameworks, and this model leverages these existing structures.
Benefits	**Clear Governance:** Establishes clear and transparent governance structures, enhancing coordination and accountability. **Regulatory Compliance:** The model fits within existing regulatory constraints, minimizing legal and operational risks.
Challenges	**Coordination Complexity:** Managing coordination between two entities could be cumbersome and requires effective mechanisms to ensure seamless operation.

8.8 Summary

Option 1 – the precinct-based model – proposes reallocating beach maintenance responsibilities between MW and KCC based on their respective precincts. MW would manage the Tidal Waterways precinct, leveraging its specialised equipment and expertise in water management, while KCC would oversee the Quiet Lakes precinct, drawing on its experience with local recreational parks and community engagement. This division of responsibilities ensures that each entity is best suited to deliver the desired outcomes for their designated areas.

Funding for beach maintenance under this model is also precinct-based. MW would introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC, to cover the costs in the Tidal Waterways precinct. KCC would implement a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that benefit from the services in the Quiet Lakes precinct. This approach aligns the costs with the beneficiaries, promoting financial stability and reducing reliance on general rates revenue. Enhanced transparency and accountability

would be achieved through regular public reporting and community engagement, ensuring residents are informed and can hold the responsible entities accountable.

9. Option 2 – Melbourne Water only model

9.1 Overview

This model assigns responsibility for both funding and delivering beach maintenance services in the Tidal Waterways and Quiet Lakes precincts to MW. Essentially, this reverts to the arrangements in place when the Interim Report (IR) was established.

The rationale is to retain MW as the beach maintenance service provider, a role it has fulfilled since 1991. This approach simplifies accountability for residents by making MW the responsible entity under the Management Plan and leverages stakeholder engagement and transparent decision-making processes available under an ESC determined tariff for beach maintenance services. MW was responsible for funding and delivery between 1991 and 2013 in both precincts, demonstrating a proven track record of service delivery. However, the IR Report noted dissatisfaction from some stakeholders regarding service standards.

The IR Report outlined several advantages of this unified model:

- Coordinated management
- one avenue for funding arrangements
- a single authority to organise and correspond with resident stakeholders and external agencies.

9.2 Funding of services

Under this option MW is accountable for securing the necessary resources to fund the beach maintenance services in both precincts. MW would introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC. The tariff would apply to all properties that are adjacent to the artificial beaches in the two precincts.

9.3 Delivery of services

MW would be responsible for the delivery of services in both precincts under this model. Relative to the existing arrangements the only change would be MW being accountable to residents for service delivery rather than KCC.

9.4 Reporting and accountability

MW would commit to transparent and regular reporting on its performance against the targets for each precinct outlined in the Management Plan. This would involve informing the community about the changes in responsibilities and the rationale behind them, as well as providing updates on maintenance activities and outcomes.

Public reporting

MW would report performance at least annually, with an ambition to provide quarterly updates where feasible. This ensures that residents are kept informed and can hold the MW accountable to property owners.

Community engagement

Enhanced communication through newsletters, public forums, and online platforms would be essential to maintain transparency and build trust within the community.

9.5 Implementation plan

This implementation plan details the sequential steps necessary to allocate beach maintenance responsibilities to MW in both the Tidal Waterways and Quiet Lakes precincts. The plan covers stakeholder engagement, defining roles, securing funding, developing a service delivery framework, and implementing the new responsibilities. It also includes measures for ongoing reporting and accountability to ensure transparency and continuous improvement.

9.5.1 Step 1: Stakeholder engagement and communication

Identifying all relevant stakeholders is crucial for the successful implementation of this model. Stakeholders include MW, householders adjacent to the beaches, and the ESC. Consultations will be conducted through meetings and workshops to gather input and address concerns. Following these consultations, a detailed communication plan will be developed to inform residents about the changes. This plan will include the rationale, benefits, and potential impacts of the new responsibilities.

9.5.2 Step 2: Define roles and responsibilities

In the second step, the specific responsibilities of MW for the maintenance of the beaches in both precincts will be clearly outlined. This involves confirming the performance targets and service standards in the existing Management Plan to ensure consistency. Clearly defining these roles and responsibilities will ensure that MW understands its role and is fully prepared to take on the additional responsibilities associated with the maintenance of both precincts.

9.5.3 Step 3: Secure funding

MW will introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC. This tariff will apply to all properties adjacent to the artificial beaches in both precincts. The tasks involved include preparing the tariff proposal, submitting it to the ESC, and conducting the necessary public consultations as required by the ESC.

9.5.4 Step 4: Implementation

During this step, MW will begin the transition to being the sole responsible entity for beach maintenance in both precincts, replacing KCC in this role. This step involves the actual rollout of the

service delivery framework developed in Step 4, ensuring MW is accountable to residents for service delivery.

9.5.5 Step 5: Reporting and accountability

MW will commit to regular and transparent reporting on its performance against the targets for each precinct outlined in the Management Plan. This involves informing the community about changes in responsibilities and providing updates on maintenance activities and outcomes. Public reporting will be conducted at least annually, with an ambition to provide quarterly updates where feasible. This ensures residents are kept informed and can hold MW accountable.

9.5.6 Assessment and review

Annually, a performance review will be conducted to assess performance against the Management Plan's targets and standards. Feedback from residents and stakeholders will be gathered to inform continuous improvement. Based on performance data and feedback, management plans will be revised and adjusted accordingly.

9.6 Potential challenges and mitigation strategies

9.6.1 Political will and support

Securing political will is crucial for the success of this model. It is necessary for KCC to agree to relinquish its current role in beach maintenance, allowing MW to take over the responsibilities for both precincts. Additionally, MW must have the political support to introduce a tariff that covers both precincts, especially considering the tariff that previously funded these services was removed in 2012 by the IR. Furthermore, the Minister for Water must be willing to support reverting to the arrangements that were in place prior to the IR commencing. Engaging with political leaders early and highlighting the benefits and necessity of these changes will be essential in gaining their support.

9.6.2 Resistance to change

There may be resistance from householders who are reluctant to pay a tariff that essentially replaces the Precinct Rate in place before the IR was commissioned. To address this resistance, transparent communication is vital. Householders need to be clearly informed about the rationale behind reintroducing the tariff, including the benefits of consistent and reliable beach maintenance services. Providing evidence of the long-term sustainability and advantages of the new funding mechanism will help in alleviating concerns and gaining support from the community.

9.6.3 Bureaucracy and complexity

Ensuring that the tariff can be determined through an ESC process efficiently is critical. The process should not introduce unnecessary complexity to what should be a straightforward implementation. Streamlining the tariff determination process and working closely with the ESC will help in avoiding bureaucratic delays and ensuring a smooth and efficient transition to the new funding model.

9.7 Assessment against reform objectives

Option 2 is highly aligned with the reform objectives. It offers a clear, stable, and feasible funding source through a dedicated MW tariff, leveraging the experience and infrastructure of MW to deliver services efficiently, integrates stakeholder feedback through transparent processes, and establishes clear and simplified governance. Challenges primarily revolve around securing political and community support for reintroducing previously opposed funding mechanisms. However, the model's benefits in terms of financial sustainability, centralised coordination, and streamlined governance present a compelling case for its adoption.

Table 14: Evaluation of Option 2 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Highly aligned with establishing a long-term, stable, and feasible funding source. However, political resistance and stakeholder acceptance could pose challenges.
Reasoning	**MW:** MW introducing a tariff under section 259(1) of the *Water Act 1989* applied to all properties adjacent to the artificial beaches provides a dedicated and stable revenue stream. This mechanism ensures transparency and direct cost-recovery from the primary beneficiaries. **Previous Precept Rate Model:** This approach is a return to the historically proven model where MW managed funding and service delivery from 1991 to 2013 until the IR was established.
Benefits	**Financial Stability:** Direct beneficiary-pays principle ensures that the funding is consistently sourced from those who benefit the most. **Simplified Accountability:** With MW solely responsible, funding mechanisms are streamlined, reducing complexities in budget allocation and oversight.
Challenges	**Political Will:** Requires significant political support to reintroduce the tariff and revert to pre-IR arrangements, including ministerial backing. **Resistance from Residents:** Potential pushback from householders who previously opposed the Precinct Rate.

Table 15: Evaluation of Option 2 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	Strong alignment with demonstrating value for money, leveraging MW's expertise and centralised coordination for efficient service delivery.
Reasoning	**Centralised Coordination:** By consolidating responsibilities under MW, this model simplifies the coordination of beach maintenance activities and ensures consistency across both precincts. **Performance Tracking and Evaluation:** MW's established processes and comprehensive reporting abilities provide a robust framework for monitoring performance. **Efficient Service Delivery:** Leveraging MW's long-term experience and specialised equipment ensures efficiency and expertise in delivering maintenance services. **Transparent Reporting:** Commitment to regular, public reporting enhances transparency and accountability.
Benefits	**Efficient Resource Utilisation:** MW's experience and existing infrastructure ensure that service delivery is efficient, meeting agreed Level of Service targets. **Single Accountability Point:** Simplifies resident interactions and feedback mechanisms, improving overall service satisfaction.
Challenges	**Service Standard Concerns:** Previous stakeholder dissatisfaction with MW's service standards, though historical, could resurface if not adequately addressed.

Table 16: Evaluation of Option 2 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	Well-aligned with integrating stakeholder feedback and expert recommendations, ensuring transparent and evidence-based decision-making.
Reasoning	**Enhanced Stakeholder Engagement:** The model includes extensive stakeholder engagement and public consultations as part of the ESC tariff approval process. **Expert Recommendations:** MW can draw on past performance data and expert recommendations to guide improvements and address historical concerns. **Transparent Decision-Making:** Regular reporting and community updates ensure that stakeholders remain informed and engaged, facilitating a transparent decision-making process.
Benefits	**Continuous Feedback Integration:** Regular consultations and public reporting incorporate stakeholder feedback into ongoing service delivery improvements. **Evidence-Based Decisions:** Utilising past data and expert insights ensures decisions are grounded in empirical evidence**.**
Challenges	**Stakeholder Resistance:** Historical dissatisfaction and resistance to funding mechanisms may present hurdles in achieving broad acceptance.

Table 17: Evaluation of Option 2 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Strong alignment with principles for decision-making on governance changes, establishing clear and effective governance structures.
Reasoning	**Clarify Oversight Responsibilities:** Centralising all responsibilities with MW simplifies governance and clarifies oversight. **Realign Contractual Arrangements:** Existing contracts and responsibilities can be realigned within MW's current framework, streamlining transitions. **Define Roles and Responsibilities:** MW's established governance model and historical track record provide clear role definitions. **Establish a Coordination Mechanism:** With a single entity in charge, coordination mechanisms are inherently simpler and more efficient**.** **Implement Performance Monitoring:** MW's commitment to regular assessments and performance reviews ensures continuous improvement.
Benefits	**Unified Governance:** Centralised under MW, the model provides clear, simplified, and unified governance, enhancing accountability and reducing complexity. **Regulatory Compliance:** MW's operations under existing legal frameworks ensure compliance and minimise operational risks.
Challenges	**Change Management:** Transitioning fully back to MW requires effective change management and stakeholder buy-in to mitigate resistance.

9.8 Summary

Option 2 assigns both funding and delivery of beach maintenance services in the Tidal Waterways and Quiet Lakes precincts to MW, reverting to the pre-IR arrangement. This model simplifies accountability by making MW the sole responsible entity, leveraging its long-standing role since 1991. The approach provides a unified management structure, one funding avenue, and a single authority for resident and external agency interactions. However, it must address historical dissatisfaction with service standards noted in the IR Report.

Under this model, MW would introduce a tariff under section 259(1) of the *Water Act 1989*, determined by the ESC, to fund the maintenance services. The transition plan includes stakeholder engagement, defining roles, securing funding, and implementing a service delivery framework. MW would also commit to transparent and regular reporting on its performance, enhancing community engagement through newsletters, forums, and online updates. This model aligns with reform objectives by providing a stable funding source, demonstrating value for money, integrating stakeholder feedback, and establishing clear governance, although it faces challenges in securing political support and managing stakeholder resistance.

10. Option 3 – Kingston City Council only model

10.1 Overview

This model proposes that KCC assume full responsibility for both the funding and delivery of beach maintenance services in the Patterson Lakes area, encompassing both the Tidal Waterways and Quiet Lakes precincts. This approach seeks to streamline governance, ensure direct accountability, and leverage KCC's expertise in managing numerous local recreational reserves with diverse stakeholder needs.

The rationale of the model seeks to address the disconnect between service funding and delivery that exists under current arrangements. By consolidating these responsibilities within a single entity, KCC could provide a more coherent and responsive service delivery model. This approach leverages KCC's experience in managing local amenities and its established relationship with the community.

10.2 Funding of services

KCC would be solely responsible for the funding of beach maintenance services. This responsibility includes securing the necessary funds, budgeting, and financial planning to ensure the sustainability and efficiency of the services provided. Funding mechanisms would need to align with legal and regulatory frameworks governing local government finances.

KCC would introduce a Special Charge under section 163 of the *Local Government Act 1989*. specifically targeting properties that directly benefit from the beach maintenance services. The tariff would apply to all properties that are adjacent to the artificial beaches in the two precincts.

10.3 Delivery of services

KCC would take full control over the delivery of beach maintenance services. This includes planning, procurement, execution, and oversight of all maintenance activities. KCC would either directly perform these services using its resources or contract external service providers.

KCC could establish an internal team dedicated to beach maintenance, leveraging existing expertise in managing natural beaches within its jurisdiction.

Alternatively, KCC could establish a panel of pre-qualified contractors to deliver services. KCC would manage the entire procurement process, including drafting scope of works, evaluating proposals, and monitoring contractor performance.

10.4 Reporting and accountability

KCC would implement robust reporting and accountability measures to ensure transparency and maintain public trust. Regular updates on beach maintenance activities, performance metrics, and financial expenditures would be communicated to the community.

Public reporting

KCC would commit to reporting performance against the targets defined in the Management Plan at least annually, with an ambition to provide quarterly updates where feasible.

Community engagement

Enhanced communication through newsletters like the Patterson Lakes News and public forums would ensure residents are informed and engaged with the maintenance activities and their outcomes.

10.5 Implementation plan

This implementation plan outlines the steps necessary for KCC to assume full responsibility for both funding and delivering beach maintenance services in the Patterson Lakes area.

10.5.1 Step 1: Stakeholder engagement and communication

The first step involves identifying all relevant stakeholders, including householders adjacent to the beaches, local councillors, and community groups. KCC will conduct consultations through meetings and public forums to gather input and address any concerns. Following these consultations, a detailed communication plan will be developed to inform residents about the changes, including the rationale, benefits, and potential impacts of the new responsibilities.

10.5.2 Step 2: Define roles and responsibilities

KCC will clearly outline its specific responsibilities for the maintenance of the beaches in both precincts. This involves confirming the existing Management Plan's performance targets and service standards to ensure consistency. Clearly defining these roles and responsibilities will ensure that KCC understands its role and is fully prepared to take on the additional responsibilities associated with the maintenance of both precincts.

10.5.3 Step 3: Secure funding

KCC will introduce a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that directly benefit from the beach maintenance services. This charge will apply to all properties adjacent to the artificial beaches in both precincts. The tasks involved include developing the Special Charge proposal, conducting public consultations, and securing approval from the council.

10.5.4 Step 4: Develop service delivery framework

KCC will develop operational plans for the maintenance of the Tidal Waterways and Quiet Lakes precincts. This includes ensuring that necessary resources and equipment are in place to effectively manage both areas. KCC could establish an internal team dedicated to beach maintenance or a panel of pre-qualified contractors to deliver the services. Training will be provided for KCC staff to ensure they are fully equipped to handle the responsibilities of maintaining the artificial beaches.

10.5.5 Step 5: Implementation

KCC will begin the transition to being the sole responsible entity for beach maintenance in both precincts. This step involves the actual rollout of the service delivery framework developed in Step 4, ensuring KCC is accountable to residents for service delivery.

10.5.6 Step 6: Reporting and accountability

KCC will commit to regular and transparent reporting on its performance against the targets for each precinct outlined in the Management Plan. This involves informing the community about changes in responsibilities and providing updates on maintenance activities and outcomes. Public reporting will be conducted at least annually, with an ambition to provide quarterly updates where feasible. This ensures residents are kept informed and can hold KCC accountable.

10.5.7 Assessment and review

An annual performance review will be conducted to assess KCC's performance against the Management Plan's targets and standards. Feedback from residents and stakeholders will be gathered to inform continuous improvement. Based on performance data and feedback, management plans will be revised and adjusted accordingly.

10.6 Potential challenges and mitigation strategies

10.6.1 Political will and support

One of the significant challenges in introducing a Special Charge that covers both the Quiet Lakes and Tidal Waterways precincts is garnering sufficient political will and support from the KCC. Previously, KCC removed the Special Charge for the Quiet Lakes precinct in 2022, following a decision made at a Council meeting in September 2021. Reinstating this charge will require KCC to convincingly demonstrate the necessity and benefits of this move to overcome potential political resistance.

Extending the Special Charge to include the Tidal Waterways precinct presents an additional challenge. Historically, KCC chose not to implement a Special Charge for this area. Overcoming this historical stance will require significant political advocacy and clear, evidence-based arguments to show why the Special Charge is now justified.

To mitigate these challenges, it is essential to engage in comprehensive consultations with the community and key stakeholders. This process should aim to explain the benefits and necessity of

the Special Charge in detail. Transparent communication about how the funds from the Special Charge will be utilised and the direct benefits to the community can help build trust and support.

Additionally, engaging with local councillors and political leaders to address their concerns can further strengthen political advocacy efforts.

10.6.2 Resistance to change

Householders in the Quiet Lakes precinct may resist paying a higher Special Charge than the one removed in 2022, perceiving it as an additional financial burden. Similarly, householders in the Tidal Waterways precinct may resist the introduction of a Special Charge for the first time, questioning its fairness and necessity. Another potential challenge is the resistance from highly skilled staff responsible for operating the barge in Tidal Waterways transferring to KCC, which could jeopardise the continuity of beach maintenance services.

To address these issues, a phased or glide path approach for introducing the Special Charge could mitigate the financial impact on householders. Clear and consistent communication about the phased approach and its benefits is crucial in alleviating concerns. Involving community members in the decision-making process will also help to ensure that their voices are heard and considered, encouraging a sense of ownership and acceptance.

Developing comprehensive transition plans for the highly skilled staff is another critical strategy. These plans should include training, support, and incentives to ensure a smooth transfer to KCC, thereby maintaining service continuity. By addressing these potential sources of resistance proactively, KCC can facilitate a smoother implementation of the Special Charge.

10.6.3 Bureaucracy and complexity

Introducing a Special Charge and transferring responsibilities to KCC involves navigating significant bureaucratic and logistical complexities. One such complexity is the risk of duplicating efforts and resources, as MW will still need access to the boat for other functions it delivers in the Tidal Waterways. Additionally, transferring assets from MW to KCC, or procuring new equipment if MW is unwilling to transfer existing assets, can be complex and time-consuming.

To mitigate these challenges, it is crucial to encourage close collaboration between MW and KCC. Establishing clear protocols and agreements for shared use of resources can minimise duplication of efforts. Developing a detailed asset transfer plan, including timelines, responsibilities, and contingency measures, will ensure a smooth transition. Engaging legal experts to navigate the regulatory and legal requirements of asset transfer is also essential to avoid unintended consequences.

If KCC decides not to provide beach maintenance services in-house, establishing a tender panel of pre-qualified contractors can ensure a smooth and efficient procurement process. Defining clear criteria for selection and performance monitoring will help maintain high service standards.

By addressing these potential challenges with thoughtful and strategic mitigation measures, KCC can enhance the likelihood of successful implementation and operation of the beach maintenance services under the proposed model.

10.7 Assessment against reform objectives

Option 3 is poorly aligned with the reform objectives of establishing a stable and feasible funding source, demonstrating value for money, integrating stakeholder feedback, and establishing clear governance principles. The primary challenges revolve around securing political support for reintroducing and extending the Special Charge, as well as managing the transition of responsibilities from MW to KCC.

Table 18: Evaluation of Option 3 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Aligned with establishing a long-term, stable, and feasible funding source, but significant challenges exist in gaining political support and resident acceptance.
Reasoning	**KCC Special Charge:** KCC would introduce a Special Charge under section 163 of the *Local Government Act 1989*, targeting properties adjacent to artificial beaches. This funding model ensures that costs are borne by the direct beneficiaries of the services.
Benefits	**Dedicated Funding Source:** This approach provides a clear and dedicated revenue stream specifically for beach maintenance, ensuring financial stability. **Local Accountability:** KCC's established relationship with the local community can facilitate effective communication and acceptance of the funding mechanism.
Challenges	**Political Will:** The reintroduction of the Special Charge requires substantial political support and advocacy, particularly in light of its previous removal. **Resident Resistance:** Potential pushback from householders, particularly those who will face the charge for the first time in the Tidal Waterways precinct.

Table 19: Evaluation of Option 3 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	Alignment with demonstrating value for money through centralised coordination and leveraging KCC's expertise from managing recreational reserves. However, this is countered by significant challenges to be overcome, particularly with providing services to the Tidal Waterways precinct.
Reasoning	**Centralised Coordination:** KCC becoming the sole entity responsible for beach maintenance simplifies coordination and has the potential to improve efficiency. **Performance Tracking and Evaluation:** KCC can leverage its existing systems for tracking and reporting performance. **Efficient Service Delivery:** KCC's experience with local amenities and managing recreational areas positions it well to deliver Quiet Lakes beach maintenance services but this is not the case for Tidal Waterways where KCC would need to either acquire a boat and barge and crew to operate the equipment, or have those assets and staff transferred from MW. **Competitive Contracting:** KCC could ensuring competitive and efficient service delivery through using pre-qualified contractors to deliver the services. However, this will require resources to establish the panel and then procure services from the panel.
Benefits	**Central Accountability:** A single point of accountability fosters better service delivery and clear communication with residents. **Expertise Utilisation:** KCC's existing expertise in managing recreational spaces can be effectively extended to beach maintenance at Quiet Lakes in particular.
Challenges	**Transition and Continuity:** Smoothly transitioning responsibility for delivery of the services, specialist equipment to deliver the services to Tidal Lakes artificial beaches and transferring skilled staff from MW or recruiting similarly skilled staff is likely to be challenging.

Table 20: Evaluation of Option 3 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	Potentially aligned with integrating stakeholder feedback and expert recommendations if Council requires stakeholder input before final decisions. Not aligned with expert recommendations as Council can ignore them without explanation.
Reasoning	**Stakeholder Engagement:** KCC engages with residents through forums and consultations, which can facilitate stakeholder feedback in decision-making if explicitly required. However, Ordinary Meetings can make binding decisions without this input. **Transparent Decision-Making:** Ordinary Council Meetings are public and recorded, but there is no procedure for public comment on draft decisions. **Expert Recommendations:** KCC uses expert advice through papers presented to Councillors but is not required to explain why recommendations are not adopted.
Benefits	**Enhanced Stakeholder Engagement:** Requiring stakeholder input before final decisions can make them more reflective of community needs, increasing public trust. **Improved Transparency:** Establishing a process for public comments on draft decisions can enhance transparency and community understanding.
Challenges	**Potential Delays:** Incorporating feedback can be time-consuming, delaying project implementation. **Conflict Resolution:** Conflicts between stakeholder feedback and expert recommendations, or among stakeholders, require fair resolution mechanisms. **Resource Intensive:** Engaging stakeholders and experts demands significant resources. **Risk of Inconsistency:** Without a clear policy, ignoring expert recommendations can lead to inconsistent decisions, undermining credibility.

Table 21: Evaluation of Option 3 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Strong alignment with principles for decision-making on governance changes, ensuring clear, effective, and unified governance structures.
Reasoning	**Clarify Oversight Responsibilities:** Consolidating responsibilities under KCC simplifies governance structures and clarifies oversight roles. **Realign Contractual Arrangements:** KCC will need to realign existing contracts and responsibilities to reflect their new role. **Define Roles and Responsibilities:** Clear and well-defined roles ensure that all parties understand their responsibilities and contribution to service delivery. **Establish a Coordination Mechanism:** With KCC as the sole responsible entity, coordination mechanisms are inherently simpler. **Implement Performance Monitoring:** Robust performance monitoring and accountability measures are essential to ensure continuous improvement.
Benefits	**Unified Governance:** A single entity responsible for both funding and service delivery simplifies governance and enhances accountability. **Regulatory Compliance:** KCC's operations under local government frameworks ensure compliance and minimise operational risks.
Challenges	**Change Management:** Effective change management and stakeholder engagement are critical to successfully transitioning services to KCC.

10.8 Summary

Option 3 proposes that KCC assume full responsibility for both the funding and delivery of beach maintenance services in Patterson Lakes Waterways. While this model aims to streamline governance, ensure direct accountability, and leverage KCC's expertise in managing local recreational reserves, it faces significant challenges that undermine its viability as a reform option.

The proposed funding mechanism involves introducing a Special Charge under section 163 of the *Local Government Act 1989*, targeting properties that directly benefit from the beach maintenance services. However, garnering political support for reintroducing this charge, especially given Council passed a resolution that it be removed in September 2021, is a substantial obstacle. Resistance to the

new charges that would be introduced by KCC, particularly from those who will face the charge for the first time, could further impede implementation. Moreover, the transition of responsibilities from MW to KCC is fraught with logistical challenges, including the acquisition of specialised equipment and the transfer or recruitment of skilled staff to operate that equipment in the Tidal Waterways.

Given these significant obstacles, Option 3 is unlikely to be a feasible reform option, despite its potential benefits in terms of unified governance and local accountability.

11. Option 4 – Self-Regulation model

11.1 Overview

Option 4 proposes a self-regulatory model where residents are empowered to enhance service levels and ensure tailored maintenance by establishing an Owners Corporation. This model provides residents with direct control over service levels and pricing, enabling solutions that meet local needs and preferences. The goal is to increase resident satisfaction and a sense of ownership over the services provided. However, the complexity of managing public reserves and ensuring consistent service levels due to diverse stakeholder interests poses significant challenges. Effective governance structures and conflict resolution mechanisms are crucial for mitigating these challenges and ensuring the success of this self-regulatory approach.

11.2 Funding of services

Funding for this model is raised through fees levied by the Owners Corporation, aligning with the self-management approach used in similar Victorian developments.

11.2.1 Owners Corporation

The Owners Corporation will be responsible for raising funds through fees charged to residents. This approach empowers residents with greater control over service levels and pricing, enabling them to tailor services to their specific needs and preferences. The funding model is designed to reflect the principles of self-management, ensuring that the costs are directly linked to the services provided.

11.3 Delivery of services

Service delivery under this model is managed by the Owners Corporation, which leverages the collective decision-making of residents to ensure that maintenance activities meet local needs.

The Owners Corporation will oversee the delivery of beach maintenance services in both the Tidal Waterways and Quiet Lakes Precincts. By utilising local knowledge and resident input, the corporation can prioritise and customise maintenance activities to better reflect community preferences. This includes the following processes and procedures:

- Establishing Maintenance Standards:
  - Define clear standards for beach maintenance activities, including frequency of maintenance, quality of work, and specific tasks (e.g., litter removal, sand replenishment, vegetation control).
- Procurement Process:
  - Develop and implement a robust procurement process to engage appropriately qualified providers. This involves:
    - Creating a Request for Proposal (RFP): Outline the scope of work, maintenance standards, and

evaluation criteria for selecting providers.

  - Bid Solicitation: Publicly advertise the RFP to attract bids from qualified contractors.
  - Bid Evaluation: Establish a committee to evaluate bids based on criteria such as experience, qualifications, cost, and proposed maintenance plans.
  - Contract Award: Select the most suitable contractor and negotiate terms and conditions to ensure alignment with community expectations and standards.

- Contract Management:
  - Monitoring and Oversight: Implement procedures for regular monitoring of contractor performance to ensure compliance with agreed-upon maintenance standards. This includes scheduled inspections and feedback mechanisms.
  - Performance Reviews: Conduct periodic performance reviews to assess contractor effectiveness and identify areas for improvement.
  - Conflict Resolution: Establish protocols for addressing any issues or disputes that arise during the contract period, ensuring timely and fair resolution.
- Resident Engagement:
  - Feedback Mechanisms: Create channels for residents to provide feedback on maintenance activities, ensuring their concerns and suggestions are addressed.
  - Regular Updates: Keep residents informed about maintenance schedules, activities, and any changes through newsletters, public forums, and online platforms.
- Continuous Improvement:
  - Review and Adjust: Regularly review the maintenance processes and standards, making adjustments based on resident feedback and evolving community needs.
  - Training and Development: Provide training for the Owners Corporation members on effective contract management and community engagement practices.

11.4 Reporting and accountability

The success of the self-regulatory model relies on transparent and regular reporting, as well as strong community engagement to build trust and ensure accountability.

Public reporting

The Owners Corporation will commit to transparent and regular reporting on its performance against targets defined in the Management Plan. This involves informing the community about changes in responsibilities, the rationale behind them, and providing updates on maintenance activities and outcomes. Performance reports will be published at least annually, with an ambition to provide quarterly updates where feasible, ensuring residents are kept informed and can hold the corporation accountable.

Community engagement

Enhanced communication through newsletters, public forums, and online platforms will be essential to maintain transparency and build trust within the community. The Owners Corporation will facilitate regular engagement opportunities for residents to voice their concerns, provide feedback, and participate in decision-making processes. This approach ensures that the services remain responsive to the evolving needs and preferences of the community, fostering a sense of ownership and collective responsibility among residents.

11.5 Implementation plan

This implementation plan details the sequential steps necessary to implement the Self-regulation model.

11.5.1 Step 1: Stakeholder engagement and communication

The first step involves identifying all relevant stakeholders, including residents, local councillors, community groups, and MW. Comprehensive consultations through meetings, public forums, and online platforms will gather input and address concerns. A detailed communication plan will be developed to inform residents about the changes, including the rationale, benefits, and potential impacts of the self-regulation model.

11.5.2 Step 2: Define roles and responsibilities

The next step involves establishing the Owners Corporation, which will be responsible for funding and managing beach maintenance services. This includes drafting the constitution, outlining roles and responsibilities, and developing governance frameworks. Legal advice will be sought to ensure compliance with relevant laws and regulations. A clear framework for decision-making and conflict resolution will be established to address diverse stakeholder interests.

11.5.3 Step 3: Secure funding

For MW, a tariff will be introduced under section 259(1) of the *Water Act 1989*, subject to determination by the ESC. The tasks involved include preparing the tariff proposal, submitting it to the ESC, and conducting the necessary public consultations as required by the ESC.

For KCC, a Special Charge will be introduced under section 163 of the *Local Government Act 1989*. This involves identifying properties that will benefit from the services, developing the Special Charge proposal, and conducting public consultations to secure approval from the council.

11.5.4 Step 4: Develop service delivery framework

The Owners Corporation will develop a service delivery framework to manage beach maintenance activities. This includes:

- Establishing Maintenance Standards: Define clear standards for beach maintenance, including frequency, quality of work, and specific tasks.

- Procurement Process: Develop a robust procurement process to engage qualified providers. This involves creating a Request for Proposal (RFP), bid solicitation, bid evaluation, and contract award.
- Contract Management: Implement procedures for regular monitoring of contractor performance, performance reviews, and conflict resolution.
- Resident Engagement: Create feedback mechanisms and regular updates to keep residents informed and engaged.

11.5.5 Step 5: Implementation

The implementation phase involves the actual rollout of the service delivery framework. The Owners Corporation will oversee the selection of contractors, monitor their performance, and ensure maintenance activities align with community preferences. This step also includes establishing channels for continuous resident engagement and feedback .

11.5.6 Step 6: Reporting and accountability

Transparent and regular reporting is crucial for the success of the self-regulation model. The Owners Corporation will commit to reporting performance against targets defined in the Management Plan at least annually, with an ambition to provide quarterly updates. This ensures residents are kept informed and can hold the corporation accountable. Enhanced communication through newsletters, public forums, and online platforms will maintain transparency and build trust within the community.

11.6 Potential challenges and mitigation strategies

11.6.1 Political will and support

Securing political will and support is essential for the successful implementation of the self-regulation model. A significant challenge lies in convincing KCC to withdraw from its current role under the Management Plan. This transition may face resistance due to concerns about accountability and service quality. To mitigate this, it is crucial to engage in early and continuous dialogue with KCC officials, presenting detailed benefits and case studies from similar successful models. Securing commitments through formal agreements can ensure KCC’s support for the transition.

Another challenge is ensuring that KCC does not intervene in the internal affairs of the Owners Corporation, particularly if a group of residents lobby for its dissolution or reform. Establishing clear governance frameworks and dispute resolution mechanisms within the Owners Corporation's charter can help mitigate this risk. Obtaining formal assurances from KCC regarding non-intervention policies, supported by directives from the State Government, if necessary, will also be important.

Gaining approval from MW for the Owners Corporation to manage MW-owned land is another potential hurdle. MW may have regulatory and liability concerns that need to be addressed. Detailed management agreements outlining roles, responsibilities, and liabilities will be essential. Highlighting the potential benefits to MW, such as reduced operational burdens and enhanced local engagement, can also aid in securing their cooperation.

Additionally, given the lack of leverage available to incentivise existing owners of properties that are adjacent to artificial beaches to join the Owners Corporation it is likely that significant numbers of property owners will simply not join unless required to do so by MW as the land owner and/or State Government as the ultimate regulatory body. Apart from the fact that requiring existing property owners to join an Owners Corporation appears to be without precedent, a regulatory requirement of this nature is likely to meet strong opposition from property owners. This suggests the self-regulation option will require strong and enduring political commitment for it to be implemented.

11.6.2 Resistance to change

Householders' resistance to joining the Owners Corporation poses a significant challenge, especially since the model relies on 100% participation for financial viability. Overcoming this resistance requires comprehensive outreach and education campaigns to inform residents about the benefits and necessity of the Owners Corporation. Offering initial incentives or phased fee structures can ease the transition and encourage participation.

Another concern is the nervousness among residents about adopting an untested model for beach maintenance management. To address this, providing examples of similar successful initiatives and engaging residents in pilot programs can demonstrate the model's effectiveness. Facilitating community meetings and Q&A sessions will also help address concerns and build confidence in the new approach.

Resistance from skilled barge operators who may be reluctant to transition to private sector providers is another issue. Ensuring job security and competitive compensation packages for these staff members will be crucial. Offering training and support during the transition period, and considering retaining key personnel on a consultancy basis, can help maintain expertise and ensure continuity in service delivery.

11.6.3 Bureaucracy and complexity

The complexity of setting up a self-regulation model is likely to require significant legal advice, which could delay implementation. Navigating the legal intricacies of establishing an Owners Corporation necessitates engaging experienced legal firms early in the process. Developing clear legal frameworks and compliance strategies, and budgeting adequately for legal expenses, are essential steps to ensure a smooth transition. Property owners are highly unlikely to accept that they should pay for this legal advice since the reform would be led by government, not the property owners.

Handling scenarios where less than 100% of property owners decide to join the Owners Corporation presents a substantial challenge. Incomplete participation can jeopardise the financial and operational feasibility of the model. Working with the State Government to introduce legislative measures that encourage full participation could mitigate this risk.

The risk of service delivery interruptions during the transition period is another concern. Service gaps could lead to unmaintained beaches. Creating a detailed transition plan with interim service

agreements to ensure continuity, and maintaining close coordination with current service providers and the Owners Corporation, will be key to avoiding disruptions.

The potential duplication of services and the need for asset transfers, such as MW retaining boat access for other functions, complicates the transition. Establishing clear demarcation of responsibilities and asset ownership, and negotiating asset transfer agreements or shared usage arrangements, could minimise duplication and ensure efficient use of resources.

Finally, ensuring the Owners Corporation has the legal right to manage the land and establishing a tender process for service providers are critical steps. Obtaining comprehensive legal advice to confirm those rights exist is a key step for implementing this option.

11.7 Assessment against reform objectives

Option 4 is poorly aligned with all four reform objectives.

Table 22: Evaluation of Option 4 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Although a dedicated funding source from residents ensures direct cost recovery, the feasibility of obtaining unanimous participation is highly questionable. This reliance on full participation makes the funding model unstable and unworkable.
Reasoning	The Owners Corporation will raise funds through fees levied on residents. The funding source directly recovers costs from residents benefiting from the services, ensuring that funding is linked to the services provided. Achieving 100% participation from property owners is critical for financial viability. Without mandatory participation, the corporation may struggle to collect sufficient funds. Resistance from property owners may hinder the establishment of a stable and reliable funding mechanism.
Benefits	**Direct Cost Recovery:** Ensures that the costs are directly linked to the services provided. **Customisation:** Allows residents to tailor service levels and pricing according to their specific needs.
Challenges	**Participation Rates:** Achieving 100% property owner participation is critical but inherently difficult. **Resistance:** Property owners may resist mandatory fees, jeopardising the stability and feasibility of the funding model.

Table 23: Evaluation of Option 4 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	The Owners Corporation will handle centralised decision-making, procurement, and performance monitoring. However, governance effectiveness and ensuring consistent service levels are major areas of concern.
Reasoning	While localised control theoretically allows for more targeted and efficient resource use, the practicality of achieving this is doubtful given the need for all property owners to uniformly engage in the process.
Benefits	**Competitive Contracting:** Engaging qualified contractors through a transparent process outside of the public sector procurement standards has potential to reduce costs of service delivery.
Challenges	**Governance Effectiveness:** The Owners Corporation is likely to struggle with effective governance due to inconsistent participation and engagement from property owners across such a large footprint. **Complexity of Management:** Diverse preferences among such a large group of property owners will make it difficult to agree what the Level of Service should be for the artificial beaches.

Table 24: Evaluation of Option 4 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	The model suggests regular community engagement and feedback mechanisms, but sustaining this level of involvement and effectively utilising the input is problematic.
Reasoning	While stakeholder engagement is intended to increase transparency and responsiveness, maintaining consistent and meaningful involvement is highly challenging and resource-intensive.
Benefits	**Potential for Enhanced Transparency:** Provides a platform for residents' input, if executed effectively.
Challenges	**Continuous Engagement:** Sustaining ongoing and effective stakeholder involvement is unrealistic and complex. **Differing Opinions:** Balancing diverse and sometimes conflicting stakeholder interests will likely hinder decision-making efficiency.

Table 25: Evaluation of Option 4 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Establishing clear roles, responsibilities, and coordination mechanisms within the Owners Corporation will be essential but it is difficult to determine how likely this will be in practice given the lack of a precedent to examine.
Reasoning	Effective governance requires well-defined structures and robust performance monitoring. However, the likelihood of securing consistent high quality professional support for the administration of the Owners Corporation and the lack of a precedent model to examine suggests this option introduces a high degree of risk.
Benefits	**Defined Accountability:** Could theoretically promote accountability if roles and responsibilities are clearly established.
Challenges	**Political Support:** Securing sustained and professional administrative support for the operation of the Owners Corporation is unlikely given the scale of the area to be covered. **Legal Compliance:** The complexity of legal and regulatory requirements poses significant hurdles to adoption of this option. **Service Continuity:** Ensuring uninterrupted service during the transition is likely to be exceedingly difficult to achieve.

11.8 Summary

Option 4 proposes a self-regulatory model where residents form an Owners Corporation to manage and fund beach maintenance services in Patterson Lakes. This model aims to empower residents by giving them direct control over service levels and pricing, theoretically leading to tailored solutions that meet local needs and preferences. Funding would be raised through fees levied by the Owners Corporation, ensuring that costs are directly linked to the services provided. Service delivery would be managed by the corporation, leveraging local knowledge and resident input to prioritise and customise maintenance activities.

However, the feasibility of this model is highly questionable. Achieving unanimous participation from property owners is critical for financial viability, yet it is inherently difficult to secure. This reliance on full participation makes the funding model unstable and potentially unworkable. Additionally, the complexity of managing public reserves and ensuring consistent service levels due to diverse stakeholder interests presents significant challenges. Effective governance structures and conflict resolution mechanisms are crucial but difficult to implement. The need for comprehensive legal advice, the potential for service delivery interruptions, and the lack of a precedent for such a model

further undermine its practicality. Given these substantial obstacles, Option 4 poses high risks and is poorly aligned with the reform objectives.

12. Option 5 – Beach maintenance utility model

12.1 Overview

Option 5 proposes the formation of a joint venture between MW and KCC to establish a dedicated utility focused on beach maintenance services. This model aims to centralise asset management and contractor engagements, leveraging the combined resources and expertise of both entities to enhance service delivery efficiency. While the establishment of a new organisational structure may introduce additional overhead costs and complex legal matters, the potential long-term benefits of improved coordination and service efficiency are considered significant, making this a viable option for sustainable beach maintenance across both precincts.

12.2 Funding of services

Funding for the services under this option can be arranged through a beneficiary pays mechanism, with either entity or a joint financial arrangement covering the expenditure. This approach is designed to streamline processes and ensure financial transparency.

Melbourne Water

Responsible for contributing to the joint venture's funding requirements. MW would introduce a tariff under section 259(1) of the *Water Act 1989*, subject to determination by the ESC.

Kingston City Council

Also responsible for contributing to the joint venture's funding requirements. KCC would introduce a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that directly benefit from the beach maintenance services.

12.3 Delivery of services

The delivery of services under this option will be centralised, allowing the joint venture to optimise the use of resources and expertise from both MW and KCC. This centralised approach is expected to lead to more efficient operations and better service outcomes.

12.3.1 Joint Venture

The joint venture will handle all beach maintenance services across both the Tidal Waterways and Quiet Lakes precincts. This includes asset management, contractor engagement, and service delivery. By centralising these functions, the joint venture can ensure a cohesive and coordinated approach to beach maintenance.

12.4 Reporting and accountability

Both MW and KCC will commit to transparent and regular reporting on the performance of the joint venture against targets defined in the Management Plan. This will involve keeping the community informed about the changes in responsibilities, the rationale behind them, and providing updates on maintenance activities and outcomes.

Public reporting

The joint venture will report performance at least annually, with an ambition to provide quarterly updates where feasible. This ensures that residents are kept informed and can hold the responsible entities accountable.

Community engagement

Enhanced communication through newsletters, public forums, and online platforms will be essential to maintain transparency and build trust within the community. This engagement will ensure that the community remains informed and involved in the beach maintenance process.

12.5 Implementation plan

This implementation plan details the sequential steps necessary to reallocate beach maintenance responsibilities to a joint venture storm water utility owned by KCC and MW.

12.5.1 Step 1: Stakeholder engagement and communication

The first step involves identifying all relevant stakeholders, including MW, KCC, and householders adjacent to the beaches. Consultations will be conducted through meetings and workshops to gather input and address any concerns. Following these consultations, a detailed communication plan will be developed to inform residents about the changes. This plan will include the rationale, benefits, and potential impacts of the new responsibilities.

12.5.2 Step 2: Define roles and responsibilities

In the second step, the specific responsibilities of MW and KCC will be clearly outlined. This clarification will ensure that each entity understands its role in the maintenance of the beaches. The existing Management Plan will be finalised, confirming that its performance targets and service standards will be maintained. Establishing clear roles and responsibilities will be crucial for the effective operation of the joint venture.

12.5.3 Step 3: Secure funding

For MW, a tariff will be introduced under section 259(1) of the *Water Act 1989*, subject to determination by the ESC. The tasks involved include preparing the tariff proposal, submitting it to the ESC, and conducting the necessary public consultations as required by the ESC.

For KCC, a Special Charge will be introduced under section 163 of the *Local Government Act 1989*. This involves identifying properties that will benefit from the services, developing the Special Charge proposal, and conducting public consultations to secure approval from the council.

12.5.4 Step 4: Develop service delivery framework

The joint venture will develop operational plans for the maintenance of the Tidal Waterways and Quiet Lakes precincts. This includes ensuring that necessary resources and equipment are in place. The joint venture will centralise all beach maintenance services, including asset management, contractor engagement, and service delivery. Training will be provided for staff to effectively manage the artificial beaches.

12.5.5 Step 5: Implementation

During this step, the joint venture will begin the actual rollout of the service delivery framework. Decisions will be made on whether to use a glide path that starts the tariff and Special Charge at a value less than required for full cost recovery, to aid affordability. The joint venture will ensure that service providers are selected competitively and performance is closely monitored to maintain high service standards

12.5.6 Step 6: Reporting and accountability

Both MW and KCC will commit to regular and transparent reporting on the performance of the joint venture against targets defined in the Management Plan. This involves informing the community about changes in responsibilities, the rationale behind them, and providing updates on maintenance activities and outcomes. Public reporting will be conducted at least annually, with an ambition to provide quarterly updates where feasible. Enhanced communication through newsletters, public forums, and online platforms will maintain transparency and build trust within the community.

12.5.7 Assessment and review

An annual performance review will be conducted to assess the joint venture's performance against the Management Plan's targets and standards. Feedback from residents and stakeholders will be gathered to inform continuous improvement. Based on performance data and feedback, management plans will be revised and adjusted accordingly.

12.6 Potential challenges and mitigation strategies

12.6.1 Political will and support

key challenge for Option 5, the Beach Maintenance Utility Model, is securing the political will and support necessary for the formation of a joint venture between MW and KCC. Both entities must agree to collaborate, which may involve overcoming historical divisions or differing operational priorities. To mitigate this challenge, early and continuous engagement with political leaders and stakeholders from both organisations is essential. This includes presenting a clear and compelling

case for the benefits of the joint venture, supported by data and case studies from similar successful initiatives. Additionally, formal agreements outlining the roles, responsibilities, and benefits for both MW and KCC can help solidify political support.

Another political challenge is ensuring sustained support throughout the implementation and operational phases. Changes in political leadership or priorities could jeopardise the project. Mitigation strategies include securing long-term commitments through formalised contracts and engaging with community leaders to build broad-based support that can withstand political shifts. Regular updates and transparent reporting on progress and benefits can also help maintain political backing.

12.6.2 Resistance to change

Resistance to change is a significant hurdle when introducing a new organisational structure, such as a joint venture for beach maintenance. Employees from MW and KCC may be apprehensive about the new model, fearing job security and changes in work culture. To address this, it is crucial to communicate the benefits of the joint venture clearly to all stakeholders. Offering job security assurances, clear transition plans, and opportunities for training and professional development can help alleviate concerns.

Residents may also resist the change, particularly if they are concerned about potential increases in fees or changes in service quality. Comprehensive outreach and education campaigns will be essential to inform residents about the benefits of the joint venture, such as improved efficiency and service delivery. Providing transparent information on how fees are determined and demonstrating the value for money through enhanced services can help garner resident support. Additionally, engaging residents through public forums and feedback mechanisms can help address concerns and build trust in the new model.

12.6.3 Bureaucracy and complexity

The formation of a joint venture between MW and KCC introduces significant bureaucratic and legal complexities. Setting up a new organisational structure requires extensive legal advice to navigate regulatory requirements and ensure compliance with relevant laws. To mitigate these challenges, it is important to engage experienced legal and financial advisors early in the process. Developing a clear and detailed legal framework for the joint venture, including governance structures, decision-making processes, and accountability mechanisms, is crucial.

Another complexity is the potential duplication of services and assets, such as equipment used by MW and KCC for other functions. Clear demarcation of responsibilities and asset ownership, along with agreements on shared usage or asset transfers, can minimise duplication and ensure efficient use of resources. Additionally, establishing a centralised procurement process for contractor engagement can streamline operations and reduce overhead costs.

The risk of service delivery interruptions during the transition period is another concern. Creating a detailed transition plan with interim service agreements and maintaining close coordination between

MW and KCC can help ensure continuity. Regular monitoring and performance reviews, along with robust conflict resolution mechanisms, will be essential to address any issues that arise promptly and maintain service quality.

12.7 Assessment against reform objectives

Option 5 is potentially aligned with all four reform objectives, however uncertainty as to how the joint venture would be regulated means an evaluation of strong alignment is not possible on the available evidence.

Table 26: Evaluation of Option 5 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Highly aligned with establishing a long-term, stable, and feasible funding source.
Reasoning	**Joint Financial Arrangement:** Funding through both MW via a tariff (section 259(1) of the *Water Act 1989*) and KCC via a Special Charge (section 163 of the *Local Government Act 1989*) ensures a blended and diversified funding stream. **Beneficiary Pays Model:** Both funding mechanisms are designed to ensure that costs are transparently and directly recovered from beneficiaries.
Benefits	**Financial Stability:** The combined funding mechanisms of both MW and KCC potentially create a robust and stable financial foundation. **Transparency:** Introducing dedicated tariffs and charges ensures clear and direct funding from those benefiting, promoting financial transparency**.**
Challenges	**Complexity of Coordination:** Implementing a joint funding structure requires significant coordination and agreement between MW and KCC, which may be complex to achieve in practice. **Political Will:** Securing agreement from both entities and gaining public support for joint funding mechanisms could be challenging.

Table 27: Evaluation of Option 5 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	Weak alignment with demonstrating value for money, leveraging centralised coordination and combined expertise for efficient service.
Reasoning	**Centralised Coordination:** The joint venture model has the potential to leverage resources and expertise from both MW and KCC, potentially increasing efficiency and effectiveness in service delivery. **Performance Tracking and Evaluation:** Joint oversight could ensure robust monitoring and accountability, promoting value for money. But this could be at the cost of delayed decision making due to the time it would take to develop consensus across MW and KCC. **Efficient Service Delivery:** Centralised management through the joint venture, once operational, has the potential to optimise resource use. But this would be offset by the costs of establishing the joint venture.
Benefits	**Resource Optimisation:** Combined resources when transferred to the joint venture from MW in particular and expertise from KCC in managing diverse stakeholder requirements has the potential to result in more effective utilisation of those resources.
Challenges	**Operational Complexity:** The joint venture approach introduces additional complexity in coordination and management, which could affect efficiency if not well managed.

Table 28: Evaluation of Option 5 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	Partially aligned with integrating stakeholder feedback and expert recommendations, dependent upon the regulatory framework that the joint venture falls under.
Reasoning	**Stakeholder Engagement:** The potential for regular community engagement and transparent updates is contingent on whether the joint venture is subject to ESC oversight. If not, it is unclear how opportunities for stakeholder input will be structured and maintained. **Expert Recommendations:** The integration of expert recommendations hinges on the regulatory framework. With ESC oversight, the joint venture can ensure that expert advice is systematically considered. Without such oversight, the mechanism for incorporating expert recommendations remains uncertain and poses a risk.
Benefits	**Community Trust:** If ESC oversight is in place, enhanced engagement and transparency can build trust and ensure that decisions align with stakeholder expectations. **Evidence-Based Decisions:** Under ESC regulation, leveraging the combined expertise of MW and KCC ensures that decisions are based on comprehensive data and best practices, leading to more informed and effective outcomes.
Challenges	**Resistance to Change:** Both internal (staff) and external (residents) resistance to the new structure must be carefully managed through comprehensive communication and reassurance strategies to mitigate potential pushback and ensure a smooth transition. **Regulatory Uncertainty:** The primary challenge lies in the uncertain regulatory oversight. Without clear ESC involvement, the processes for stakeholder engagement and incorporating expert recommendations are unclear, increasing the risk of inconsistent decision-making.

Table 29: Evaluation of Option 5 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Potentially aligned with principles for decision-making on governance changes, though the complexity of establishing a joint venture and the uncertainty of regulatory oversight pose significant challenges.
Reasoning	**Clarify Oversight Responsibilities:** The effectiveness of defining roles within the joint venture is contingent on whether the ESC oversees the venture. ESC oversight can simplify governance and accountability, while its absence could lead to ambiguity. **Realign Contractual Arrangements:** Existing contracts will need to be adapted to fit the new joint venture structure. This realignment will be more straightforward under a clear regulatory framework, which is currently uncertain. **Implement Performance Monitoring:** Robust monitoring and evaluation systems are essential for continuous improvement and alignment with service standards. The ability to implement these systems effectively is influenced by the level of regulatory oversight.
Benefits	**Unified Governance:** Centralising governance within a joint venture simplifies structures and enhances accountability particularly if ESC oversight ensures clear guidelines and frameworks. **Regulatory Compliance:** Ensuring operations remain compliant with existing legal frameworks is crucial. ESC oversight is more likely to ensure regulatory compliance and minimise risks.
Challenges	**Bureaucratic Complexity:** Setting up and managing a joint venture involves navigating significant legal, operational, and bureaucratic complexities, which are compounded by the uncertain regulatory environment. **Service Disruption:** Ensuring continuity and quality of service during the transition to the new model requires careful planning, especially in the face of regulatory ambiguity.

12.8 Summary

Option 5 proposes the creation of a joint venture between MW and KCC to form a dedicated utility focused on beach maintenance services. This model aims to centralise asset management and contractor engagements, leveraging the combined resources and expertise of both entities to enhance service delivery efficiency. The joint venture would handle all beach maintenance services across both the Tidal Waterways and Quiet Lakes precincts, aiming for a cohesive and coordinated approach. While the establishment of a new organisational structure introduces overhead costs and

complex legal matters, the potential long-term benefits of improved coordination and service efficiency are significant, making this a potentially viable option for sustainable beach maintenance.

Funding for this model would be sourced through a beneficiary pays mechanism, with MW introducing a tariff under section 259(1) of the *Water Act 1989* and KCC implementing a Special Charge under section 163 of the *Local Government Act 1989*. The centralisation of services under the joint venture is expected to optimise the use of resources from both MW and KCC, although the transition involves complex coordination and potential service disruptions.

The joint venture would commit to transparent updates to keep the community informed. However, the success of this model hinges on the regulatory framework it falls under, with ESC oversight being most likely to ensure robust stakeholder engagement and the incorporation of expert recommendations. Without such oversight, the regulatory uncertainty poses a risk to the effectiveness of this model.

13. Option 6 – Refreshed Management Plan model

13.1 Overview

The Refreshed Management Plan option proposes maintaining KCC as the primary entity responsible for funding and managing beach maintenance services while introducing enhancements to the existing framework to improve transparency, accountability, and community engagement. This approach builds on the existing Management Plan, which has been effective for over seven years, and aims to address current deficiencies by strengthening governance and reporting mechanisms.

The option acknowledges the effectiveness of the existing Management Plan while addressing the lack of direct connection between KCC and service producers. By enhancing governance and reporting mechanisms, KCC can ensure better oversight and accountability, improving service delivery and reinforcing trust with the community. This model aims to maintain the stability of the current system while introducing targeted improvements to address identified deficiencies.

13.2 Funding of services

KCC would continue to be responsible for funding beach maintenance services across both the Tidal Waterways and Quiet Lakes precincts.

KCC would reintroduce a Special Charge under section 163 of the *Local Government Act 1989*. The tariff would apply to all properties that are adjacent to the artificial beaches in the two precincts.

13.3 Delivery of services

KCC would continue to contract MW to deliver the beach maintenance services at both precincts. However, enhanced procurement processes would be introduced to ensure competitive selection of service providers. KCC would form an evaluation committee with MW to select contractors and oversee performance.

13.4 Reporting and accountability

KCC would implement robust reporting and accountability measures to ensure transparency and maintain public trust. Regular updates on beach maintenance activities, performance metrics, and financial expenditures would be communicated to the community.

Public reporting

KCC would commit to reporting performance against targets defined in the Management Plan at least annually, with an ambition to provide quarterly updates where feasible.

Community engagement

Enhanced communication through newsletters, public forums, and online platforms would ensure residents are informed and engaged with the maintenance activities and their outcomes.

13.5 Implementation plan

This implementation plan details the sequential steps necessary to implement the refreshed Management Plan option.

13.5.1 Step 1: Stakeholder engagement and communication

The first step involves identifying all relevant stakeholders, including householders adjacent to the beaches, local councillors, community groups, and MW. KCC will conduct consultations through meetings and public forums to gather input and address any concerns. Following these consultations, a detailed communication plan will be developed to inform residents about the changes, including the rationale, benefits, and potential impacts of the new responsibilities.

13.5.2 Step 2: Define roles and responsibilities

KCC will clearly outline its specific responsibilities for the maintenance of the beaches in both precincts. This involves confirming the existing Management Plan's performance targets and service standards to ensure consistency. Additionally, the roles of the evaluation committee, which includes members from KCC and MW, will be defined to ensure a collaborative and transparent selection process for service providers.

13.5.3 Step 3: Secure funding

KCC will reintroduce a Special Charge under section 163 of the *Local Government Act 1989*, specifically targeting properties that directly benefit from the beach maintenance services. This charge will apply to all properties adjacent to the artificial beaches in both precincts. The tasks involved include developing the Special Charge proposal, conducting public consultations, and securing approval from the council.

13.5.4 Step 4: Develop service delivery framework

KCC will develop operational plans for the enhanced maintenance of the Tidal Waterways and Quiet Lakes precincts. This includes improving procurement processes to ensure competitive selection of service providers. KCC will form an evaluation committee with MW to select contractors and oversee performance. Training will be provided for KCC staff to ensure they are fully equipped to handle the responsibilities of managing the artificial beaches.

13.5.5 Step 5: Implementation

KCC will begin the implementation of the enhanced service delivery framework. This step involves the actual rollout of the improved processes and systems developed in Step 4. KCC, in collaboration

with MW, will ensure that service providers are selected competitively and performance is closely monitored to maintain high service standards.

13.5.6 Step 6: Reporting and accountability

KCC will implement robust reporting and accountability measures to ensure transparency and maintain public trust. This involves informing the community about changes in responsibilities and providing updates on maintenance activities and outcomes. Public reporting will be conducted at least annually, with an ambition to provide quarterly updates where feasible. This ensures residents are kept informed and can hold KCC accountable.

13.5.7 Assessment and review

An annual performance review will be conducted to assess KCC's performance against the Management Plan's targets and standards. Feedback from residents and stakeholders will be gathered to inform continuous improvement. Based on performance data and feedback, management plans will be revised and adjusted accordingly.

13.6 Potential challenges and mitigation strategies

13.6.1 Political will and support

Introducing a Special Charge that covers both the Quiet Lakes and Tidal Waterways precincts requires strong political will from the KCC. The Council needs to reinstate the Special Charge that was previously in place to fund 50% of the Quiet Lakes precinct services but was removed in 2022 following a Council meeting in September 2021. This reinstatement could face political resistance and demands a compelling justification to gain support.

Moreover, extending the Special Charge to the Tidal Waterways precinct presents another political challenge. KCC initially chose not to implement this charge for the Tidal Waterways because the beaches were considered to provide some public benefits due to their accessibility. Reversing this decision will require clear, evidence-based arguments to convince stakeholders of the necessity of the Special Charge.

To mitigate these challenges, comprehensive consultations with the community and key stakeholders are essential. Explaining the benefits and necessity of the Special Charge in detail through transparent communication will help build trust and support. Engaging local councillors and political leaders to address their concerns and highlight successful case studies from other regions can further strengthen political advocacy efforts.

13.6.2 Resistance to change

Householders in the Quiet Lakes precinct may resist paying a higher Special Charge than the one removed in 2022, viewing it as an additional financial burden. Similarly, householders in the Tidal Waterways precinct might resist the introduction of a Special Charge for the first time, questioning its fairness and necessity.

To address these issues, a phased or glide path approach for introducing the Special Charge could mitigate the financial impact on householders. Clear and consistent communication about the phased approach and its benefits is crucial in alleviating concerns. Involving community members in the decision-making process will also help to ensure that their voices are heard and considered, fostering a sense of ownership and acceptance.

13.6.3 Bureaucracy and complexity

The introduction of an evaluation committee and the collaborative decision-making process between KCC and MW adds a layer of bureaucracy and complexity. This complexity can become problematic if KCC and MW do not agree on which service provider to choose from the MW tender panel. Disagreements could delay the procurement process and affect the timely delivery of beach maintenance services.

To mitigate these risks, it is important to establish clear protocols and decision-making frameworks for the evaluation committee. Regular coordination meetings and predefined criteria for selecting service providers can help ensure that both KCC and MW are aligned in their choices. Additionally, engaging a neutral third-party mediator could be considered to resolve any disagreements that arise, ensuring that the procurement process remains efficient and effective.

By addressing these potential challenges with thoughtful and strategic mitigation measures, KCC can enhance the likelihood of successful implementation and operation of the beach maintenance services under the Refreshed Management Plan model.

13.7 Assessment against reform objectives

Option 6 has the potential to be aligned with all four reform objectives. However, this largely depends on the extent to which KCC is willing to require opportunities for stakeholder input into to draft decisions and adoption of recommendations made by experts in the maintenance of the Patterson Lakes Waterways artificial beaches.

Table 30: Evaluation of Option 6 against reform objective one

Objective	1. Establish a long-term, stable, and feasible funding source
Evaluation	Aligned with establishing a long-term, stable, and feasible funding source, but significant challenges exist in gaining political support and resident acceptance.
Reasoning	KCC would reintroduce a Special Charge under section 163 of the *Local Government Act 1989*, targeting properties adjacent to artificial beaches. This funding model ensures that costs are borne by the direct beneficiaries of the services.
Benefits	**Dedicated Funding Source:** This approach provides a clear and dedicated revenue stream specifically for beach maintenance, ensuring financial stability. **Local Accountability:** The established relationship of KCC increases the likelihood that the change will be effectively communicated with the local community.
Challenges	**Political Will:** The reintroduction of the Special Charge requires substantial political support and advocacy, particularly in light of its previous removal. **Resident Resistance:** Potential pushback from householders, particularly those who will face the charge for the first time in the Tidal Waterways precinct.

Table 31: Evaluation of Option 6 against reform objective two

Objective	2. Demonstrate value for money in delivering agreed Level of Service targets
Evaluation	Aligned with demonstrating value for money through improved monitoring and procurement processes. KCC's enhanced oversight over contractors engaged by MW aims to ensure efficient and effective service delivery.
Reasoning	KCC will enhance procurement processes to ensure competitive selection of service providers and establish an evaluation committee with MW to oversee contractor performance. This allows KCC to effectively monitor and ensure the quality of services provided by contractors engaged by MW, thus improving accountability and service delivery.
Benefits	**Enhanced Monitoring:** Increased oversight by KCC of contractors increases the likelihood that KCC can assure the community and Council decision makers that performance standards are being met.
Challenges	**Coordination Complexity:** Ensuring seamless coordination between MW and KCC could be challenging, potentially leading to bureaucratic inefficiencies.

Table 32: Evaluation of Option 6 against reform objective three

Objective	3. Integrate stakeholder feedback and expert recommendations into decision-making
Evaluation	Potentially aligned with integrating stakeholder feedback and expert recommendations if Council requires stakeholder input before final decisions. Not aligned with expert recommendations as Council can ignore them without explanation.
Reasoning	KCC engages with residents through forums and consultations, which can facilitate stakeholder feedback in decision-making if explicitly required. However, Ordinary Council Meetings can make binding decisions without this input.
Benefits	**Enhanced Stakeholder Engagement:** If implemented by KCC, requiring stakeholder input before final decisions can make them more reflective of community needs, increasing public trust. **Improved Transparency:** If implemented by KCC, establishing a process for public comments on draft decisions can enhance transparency and community understanding.
Challenges	**Potential Delays:** Incorporating feedback can be time-consuming, delaying project implementation. **Conflict Resolution:** Conflicts between stakeholder feedback and expert recommendations, or among stakeholders, require fair resolution mechanisms. **Resource Intensive:** Engaging stakeholders and experts demands significant resources. **Risk of Inconsistency:** Without a clear policy, ignoring expert recommendations can lead to inconsistent decisions, undermining credibility.

Table 33: Evaluation of Option 6 against reform objective four

Objective	4. Principles for decision-making on changes to governance of beach maintenance service funding and delivery
Evaluation	Strong alignment with principles for decision-making on governance changes, ensuring clear, effective, and unified governance structures.
Reasoning	KCC will establish clear roles and responsibilities for managing beach maintenance, involving both KCC and MW in the evaluation committee. This approach aims to enhance governance and accountability while maintaining consistency with the existing Management Plan's performance targets and service standards.
Benefits	**Unified Governance:** Giving KCC greater insight into the selection of and monitoring the performance of the contractor selected to deliver beach maintenance services enhances accountability.
Challenges	**Bureaucratic Complexity:** The introduction of an evaluation committee and new oversight mechanisms adds a layer of bureaucracy that needs to be managed effectively. **Service Continuity:** Ensuring uninterrupted and high-quality service delivery during the transition to the new governance model requires careful planning and coordination.

13.8 Summary

Option 6, the Refreshed Management Plan model, proposes maintaining KCC as the primary entity responsible for funding and managing beach maintenance services while enhancing the existing framework to improve transparency, accountability, and community engagement. This option builds on the current Management Plan, which has been effective for over seven years, by addressing identified deficiencies through strengthened governance and reporting mechanisms. The aim is to maintain the stability of the current system while introducing targeted improvements that ensure better oversight and service delivery, ultimately reinforcing trust with the community.

Under this model, KCC would reintroduce a Special Charge under section 163 of the *Local Government Act 1989,* targeting properties adjacent to the artificial beaches in both the Tidal Waterways and Quiet Lakes precincts. KCC would continue to contract MW to deliver the beach maintenance services, with enhanced procurement processes to ensure competitive selection of service providers. An evaluation committee, comprising members from both KCC and MW, would oversee contractor performance. Robust reporting and accountability measures would be implemented, with regular updates on beach maintenance activities communicated to the community. This model emphasises comprehensive stakeholder engagement and continuous improvement through annual performance reviews, ensuring that community needs and preferences are effectively integrated into the decision-making process.

14. Recommendations

This chapter presents a detailed analysis of the six proposed options for the future management and funding of beach maintenance services in Patterson Lakes Waterways. Based on this analysis, we recommend the pursuit of Option 2 – Melbourne Water Only Model as the preferred reform option. However, since Option 2 is likely to face some degree of resistance, Option 6 – Refreshed Management Plan Model and Option 1 – Precinct-based Model should also be further developed as contingencies.

14.1 Primary Recommendation: Option 2 – Melbourne Water Only Model

Option 2-Melbourne Water Only model-presents the most robust and pragmatic solution. This model assigns MW the sole responsibility for funding and delivering beach maintenance services in both the Tidal Waterways and Quiet Lakes precincts. This approach simplifies accountability and leverages MW's established processes and infrastructure, which have been in place since 1991.

A key strength of this model is the streamlined governance structure, which consolidates all responsibilities under a single entity. MW will introduce a tariff under section 259(1) of the *Water Act 1989*, ensuring a dedicated and stable revenue stream. This method aligns with past practices and provides predictability and transparency in funding, benefiting from the robust ESC price determination process.

The model also benefits from MW's long-running expertise in managing large-scale waterway projects. By maintaining consistent service delivery standards across both precincts, MW can ensure efficiency and effectiveness by drawing on this expertise. Enhanced monitoring and accountability mechanisms, including regular performance reporting and community engagement, will incentivise MW to meet service standard targets and address any past service provision issues.

The political challenges associated with introducing a tariff are common to all options, whether in the form of a tariff or a Special Charge. By addressing these challenges through transparent communication and stakeholder engagement, and the proven track record of the ESC determination process, MW can build support for the funding mechanism and ensure its successful implementation.

14.2 Contingency recommendations

14.2.1 Option 6 – Refreshed Management Plan Model

As a contingency recommendation, the Refreshed Management Plan model offers a balanced approach that builds on the existing framework while introducing enhancements to address current deficiencies. Under this model, KCC remains the primary entity responsible for funding and managing beach maintenance services. The key enhancement involves the reintroduction of a Special Charge

under section 163 of the *Local Government Act 1989*, ensuring a dedicated revenue stream from properties adjacent to the artificial beaches in both precincts.

This model maintains the stability of the current system, which has been effective for over seven years in the face of numerous challenges previously discussed in this Strategic Review, while implementing targeted improvements in transparency and accountability. KCC will continue to contract MW for service delivery but with enhanced procurement processes to ensure competitive selection of service providers. An evaluation committee, comprising members from both KCC and MW, will oversee contractor performance, ensuring rigorous monitoring and adherence to service standards.

Robust reporting and accountability measures will be a cornerstone of this model, with KCC committing to regular public updates on maintenance activities and financial expenditures. Enhanced community engagement through various communication channels will further reinforce transparency and trust.

While the Refreshed Management Plan Model faces challenges related to political will and community resistance to reintroducing Special Charges, these can be managed through comprehensive consultations and a phased implementation approach. By clearly communicating the benefits and necessity of the Special Charge, KCC can build support and mitigate potential resistance.

14.2.2 Option 1 – precinct-based model

The precinct-based model reallocates responsibilities along precinct lines, assigning MW to the Tidal Waterways precinct and KCC to the Quiet Lakes precinct. The rationale behind this division is to capitalise on the strengths and specialised expertise of each entity. MW's extensive experience and specialised equipment make it well-suited to manage the complex needs of the Tidal Waterways, while KCC's familiarity with local recreational spaces and stakeholder engagement equips it to handle the Quiet Lakes precinct effectively.

A key advantage of this model is its clear and feasible funding mechanism. MW will introduce a tariff under section 259(1) of the *Water Act 1989*, ensuring a stable revenue stream determined by the ESC. Concurrently, KCC will implement a Special Charge under section 163 of the *Local Government Act 1989*, targeting properties that directly benefit from the maintenance services. This delineation of financial responsibilities ensures transparency and accountability, with costs borne by the beneficiaries of the services.

The model also promotes efficient service delivery by allowing each entity to leverage its strengths. MW will utilise its specialised equipment for the Tidal Waterways, while KCC can draw on its experience in managing local parks and recreational areas for the Quiet Lakes. Moreover, the model emphasises robust reporting and accountability, with both entities committing to regular public updates and community engagement through newsletters, forums, and online platforms. This transparency builds trust within the community and ensures residents are well-informed about maintenance activities and outcomes.

Despite the potential challenges of political resistance and the complexity of coordination between MW and KCC, these can be mitigated through proactive stakeholder engagement and the establishment of clear protocols and communication channels. By addressing these challenges head-on, the Precinct-based model can effectively meet all four reform objectives: establishing a stable funding source, demonstrating value for money, integrating stakeholder feedback, and ensuring strong governance principles.

14.3 Options to Discard

In our evaluation, Options 3, 4, and 5 were considered less viable for various reasons outlined below.

14.3.1 Option 3 – Kingston City Council Only model

While the Kingston City Council Only model promises unified governance, it faces significant logistical and political challenges that undermine its feasibility. The model proposes that KCC assume full responsibility for both funding and delivering beach maintenance services in the Patterson Lakes Waterways, covering both the Tidal Waterways and Quiet Lakes precincts.

The primary logistical challenge is the need for KCC to acquire specialised equipment and trained personnel to manage the Tidal Waterways, which currently relies on MW's resources and expertise. Transitioning these responsibilities would require substantial investment and coordination. Additionally, there is a significant risk of service disruption during the transition period, as KCC would need to establish new operational frameworks and procurement processes.

Politically, garnering support for reintroducing and extending the Special Charge to both precincts presents a major hurdle. KCC previously removed the Special Charge for the Quiet Lakes precinct in 2022, following community resistance. Reinstating this charge and extending it to the Tidal Waterways precinct, where it has never been applied, would likely face substantial opposition from residents and stakeholders. This resistance could impede the implementation and long-term stability of the funding mechanism.

14.3.2 Option 4 – Self-Regulation model

The Self-Regulation model, while innovative, is deemed impractical due to its complexity and reliance on full resident participation. This model proposes that residents form an Owners Corporation to manage and fund beach maintenance services, giving them direct control over service levels and pricing.

A critical issue with this model is achieving 100% participation from property owners, which is essential for financial viability. Without mandatory participation, the Owners Corporation may struggle to collect sufficient funds, leading to financial instability. Furthermore, the complexity of managing a large and diverse group of residents, each with their own preferences and expectations, poses significant governance challenges.

The legal and logistical complexities of establishing and operating an Owners Corporation for such a large and public-facing service are also substantial. Navigating regulatory requirements, securing

resident buy-in, and ensuring consistent service delivery across all properties would require extensive resources and coordination, making this model highly impractical.

14.3.3 Option 5 – Beach Maintenance Utility model

The Beach Maintenance Utility model offers potential long-term benefits through the formation of a joint venture between MW and KCC to establish a dedicated utility for beach maintenance services. This model aims to centralise asset management and contractor engagements, leveraging the combined resources and expertise of both entities to enhance service delivery efficiency.

However, the establishment of a new organisational structure introduces significant bureaucratic and regulatory complexities. Setting up a joint venture requires extensive legal and financial arrangements, which can be time-consuming and costly. The process of aligning the operational priorities and management practices of MW and KCC also presents a major challenge.

Additionally, the potential for service duplication and the need for clear demarcation of responsibilities and asset ownership further complicate the implementation of this model. Ensuring regulatory compliance and maintaining service continuity during the transition period would require meticulous planning and coordination, increasing the risk of operational inefficiencies.

14.4 Conclusion

In conclusion, MJA recommends the pursuit of Option 2–Melbourne Water Only model–as the primary approach to managing beach maintenance services in Patterson Lakes Waterways. This model offers a streamlined, efficient, and transparent solution under a single accountable entity. As viable alternatives, the Refreshed Management Plan model and the Precinct-based model provide complementary approaches that address the core objectives of stability, accountability, and effective service delivery. By adopting these recommendations, the government can ensure sustainable and effective beach maintenance services that meet the needs and expectations of the community.

Appendix 1. Responses to the Independent Review recommendations

In the period following the release of the IR Report, consistent with the recommendations of the IR, MW and KCC joined a Steering Group to work through the recommendations in detail. Parks Victoria declined to join the Steering Group, arguing that the functions allocated to it by the IR did not fall within the charter of Parks Victoria and it was not funded to provide those functions.

A1.1. Parks Victoria

Parks Victoria was appointed to undertake specified tasks as the Waterways Manager (under the *Maritime Safety Act 2010*) for the Patterson River between the Nepean Highway Bridge and Eumemmering Creek and carries out that function to this day. However, it had no direct management role or responsibilities with respect to the Patterson Lakes Waterways at the time the IR Report was prepared. As noted in previous sections, the preferred IR governance model (Option 1) argued that Melbourne Water should contract Parks Victoria to deliver the following additional functions:

- Tidal Waterways:
  - Dredging of the Tidal Waterways, Mariners Cove and Town Centre Harbour inside the floodgates
  - Waterweed control
  - Retaining wall maintenance
  - Jetty management, operation, maintenance and replacement
- Quiet Lakes:
  - Sand retrieval (if deemed appropriate)
  - Waterweed control.

Parks Victoria did not accept this recommendation and did not deem it appropriate to take over this function. There were a variety of regulatory and funding issues that underscored Parks Victoria's position. This however left the responsibility and funding for sand retrieval at Quiet Lakes 'unallocated', which became a difficult issue to address for MW and KCC in how each responded to the IR Report.

A1.2. Melbourne Water

Melbourne Water was not able to provide a pricing proposal for Patterson Lakes for the Commission's assessment as part of its 2013-16 Price Review. However, as an interim measure Melbourne Water proposed to:

- cease the existing Precept Charge
- fund services that the IR concluded had a public benefit through the Melbourne Metropolitan Waterways and Drainage Charge
- conduct further consultation with residents to inform a more detailed proposal at a later date

Though continuing to be of the view that it had no ongoing responsibility for the beach maintenance works, Melbourne Water had agreed to fund some ongoing works (primarily beach maintenance services) until the outcomes of the IR Report had been finalised and implemented.

The Commission approved Melbourne Water's interim proposal in its 2013 water price review final decision, subject to a further proposal from Melbourne Water.

That more detailed proposal was submitted to the ESC by MW on 19 December 2013. It set out the proposed arrangements for service delivery and cost recovery for the Patterson Lakes special drainage area for the period from 1 July 2014 to 30 June 2016.

Melbourne Water consulted with customers and key stakeholders on its proposed pricing strategy for Patterson Lakes in July and August 2013 for both the Tidal Waterways and Quiet Lakes. Consultation took the form of:

- distribution of information packs to households, doorknocking of homes within the area, three community information sessions
- a community ballot on dredging service level options for the Tidal Waterways
- a community ballot on water quality service options for Quiet Lakes.

The pricing proposal took into account the findings from those consultation. Key elements of the proposal were:

- implementing uniform user pays pricing for jetty related services and assets that are linked to private recreational benefit, including jetty replacement, maintenance and dredging feasibility costs.
- continuing to fund waterway health and regional drainage services through the Waterways and Drainage Charge.
- a negotiated transfer of the following functions to Kingston City Council, consistent with the IR Report recommendations:
  - beach raking and grooming
  - debris collection
  - beach weed spraying
  - grass maintenance to access easements, and
  - convening the Patterson Lakes Advisory Committee, and its newsletter and website.

If KCC agreed to the transfer of functions. MW estimated that a reduction in the Melbourne Metropolitan Waterways and Drainage Charge of 10 cents per Melbourne metropolitan customer would be required in 2014-15 to reflect the costs of those functions no longer being incurred by MW.

A1.3. Kingston City Council

Of the three institutions that were captured by the IR Report recommendations, the impact on KCC has arguably been the most significant.

Initial KCC Response (2014-2015)

The IR Report recommendations had significant financial and policy consequences for KCC, particularly the cost-shifting that resulted from implementation of the recommendations with respect to beach maintenance. At the time, KCC Council estimated these to be:

- operational costs of approximately $200,000 per annum, in addition to resourcing, administration, equipment and asset maintenance costs
- total asset maintenance costs, estimated to be $287,300 over the period 2014 to 2021, to ensure assets within Tidal Waterways were maintained to an acceptable condition rating

On 22 September 2014, Council resolved to:

- acknowledge the IR Report and 'in principle' accept the Report recommendations
- allocate $80k per annum to MW, to be reviewed every 5 years (an amount that it later increased) to assist with the cost of Melbourne Water continuing to undertake the responsibilities allocated to the Council (specifically beach raking and debris clean up activity)
- investigate an additional fee on the rates notice of Quiet Lakes residents, to recover their portion of the expenses to reflect the private nature of the quiet lakes beaches from these properties these expenses due to the private nature of the Quiet Lakes beaches.

This resolution formed the genesis of the Special Charge levied on Quiet Lakes properties from 2017, and the genesis of the decision to not levy a Special Charge on Tidal Waterways properties.

The $80,000 budget allocation was significantly lower than the actual costs incurred by MW when providing the services when funded by the Precept Rate. Table 34 provides the costs as outlined in the IR Report.

Table 34: Beach Maintenance costs incurred by Melbourne Water when funded by the Precept Rate as reported in the Independent Review Report

Works	Frequency of works/yr	Annual $ cost
Tidal Waterways (Opex)		
Beach raking	12	16,600
Debris collection beach and foreshore	12	60,000
Beach weed spraying	12	21,900
TOTAL		**98,500**
Quiet Lakes (Opex)		
Beach grooming	12	9,908
Debris collection	12	45,000
Beach weed spraying	12	7,008
Lighting bollards inspection program	6	1,000
TOTAL		**62,916**
GRAND TOTAL		**161,416**

KCC worked with Melbourne Water to develop a maintenance schedule that did not exceed Council's $80,000 per annum contribution. This new schedule (see Table 35) resulted in a more than 50% decrease in frequency of beach raking and debris collection and 41% decline in frequency of beach weed spraying for Tidal Waterways beaches.

Table 35: Proposed beach maintenance schedule

Works	Frequency of works/yr	Annual $ cost
Tidal Waterways (Opex)		
Beach raking	5	$8,444
Debris collection beach and foreshore	5	$21,887
Beach weed spraying	7	$20,702
TOTAL		**$51,033**
Quiet Lakes (Opex)		
Beach grooming	12	$6,492
Debris collection without hand raking	12	$15,853
Beach weed spraying	12	$7,260
Beach Sand Retrieval	1	$17,000
Lighting bollards inspection program	1	$982
Electricity supply	1	$2,000
TOTAL		**$49,587**
GRAND TOTAL		**$100,620**

As is apparent from Table 35, there was to be no change in the frequency of beach maintenance services at Quiet Lakes. Council presented the results of investigations into mechanisms that would establish an 'alternate charge system' to require Quiet Lakes property owners to contribute funds to offset the relatively higher 'level of service' provision. The estimated additional costs of providing the more frequent services was $41,857, which would equate to an additional rates charge of $154.00 per property, based on 273 properties directly benefiting from the services.

Council papers argued that the alternative charge system was warranted on the basis that the Quiet Lakes:

- had limited broader community access
- beach maintenance benefits accrued directly to a limited number of property owners
- were private in nature as opposed to the publicly accessible Tidal Waterways

With the benefit of hindsight, the conclusion that the public accessibility of the Tidal Waterways extended to the adjacent artificial beaches was unfortunate. From this point on, it appears Council has made funding decisions on the basis that maintenance of Tidal Waterways beaches must be funded from General Rates Revenue because the public accessibility of the waterway rules out introducing a Special Charge. This has resulted in 100% of Tidal Waterways artificial beach maintenance costs being funded from General Rates Revenue.

Introduction of the Special Charge Scheme (2015-2017)

The decisions made by KCC in 2015-2016 regarding beach maintenance in Patterson Lakes Waterways laid the foundation for an unsustainable funding framework. This outcome stemmed from KCC's assumption of responsibility for beach maintenance across Patterson Lakes Waterways, its acceptance that General Rates Revenue should contribute to offset maintenance costs, and the view that the artificial beaches in the Tidal Waterways precinct provide benefits to the entire KCC population.

These principles are evidenced by the Council's actions and reports during this period. On 27 July 2015, Council resolved to enter an agreement with Melbourne Water to maintain beaches at a cost of $80,000 for 2015/16 and to consult Quiet Lakes residents about a potential contribution mechanism. The subsequent Council report on 25 July 2016 highlighted reduced scope and frequency of maintenance services compared to the previous precept charge arrangement, increased inquiries from Quiet Lakes residents about maintenance standards, issues with sand depletion and potential safety hazards, and a lack of budget flexibility to address cost increases.

In response to these issues, the report proposed a resident contribution mechanism for Quiet Lakes properties to offset costs above the $30,000 budget allocation from General Rates Revenue. Notably, the Council papers did not present an option to fund additional costs entirely from General Rates Revenue. Instead, the $80,000 budget allocated in September 2015 was assumed to be the 'minimum' funding from General Rates Revenue, with the proposed resident contribution not expected to be the sole funding source.

While the report did acknowledge an alternative option of maintaining the status quo - continuing to pay $80,000 annually to Melbourne Water for the existing service level - this was noted to provide a level of service below resident expectations, particularly for Quiet Lakes.

The decisions made in these Council meetings established a precedent for using General Rates Revenue to maintain artificial beaches, while also introducing the concept of a resident contribution. This approach, which attempted to balance public and private benefits, ultimately led to the creation of an unsustainable funding model that is now under review.

Council was presented with the following recommendations in Council papers for the Council meeting on 27 February 2017:

That Council:

1. Note the results of the preliminary Quiet Lakes residents survey (Appendix 1) with regard to contributing toward an annual special charge per Quiet Lakes property for a higher level of beach maintenance service. The Special Charge would offset the cost of increasing service frequency to monthly and include debris raking (refer Appendix 4 Table 4.2).
2. Pursuant to section 163 of the *Local Government Act* introduce a Special Charge (estimated to be $175 per property based on Melbourne Water figures for 2016/17) to offset the cost of Quiet Lakes beach maintenance increasing to a monthly service year round, including debris raking by Melbourne Water, as set out in Appendix 4 Table 4.2.

3. Resolve that the existing Council contribution of $80,000 toward Patterson Lakes beach maintenance be adjusted on an annual basis to reflect the actual cost of providing the beach maintenance service agreed with Melbourne Water.
4. Resolve that Council allocate an additional $16,905 to increase the base level of service (as per Appendix 4 Table 4.1) of beach maintenance service at the Quiet Lakes.
5. Allocate an additional $5,720 annually should the State Government not commit to funding the sand retrieval activity for Quiet Lakes (refer to Appendix 4 Table 4.3) and adjust the special charge accordingly for residents to contribute the remaining 50% of the total cost of sand retrieval.

To initiate the formal Local Government Act process, the Council resolved on 22 May 2017 to announce its intention to declare the Special Charge. The proposed works included beach planing, debris hand raking, collection and disposal, beach spraying, sand retrieval, and maintenance of light bollards. Public notice was issued as per the Local Government Act requirements. The Special Charge was designated for properties with direct access to Lake Legana, Lake Illawong, and Lake Carramar, excluding properties in the former Tidal Waterways Special Precept Area.

On 24 July 2017, the Council approved the Special Charge, setting it at $173.92 per rateable property per year for five years starting 1 August 2017, aiming to partially cover the estimated $510,965 total cost for maintaining the Quiet Lakes artificial beaches.

Following the commencement of the Special Charge scheme a property owner subject to the Special Charge sought a declaration under s 185AA of the *Local Government Act 1989* that the whole Special Charge scheme was invalid. A second property owner sought to have KCC's decision to impose the Special Charge reviewed, pursuant to s 185 of the *Local Government Act 1989.*

The Victorian Civil and Administrative Tribunal (VCAT) heard both proceedings together over the period 18 to 22 June 2018. On 10 October 2018 the Deputy President of VCAT declared that the decision of KCC to declare the Quiet Lakes Special Charge Scheme was valid and confirmed the declaration of the Special Charge Scheme.

Operational Challenges (2019-2021)

In October 2019, Council resolved to eliminate the use of glyphosate for weed control due to health and environmental concerns. This decision significantly impacted beach maintenance operations and associated costs. Alternative methods such as steam weeding and manual weeding proved to be more costly and less efficient.

In the 2020 fiscal year, these alternative methods added approximately $1 million to KCC's overall weed control expenses, straining the budget allocated for maintaining the Quiet Lakes artificial beaches and other public spaces. The inefficiency of these alternatives led to a noticeable decline in the overall amenity of these areas.

In response to these challenges, KCC reconsidered its stance on glyphosate. After research conducted in collaboration with Deakin University and the Municipal Association of Victoria (MAV), KCC resolved in September 2021 to reintroduce the selective use of glyphosate in low-risk locations.

KCC Reconsideration of the Management Plan (November 2021)

With the Special Charge due to expire on 31 July, 2022 KCC was presented with an information paper on 22 November 2021, setting out three options for the future maintenance of the Patterson Lakes Waterways and beaches:

- **Option 1 - Cease Payment and Maintenance Responsibility:** This option proposed that the Council cease paying MW for the maintenance of their land and waterways. The rationale was that these waterways are a fundamental component of the regional drainage network and floodplain, thus falling under MW's jurisdiction. The recommendation was to shift the maintenance responsibility entirely to MW and apply the Melbourne Metropolitan Waterways and Drainage Charge funds to these assets. This was the recommended option
- **Option 2 - Re-enter Management Plan with MW with No Cost Recovery:** Under this option, the Council would re-enter into a management plan with MW, continuing the current arrangement. This would likely maintain the annual maintenance cost at around $350,000 for the next five years. The use of glyphosate for weed management might reduce this cost slightly. However, this option was not recommended because it would continue to impose significant costs on the Council without addressing the root issue of responsibility and jurisdiction
- **Option 3 - Re-enter Management Plan with a New Special Charge Scheme:** This option involved re-entering a management plan with MW and implementing a new Special Charge scheme that would cover the entire service area. This scheme would offset the maintenance costs through charges to residents. The process would be complex and lengthy, requiring extensive community consultation and approval. This option was also not recommended due to its complexity and the need for extensive community engagement and approval processes

An alternative motion was put by the Councillor representing the ward where the artificial beaches are located. It read as follows:

That Council:

1. Note that a premium in rates is derived from waterfront properties and the Patterson Lakes waterways comprise public open space, which are designated as reserves for recreation and drainage, and under the Water Act classed as waterways, with an essential regional drainage network and floodplain role;

2. Re-enter a management plan with Melbourne Water for the next 5 years with a revised cost base due to glyphosate usage;

3. Allow the special charge scheme for the Quiet Lakes to expire on 30 June 2022;

4. Enter into separate discussions to address sand replenishment of beaches with Melbourne Water, including for erosion at locations expressed to the open space department as public safety risks; and

5. Communicate via a distributed bulletin an update on the beach maintenance agreement to impacted properties now, and hereafter biannually a Patterson Lakes Waterways bulletin detailing maintenance and relevant waterways issues.

Following debate, the alternative motion was adopted by KCC on 22 November, 2021.