



# Inquiry into Local Government Funding and Services

Submission to The Parliament of Victoria  
Legislative Council Economy and  
Infrastructure Committee

**Yarra Ranges Council**

June 2024

Key contact	Amee Cooper Executive Strategic Advisor <a href="mailto:a.cooper@yarraranges.vic.gov.au">a.cooper@yarraranges.vic.gov.au</a>
Prepared by Yarra Ranges Council team	Abby McCarthy (Senior Advocacy Advisor), Liam Routledge (CFO), Maria Stevens (Manager Strategy & Transformation, Jane Sinnamon (Manager Community Support), Kristy Aberline (Executive Officer Management Accounting)

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# Introduction

Yarra Ranges Council is pleased to make a submission to the Legislative Council Economy and Infrastructure Committee Inquiry into Local Government Funding and Services (the Inquiry).

Yarra Ranges Council (Council) works closely with partners across the local government sector to advocate for reforms that provide for a more sustainable sector that can support communities into the future.

Council understands that several partners, including federal and state peak bodies, the Australian Local Government Association, FinPro and the Municipal Association of Victoria, are preparing submissions to the Inquiry, which will focus on sector-wide issues.

Yarra Ranges Council makes this submission to complement those made by local government peak bodies, and to highlight Yarra Ranges Council's unique insights and challenges. We look forward to a future where State and Local government work in strong partnership for the best outcomes of all Victorians.

## About Yarra Ranges: unique challenges and risks

Yarra Ranges is located on metropolitan Melbourne's eastern fringe and is home to a population of about 160,000 people.

Yarra Ranges has immense potential to contribute to Victoria's social, economic and environmental priorities. However, Yarra Ranges Council faces financial pressures that are extenuated above and beyond what is faced by other Local Government Areas (LGA's) due to the municipality's size, location on the boundary of rural and metropolitan Melbourne, complex terrain and natural disaster risk profile.

Key challenges are highlighted throughout this submission, including:

- **Service delivery across a significant land mass** - Yarra Ranges covers approximately 2,500 square kilometers. It is the largest area of any metropolitan Council in Victoria, and one of Victoria's most varied municipalities. Fifty-five townships stretch across densely populated outer suburbs to foothills, agricultural valleys and forested areas of the Great Dividing Ranges. The needs of these communities are widely diverse.
- **Ageing asset portfolio** – with an expansive land mass comes an expansive portfolio of over \$1.5 Billion of ageing assets. Many of our critical assets – including our road network, drainage systems and community facilities – are no longer fit-for-purpose. They require significant upgrades to meet the needs of both the community and our changing climate.
- **Limited access to regional funding sources** – Yarra Ranges' metropolitan classification limits access to (competitive) regional funding sources that are required to support our outer townships and key industries, including our nationally significant agricultural and tourism sectors. Further, non-competitive funding provided to Councils – including for roads - should recognize the regional characteristics of Yarra Ranges and make allocations accordingly.
- **'Destination' region, managing a significantly growing visitor economy** – Council's rate base alone cannot provide for the needs of residents, local business and visitors – particularly with visitor numbers expected to double to 9 million per annum by 2033.
- **Natural disaster risk profile** – Yarra Ranges is rated as one of the highest-risk areas for bushfires in Australia, and is subject to flooding, storms and landslip events that are increasing in frequency and intensity. However, current funding models do not effectively support Council and community to prepare, respond and recover from these events. This also exasperates the cost-of-living pressures as many properties and businesses are at the limit of insurability or no longer insurable.
- **Environmental significance and complexity** – several state forests and national parks are situated in Yarra Ranges, meaning the region plays an important role in protecting biodiversity and tree canopy, which are frequently threatened by disaster events and urban development.

# 1 The effects of cost shifting from the state and federal governments to local Councils

With rate capping in place and overall costs rising, it is difficult for Yarra Ranges Council to continue to provide the same level of services from year to year. Council is facing new emerging challenges including cybersecurity, extreme weather, and balancing needs of residents and tourists which are deserving of Council funding consideration.

## 1.1 Cost Shifting

There are a range of core Council services where direct cost shifting can be demonstrated. They are included in case studies below. The impact of this direct cost shifting is the reduction on Council revenue available for delivery of committed programs and services, and for asset renewal and investment. These are discussed in section 2, where we see service reductions in other areas as a secondary impact of cost shifting in core services.

There are other services where cost shifting is secondary, and therefore harder to demonstrate, for example insurance and contractor costs which have increased disproportionately to CPI and rate cap.

### 1.1.1 Case study: School crossings

School crossing supervision is a shared responsibility of state and local government under the Road Management Act 2004 (RMA). Under the RMA and the Transport Integration Act 2010, state and local government must provide for the safe use of roads, ensuring these meet the needs and priorities of our communities. School Crossings costs have increased alongside a decreasing funding commitment from state government, with further limitations in the current legislative arrangements that limits innovative program delivery such as school partnerships and volunteering. The program affordability has also led to a renewed focus for Council to work with DoT to reduce school crossings due to limited funds, which impacts walkability and community safety.

The safety of children walking safely to and from school is a priority for us all. That's why it is imperative that we have a school crossing system that works. However, a survey of 40 Victorian Councils revealed 97% of municipalities have school crossings that are unsupervised due to operational challenges. At these locations, children are crossing roads without assistance and where poor driver behavior impacts safety. Additionally, 82% of Councils are regularly facing crossing supervisor staff shortages.

***In the 2022/2023 FY, our analysis shows that the Victorian State Government funding Yarra Ranges Council met only 65% of actual program costs.***

Yarra Ranges Council has previously advocated via MAV that the Victorian Government to reinstate a broad strategic review of the School Crossing Supervisor Program, to address urgent outstanding issues, including:

- Crossing supervisor staff shortages
- Regular unsupervised school crossings
- Unsustainable State Government funding model that puts increasing financial pressure on Councils.

### 1.1.2 Case study: Immunisations

Immunization services operate across a range of community sessions to enabling accessible locations, times and session durations to maximize attendance. But the increasing cost of staff (most of which are casual) and cost of travel expenses (especially given the size of our LGA) exceeds funding received per immunization.

***In the 2022/2023 FY, our analysis shows that the Victorian State Government funding Yarra Ranges Council met only 26% of actual program costs.***

### 1.1.3 Case study: Maternal Child Health

The MCH service operates across a broad geographical area to meet contact targets. Low nursing staff availability and reliance on casual staff is impacting expenses and resulting in increased corporate overheads to manage recruitment and retention.

***In the 2022/2023 FY, our analysis shows that the Victorian State Government funding Yarra Ranges Council met only 35% of actual program costs.***

Via MAV, Yarra Ranges Council has advocated for an increase to Key Age and Stage (KAS) consultation times to accommodate the substantial volume of additional requirements introduced over the past decade, as well as restoration of the universal 50:50 funding agreement. While the Victorian Government confirmed an increase to consultation hours from 6.75 to 8 in the 2023-24 Budget, it has not increased the MCH unit cost.

There remains a growing cost gap for Councils and strain on an already stretched workforce. Given these challenges, it is critical that the inquiry considers:

Funding services as committed;

The changing policy context for MCH services

- Developing a service policy or framework that provides:
  - flexibility, and enables Councils to implement targeted service approaches that prioritize access to families likely to gain the greatest benefit.
  - direction and support to maintain services through other innovative means, such as reallocating some KAS responsibilities to kindergarten services with the expansion of three-year-old kinder.

## 1.2 Waste management services

State Government issued Bulletin 23/2023 (2024-25 Rate Cap and release of Minister's Good Practice Guidelines for service rates and charges) which limits Councils' ability to deliver community education and recover costs of:

- litter and waste collection from public spaces and the provision of public bins
- street, footpath and drain cleaning
- graffiti removal
- municipal tree planting and maintenance
- general and/or municipal environmental activities such as park maintenance, public education and advocacy

***The cost of these programs is approximately \$1.8M annually, which will now be sourced from general revenue if the guidelines are adhered to.***

The shifting of cost from waste charges to Council revenue more broadly, may require a rate cap exemption in future, which Yarra Ranges Council would seek to avoid.

Yarra Ranges Council, like many Councils, has always considered these services to be part of waste management, and therefore included in the waste charge. As an example, the impact of public education in managing community related behaviors is critical to waste service achievement of environmental performance standards.

## 2 Whether local Councils are adequately delivering on their core service delivery objectives

### 2.1 Meeting Community Expectations

Cost shifting forces Councils to divert funding collected from ratepayers away from planned projects or services that the Council has committed to the community to deliver in its Council Plan and associated strategic activities, and these may be invisible on the balance sheet but are reflected in community satisfaction, and impact trust in government both in the local government sector and overall government.

From the community perspective, Yarra Ranges Council services continue to fall well below community expectations, with customer satisfaction showing a dramatic decrease in satisfaction year on year across every service measured. Intra-Council benchmarking shows similar patterns of dissatisfaction, indicating that the problem is not unique to Yarra Ranges Council but reflective of a broader dissatisfaction with government. The service offering itself has not changed, and it is therefore likely that the feedback is reflective of our service quality, but instead related to reduced service availability due to financial constraints.

<https://www.yarraranges.vic.gov.au/Council/Corporate-documents/Community-Satisfaction-Survey>

There remains an opportunity for Local Government be a key partner in delivering services to community for the benefit of all Victorians, which would build trust across state and local government sectors. Local Government has a role to play in actively supporting delivery of state government reform and delivery agenda.

### 2.2 Human Services Needs Analysis

A survey of health provider partners across the municipality in 2023 identified a range of limitations on core human service delivery to Yarra ranges Council residents. The full report is publicly available here:

<https://www.yarraranges.vic.gov.au/Community/Health-and-Wellbeing/Human-Services-Needs-Analysis>

The review identified the following:

- Nearly all services report ongoing pandemic impacts within the community in terms of physical and mental health, social impacts and financial impacts.
- Residents are having challenges in accessing locally the services which they need, with barriers including cost, transport and lack of availability. Service providers have identified a range of unmet community needs for human services, particularly for vulnerable groups and households experiencing financial stress.
- Services are facing major challenges in coping with growing demand from the community for human services, including costs, government funding, staffing, infrastructure issues and limited availability of local services to refer people to.
- The service types with the most reports of increased demand over the past four years are emergency and food relief services, housing and homelessness support, social connection and support, mental health services, and financial support services. These areas also have the main service gaps, along with transport access and youth services. The Hills and the Valley experience the highest level of service gaps.
- The factors driving rising community need for services include increases in service demand per person, complex chronic health issues, mental health issues, social disconnection, and living costs; alongside challenges with access to transport or affordable housing. Reduced use of preventative health care during the pandemic has exacerbated health issues.

Council plays a critical role in provision social services for residents and advocating for service delivery from key partners in State Government. Council is often the last resort for community who are experiencing service access difficulty, and significant Council resources are dedicated to service navigation, referral pathways and customer enquiries. Council would seek a closer, cohesive and supportive working relationship with state departments to provide a high quality 'no wrong door' experience for the community.

## 2.3 Service Reduction

This section provides some evidence of service reduction as a result of cost shifting outlined in section 1.

- Yarra Ranges Council has reduced **biodiversity initiatives**, including revegetation management activities due to increased cost of weed spraying. Inflation has increased our contractor schedule of rates more than our budget has increased due to rate capping, resulting in service reduction and impacting Biodiversity targets.
- Yarra Ranges Council has reduced **service delivery innovation** activities, rolling back spend on partnerships, memberships, consultancy and conference participation.
- The Draft Yarra Ranges Housing Strategy highlighted the significant challenges Yarra Ranges is facing and the increased urgency to address emerging issues such as rising rates of **homelessness, housing diversity, affordability** and environmentally sustainable design for Local Governments. Yarra Ranges Council has struggled to continue funding for housing and homelessness support coordinator to meet community need. The role specifically targets the following vulnerable groups in our local area:
  - **Women and victims of Family Violence:** Women, particularly those escaping family violence, constitute a disproportionately larger group with a higher risk of homelessness. Family violence is the leading cause of homelessness among women, with income inequality and lack of affordable housing exacerbating the situation. In the Yarra Ranges over 66% of people seeking housing services state FDV as the main cause<sup>1</sup>
  - **People with Disabilities:** Approximately 19.5% of Yarra Ranges residents live with a disability, with 5.4% experiencing severe or profound disability<sup>2</sup>, highlighting the need for universally accessible and affordable housing solutions.
  - **Elderly Residents:** The region's elderly population, making up 24.1% of residents, often struggles with housing affordability, with a notable lack of, and demand for, downsizing options that allow aging in place.

Council financial reporting often obscures the community impact of consequential service reduction.

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<sup>1</sup> <https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-annual-report/contents/clients-who-experienced-fdv#reasons>

<sup>2</sup> [Yarra Ranges | Region summary | Data by region | Australian Bureau of Statistics \(abs.gov.au\)](#)

### **3 The overall revenue structure of local government**

Yarra Ranges Council continues to experience significant challenges to deliver services and infrastructure to our community in a way that is financially sustainable. Specific challenges include being a complex geographic, community and disaster-risk profile; operating in a rate-capped environment; limited revenue streams; increasing service compliance requirements and other fixed operational costs to recover, for example, insurance costs soaring at 30 per cent annual increases to cover Council's unique risk profile.

This section seeks to address whether the existing revenue structure is sustainable and appropriate or if alternative models of funding would be more sustainable and appropriate. Overall, Yarra Ranges Council concurs with FinPro (Vic) submission to this Inquiry (23/05/2024) which provides analysis of sector foundational financial sustainability and confirm that the trends presented reflect Yarra Ranges Council's experience.

#### **3.1 Limited ability of Council to leverage land assets**

Yarra Ranges Council covers a region that serves as a water catchment for the greater Melbourne area and has significant Green Wedge land to support agricultural and conservation purposes. This limits the potential for development and growth that metropolitan Councils typically rely upon to increase and/or sustain its revenue base and maintain pace with growing cost pressures.

Locations where development (residential or other) can occur is constrained by policy, physical characteristics and land uses that may restrict the ability for particular areas to absorb further development and population growth. These include:

- Urban Growth Boundaries
- Environmental risk e.g. bushfire management overlay, landslip overlay, flood projections
- Areas of environmental, landscape and heritage significance
- Locations outside activity centres; with 55 towns, there is a vast area of the municipality that are beyond recommended 20 minutes to meet most daily needs as referred to in Plan Melbourne 2017-2050
- Topography – impacting access and walkability to many areas

The introduction of Windfall Gains Tax further disincentivizes sale of assets, which in turn restricts Council's ability to fund strategic land purchases in alignment with future-focused town planning, including activities which progress Plan Melbourne.

There is an opportunity for the Inquiry to explore possible exemptions to Windfall Gains Tax for specific projects or assets to incentivise Council leveraging of assets to invest in projects where Local Government is a key partner in delivering services to community for the benefit of all Victorians. This would build trust across state and local government sectors. Local Government has a role to play in actively supporting delivery of state government reform and delivery agenda.

#### **3.2 Access to Funds from the Landfill Levy for Councils**

Council would benefit from increased access to funds collected through the Landfill Levy to support Councils in delivering key waste and environmental initiatives, particularly considering the recent reforms introduced by the State Government's Circular Economy Plan. The introduction of the State Government's Circular Economy Plan, which requires Councils to implement a four-bin system, coupled with Minister Horne's recent guidelines on what can be included in the waste charge, has significantly increased the financial pressure on Councils. Yarra Ranges Council is taking on the dual challenges of implementing new waste management systems and maintaining service delivery standards within their communities. Increased access to funds from landfill levy would assist in addressing the following challenges.



- **Financial Pressure:** The recent reforms and guidelines have increased the financial burden on Councils, making it more challenging to deliver and fund services.
- **Service Delivery:** Removing key waste activities from the waste charge can impact the delivery of other community services.
- **Environmental Initiatives:** Access to more funds from the Landfill Levy would enable Councils to deliver key waste and environmental initiatives, contributing to a more sustainable Victoria.

Yarra Ranges Council highlights a greater opportunity for State Government to reinvest the waste levy, paid by local Councils, back into waste and circular economy infrastructure and programs at a local level.

### 3.3 Diminishing Grant Opportunity

Yarra Ranges advocates to the Victorian Government for a review of the Victorian Local Government Grants Commission funding model to better recognize the needs of areas such as Yarra Ranges Council that sit at the interface of metropolitan and regional areas. This includes factors such as extensive road networks, including over 700km of unsealed roads, and the complexity of delivering services to diverse communities that are widely geographically dispersed, which further stretches Council's ability to maintain and upgrade facilities and assets.

Yarra Ranges supports the call from the Victorian Local Government Association for the Federal Government to restore Financial Assistance Grants to at least 1 percent of Commonwealth taxation revenue via a phased approach. The value of Financial Assistance Grants provided to local government has declined over the past three decades from around 1 percent of Commonwealth taxation revenue to around 0.55 percent. If funded, this could contribute more than \$2.3 billion to annual GDP, create over 16,000 jobs and ensure Councils can continue delivering swimming pools, playgrounds, sports facilities, roads and much more for the community.

The Commonwealth Government's regional funding programs have historically provided a vital source of support for major projects that deliver benefits to both local communities and the national visitor economy. In the past, this has included programs such as the Building Better Regions Fund (BBRF) and the Regional Growth Fund (RGF), which have funded nationally significant projects in Yarra Ranges, such as the Warburton Mountain Bike Destination project (WMBD). Stage 1 of WMBD was originally costed at \$11.3 million with \$3 million and \$2.3 million provided through the BBRF and RGF respectively. The project is set to inject \$48 million into the local economy by 2031 and create 229 new jobs.

Council recognizes that the BBRF and RGF programs have since been replaced by the Growing Regions Program (GRP), with more stringent eligibility criteria to ensure the fund is appropriately targeted to projects that legitimately service the regions. However, the GRP uses ABS-defined Greater Capital Cities Statistical Areas (GCCSA) to determine location eligibility, rather than the Urban Centre and Localities (UCL) boundaries used by BBRF and RGF. This change has resulted in the exclusion of regional townships in Yarra Ranges (including Warburton) and many other LGAs across Australia that are legitimately 'regional' in character and profile. Whilst these towns may be captured as eligible locations for other funding programs, such as the Thriving Suburbs Program, they are not likely to be competitive for those programs due to the regional characteristics of the townships (including population size) and the intent of proposed projects (often being to support a visitor economy and connectivity between metro and regional areas).

***The Greater Melbourne area has seen a 43% reduction in grant availability.***

***The Yarra Ranges Council area has seen a 63% reduction in grant eligibility.***

There are alternative eligibility boundaries that may reduce the negative consequences for economic development. Yarra Ranges Council has commissioned a comparative assessment that indicates the ABS-defined Remoteness Area (RA) criterion, with its historical precedence and alignment with rural characteristics, has the greatest potential for mitigating the exclusionary effects observed under the current GCCSA-defined GRP funding program. The RA criterion could be utilized in future rounds of the GRP, with or without reinstating the criteria for proposals to demonstrate benefits that projects would deliver to regional and rural areas.

There is an opportunity for the Victorian Government to advocate for a re-definition of the Growing Regions Program location eligibility to ABS-defined Remoteness Area boundaries and allow Growing Regions Program submissions for projects that sit on the boundary and can demonstrate economic and social benefits delivered to regional and rural areas.

Similarly, increasing allocations within Victorian Government grant pools will accelerate key local delivery, building trust across state and local government sectors. Local Government has a role to play in actively supporting delivery of state government reform and delivery agenda.

### **3.4 Unreliable funding models**

Reliable funding streams are critical to provision of services and infrastructure for communities.

#### **3.4.1 Road's funding**

Ahead of the 2019 federal election, Yarra Ranges was pleased to see a bipartisan commitment of \$150 million to seal 150km roads across the municipality over nine years, rather than 70 years as was expected without the funding boost. The program allowed for the recruitment of a dedicated team for what become the *Roads for the Community Initiative* (RFCI).

The initiative was only three years along when two thirds of the committed funding was cut. This triggers a loss of employment opportunities and the ceasing of the service/program to community who were relying on funding support to seal their dangerous local roads.

Moving forward, state, and federal funding remains a key source of funding for Yarra Ranges to maintain both sealed and unsealed roads. Council was pleased to see an increase to the *Roads to Recovery* program and urges the Victorian State government to recognize the significant outstanding need and regional nature of Yarra Ranges' Road network.

The role of the Victorian Government in addressing issues raised:

- Explore secure funding for roads
- Ensure Yarra Ranges receives adequate allocations through the Roads to Recovery and other funding programs, recognising regional nature of much of the municipality's local road network.
- Maintain funding support for all committed projects, particularly those that require Councils to recruit workers tied to specific projects.

#### **3.4.2 Emergency funding**

Funding for additional planning services for community recovery when an emergency event occurs such as 2009 bushfires and June 2021 storm event is highly valued by our community. However, receipt of funding is limited by a range of legislative classification challenges. As an example, as a result of a February 2024 storm, there are a number of homes which will be demolished, however as this is not formally recognised as an emergency event therefore no additional assistance. These residents will not be able to access the 52.10 RECONSTRUCTION AFTER AN EMERGENCY provisions.

Yarra Ranges Council would recommend a rebate for planning reports or funding for planning consultants for residents who experience loss of their home due to natural disasters. This could be a low-cost contribution that achieves high yield outcomes for families in their time of greatest need.

## 4 Any other related matters

### 4.1 Balancing Tourism and Resident needs

Yarra Ranges Council is reliant on residents to support tourism assets, and there is a projected increase of tourism to the region of more than 50% in the next 5 years.

Yarra Ranges Council welcomes the Regional Tourism Investment Fund 2024 to assist with ongoing development of tourism assets.

The challenge of accommodation for tourists and affordable accommodation for tourism staff remains a challenge. There is an opportunity for the Victorian Government to direct funds from the proposed Short Stay Accommodation Levy to resolve some of these pressures.

Yarra Ranges Council would recommend that the Short Stay Accommodation Levy be redirected to areas where the volume of STRA is contributing to the housing crisis in local communities, where there is:

- Limited access to affordable rental properties
- Limited access to affordable housing
- Within lower socioeconomic areas
- Where STRA restricts housing for local workforce

### 4.2 Ageing asset infrastructure critical to service delivery

Shifting service obligations and growing compliance requirements have increased financial pressure on Council, alongside the longstanding challenge of providing infrastructure and services to a widely geographically dispersed population.

Through the process of amalgamation, Council has also inherited an extensive portfolio of assets, with many that are no longer fit-for-purpose and require renewal. This leads to decreased service levels and increased risk of failures. With limited asset data across portfolios, it is challenging to predict the timing and cost of upgrading these aging assets. There is a need to improve asset management maturity, working towards meeting international standards and developing risk registers to better plan for renewal. Asset management maturity and asset upgrades both require significant investment and cannot be achieved without ongoing external support.

The following service challenges are impacted by state government reforms:

- **Early Years reforms** – Council anticipates that at least 33 additional rooms and \$64 million in new and upgraded infrastructure will be required to facilitate the Early Years Service system over the next 10 years, due to state and federal reforms and population growth. This sits on top of requirements to maintain facilities over time.

<https://www.yarraranges.vic.gov.au/Community/Health-and-Wellbeing/Human-Services-Needs-Analysis>

Similarly, our recent Aquatics Strategy has identified that ageing aquatics infrastructure is unable to be replaced with the proposed cost for new build of approximately \$80M well beyond Councils prudent financial investment. This is an opportunity for State government to broker investment which addresses interface Council areas who have lower opportunity for revenue raising and low opportunity for residents to seek comparable alternative services.

The role of the Victorian Government in addressing issues raised:

- Financially support Victorian Councils to upgrade early years infrastructure to accommodate demand and future service requirements
- Work alongside interface Council to support key infrastructure investment that is beyond Council's revenue envelope, including aquatics facilities.

## 5 CONCLUSION

Cumulative impacts of rate capping, cost shifting, increased demand and complex issues being managed at a local government level are resulting in an unsustainable financial model for Yarra ranges Council. Through this submission, Yarra Ranges Council are **confirming that Council is experiencing cost shifting** and have endeavored to provide data that assists the Inquiry to quantify same.

The consequence for community is **a reduction in current services**, and a scarcity of Council resources to support communities to thrive. Council implores the Inquiry to identify financial levers that will restore funding in alignment with actual costs in accordance with funding agreements.

There remains **an opportunity** for Local Government be a key partner in delivering services to community for the benefit of all Victorians, which would build trust across state and local government sectors. Local Government has a role to play in actively supporting delivery of state government reform and delivery agenda. Council forecast some key infrastructure projects, such as aquatics, **will remain beyond reach of Councils**, and in particular interface Councils due to population density and commensurate revenue, and limitations on asset activation and appetite for indebtedness. We hope the Inquiry can identify and activate funding levers and state government relationships that could be formed to assist in overcoming these critical infrastructure and community service gaps.

Yarra Ranges Council offers our sincerest gratitude to the Legislative Council Economy and Infrastructure Committee for the opportunity to make this submission.

# 6 Appendix

Appendix 1. Geographic Boundary of the Yarra Ranges Council. Purple shaded area indicates urban growth region.

