

VISITOR ECONOMY PARTNERSHIP

Report Author: Manager Economy, Tourism & Culture
Responsible Officer: Leanne Hurst, Director Communities
Ward(s) affected: (All Wards);

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

The Victorian Government released the Visitor Economy Recovery and Reform Plan in April 2021, outlining its intention to transition Regional Tourism Boards into a network of Visitor Economy Partnerships (VEP). This framework ensures that VEPs will become the peak bodies for all visitor economy related matters within the regions of Victoria.

This report details the proposed establishment of a Visitor Economy Partnership, named Tourism East, for the local government areas of Yarra Ranges Council, Nillumbik Shire Council, and a new partner council, Cardinia Shire Council.

The three partner councils, along with representatives from State Government and the Chair of Yarra Ranges Tourism, have participated in a co-design process to create the proposed VEP entity and legal structures.

This report seeks in principle support for Yarra Ranges Council (YRC) to join Tourism East, subject to endorsement from the other two partner councils. This includes the associated ongoing financial commitment of \$300,000 to the partnership. Tourism East will strengthen and grow the visitor economy of the region and provide an increase in opportunities to our region.

Membership of the new VEP entity has the potential to unlock significant opportunities for Council in realising the economic benefits of the visitor economy, ensuring it has an official voice into the Victoria tourism framework through Visit Victoria and unique access to greater State Government funding opportunities.

There are strong linkages between the proposed VEP model and Council's strategic priorities, including the Council Plan, Economic Development Strategy, and the Yarra Valley and Dandenong Ranges Destination Management Plan. Each of these strategic documents identify the contribution of tourism and the visitor economy in achieving a strong and thriving local economy.

RECOMMENDATION

That Council

- 1. *Endorses the establishment of the new Visitor Economy Partnership for the region, subject to subsequent endorsement from Cardinia Shire Council and Nillumbik Shire Council on 14 April 2025 and 29 April 2025 respectively.***
- 2. *Supports the transfer of Yarra Ranges Council's agreement with Yarra Ranges Tourism to the new Tourism East Visitor Economy Partnership for a period of 3 years to 30 June 2028.***
- 3. *Supports the required funds of \$300,000 per year, along with 1.0 FTE of Yarra Ranges Council's staff time, as a contribution to the Visitor Economy Partnership in the 2025/2026 Council budgetary processes, and for the 3-year term of the agreement.***
- 4. *Following legal incorporation, delegates responsibility for the implementation of the new regional Visitor Economy Partnership, Tourism East, to the Chief Executive Officer.***
- 5. *Notes the Yarra Valley and Dandenong Ranges Destination Management Plan as the key strategic document for the Visitor Economy Partnership to implement.***
- 6. *Notes that should Council decide not to participate in the Visitor Economy Partnership, this would result in:***
 - (a) *Yarra Ranges Council and its tourism businesses being unable to apply for State Government tourism related funding opportunities.***
 - (b) *Yarra Ranges Council being unable to participate in marketing, industry development and advocacy activities delivered by the Visitor Economy Partnership through a larger pool of funds that Yarra Ranges cannot access as a single Council.***
 - (c) *Potential reputational risk to Council in response to not supporting a key objective of its Economic Development Strategy 2022-2032 to support local businesses.***

RELATED COUNCIL DECISIONS

- Council Meeting 28 March 2023 - Council unanimously approved a new Partnering Agreement with Yarra Ranges Tourism for a further three years commencing 1 July 2023, maintaining the existing funding amount of \$489,016, reviewed annually with the budget.

The Agreement confirms:

- (a) A collaborative partnership with Wine Yarra Valley (WYV) and Yarra Valley Regional Food Group (YVRFG).

- (b) Tourism Events Grants Program.
- (c) Regional Promotion Program aligning with Destination Management Plan Product Priorities.

As part of the agreement, Council requires further reports on the:

- (d) Preparation of a Destination Management Plan for the Yarra Valley and Dandenong Ranges Region by Yarra Ranges Tourism.

The DMP has been developed and is currently being implemented.

- (e) Progress on the implementation of the Victorian Government's Visitor Economy Recovery and Reform Plan.

This report fulfils that requirement.

- Council Meeting 9 August 2022 - Council endorsed the appointment of Leigh Harry as Chair of YRT for a three-year term.
- Council Meeting 14 June 2022 - Council supported the extension of the Partnering Agreement with Yarra Ranges Tourism for a further 12-month period concluding 30 June 2023, maintaining existing funding associated with the Partnering Agreement of \$489,016 annually for a 12-month period (2022-2023). An additional \$50,000 contribution was made towards a regional Destination Management Plan for Yarra Valley and Dandenong Ranges Tourism Region.

DISCUSSION

Purpose

The purpose of this report is to present a proposed structure for the Tourism East Visitor Economy Partnership (VEP) and seek approval for Yarra Ranges Council's participation and investment in the Partnership.

Background

Historically, the Victorian Government has supported the Regional Tourism Network through the funding of Regional Tourism Boards, including Yarra Ranges Tourism.

In 2023 the Victorian Government released the Visitor Economy Partnership (VEP) Framework, which changes how regional tourism is supported in the state of Victoria. The ambition of the Visitor Economy Partnership Framework is to transition Regional Tourism Boards to new entities called Visitor Economy Partnerships, and to ensure that all regions have equitable access to these entities. Visitor Economy Partnerships will be the official peak tourism bodies for regions. They will deliver supply and demand activities, such as advocacy, policy development and marketing to support growth of the visitor economy. Without a Visitor Economy Partnership, the visitor economy of Yarra Ranges Council will not continue to be officially represented at a state level.

Under the new partnership model, Visitor Economy Partnerships will:

- Have official recognition, a clear sense of purpose, and defined responsibilities.
- Encourage local and industry leadership, with senior local Council, industry and skills-based board membership.
- Leverage benefits of scale, including participation in a well-supported regional tourism network with access to data, insights, and tools to track outcomes.
- Have local ownership and flexibility with the broad geographic coverage to deliver region-wide initiatives.
- Be the sole conduit for State Government supply and demand driving activities, including destination marketing through Visit Victoria.
- Ensure that insights from our region will inform State Government's policy development and investment priorities.

The Visitor Economy Partnership Framework details that entities with three or more regional councils will be eligible for \$350,000 of funding per year from the Victorian Government – an increase on the current funding of \$271,500 per annum.

In order to facilitate the transition to a Visitor Economy Partnership, staff from Yarra Ranges Council, Nillumbik Shire Council and Cardinia Shire Council have undertaken a co-design process, following these key decision-making principles:

- Strong governance
- Social license
- Delivering benefits
- Industry focused
- Driving progress.

Proposal

It is proposed that Council supports the formation of a new VEP and commits to providing the base level financial commitment of \$300k annually for the next three* years to become a paid member of the new entity.

* *Three years would mean that the outgoing Council would negotiate a new partnership agreement prior to the next local government elections in October 2028.*

Visitor Economy Partnerships are required to be an independent entity to satisfy Victorian Government funding requirements.

Through the co-design process a company limited by guarantee has been selected as the preferred entity type, due to its relative ease in transitioning from the current model, which is also a company limited by guarantee.

This entity type designates a board structure for its governance model, as follows:

- 1 independent Chair
- 3 Local Government Area Representatives (CEO or delegate)
- 4 Industry Representations (aiming for equal geographical spread, with 2 from Yarra Ranges)
- 3 skills-based board members (may include traditional owners)
- 1 State Government Observer (non-voting).

To progress the creation of the entity and guided by the decision-making principles, the Project Working Group established the VEP's statement of purpose, priorities, and entity name. The agreed name of Tourism East will stand as the registered entity name, and – following their appointment - the Board and CEO will decide on the trading name, which represents the public brand.

The following Statement of Purpose was agreed upon:

To work collaboratively to support a vibrant, thriving and sustainable Visitor Economy while maintaining the region's natural beauty for the benefit of our businesses, visitors and the community.

This purpose will be accomplished through four identified core priority areas:

1. Visitor attraction.
2. Industry support, growth, and resilience.
3. Product development and investment attraction.
4. Advocacy for the region.

A Constitution for Tourism East has been developed to establish strong governance for the organisation. Transition to the entity will begin on 1 July 2025, with the appointment of a Transition Chair and Transition Committee to be finalised by then.

Organisational staff will then move across from Yarra Ranges Tourism to the new entity, until such time as a new permanent Board has been appointed. This Board will then assume responsibility for future CEO and staff appointments. This will ensure good succession planning and continuity of service.

It is proposed that Council's financial contribution to become a member of the new VEP entity will be \$300,000 annually, and that Council commits this funding for the next three years to 30 June 2028 through the annual budget process. Following this time the membership will be reviewed.

It should be noted that, while YRC's investment to Yarra Ranges Tourism has decreased in the proposed new VEP partnership agreement, this enables the establishment of a new 1 FTE role at YRC, which will be responsible for delivery of the actions in the Destination Management Plan for which YRC is responsible.

Options considered

Option 1 - Recommended

Endorse the establishment of the new Visitor Economy Partnership for the region, subject to subsequent endorsement from Cardinia Shire Council and Nillumbik Shire Council on 14 April and 29 April respectively.

This option would be subject to Council endorsement on 8 April 2025 and subsequent endorsement from Nillumbik Shire Council and Cardinia Shire Council.

It would result in the transfer of Yarra Ranges Council's agreement with Yarra Ranges Tourism to the new Tourism East Visitor Economy Partnership for a period of 3 years to 30 June 2028.

Delegation will be given to the three Chief Executives to lead the transition process, including finalising the new Constitution.

Benefits	Risks
<ul style="list-style-type: none"> • Ensures YRC can leverage opportunities offered by the partnership to grow the visitor economy in the region. • Addition of Cardinia Shire Council as a partner brings in additional funding. • Increased funding from State Government of \$350k, and unique access to other State Government funding opportunities. • A decrease in funding from YRC of \$300k to ensure we can participate as a paid member in the partnership. • Council would have greater involvement in tourism, through the establishment of an internal FTE role, tasked with delivery of the Destination Management Plan. • Access to destination marketing through Visit Victoria. 	<ul style="list-style-type: none"> • Negative response from Yarra Ranges Shire businesses and residents, in particular that board representation will reduce from 4 to 2 industry board members. • This will be mitigated through targeted industry engagement and the establishment of a Yarra Ranges specific Advisory Committee. • Loss of full veto rights in the Constitution.

<ul style="list-style-type: none"> • Ensures that insights from our region will inform State Government's policy development and investment priorities. • Supports Council's strategic priorities, including the Council Plan, Economic Development Strategy, and the Yarra Valley and Dandenong Ranges Destination Management Plan, which help achieve a strong and thriving local economy. • Leverage benefits of scale, including participation in a well-supported regional tourism network with access to data, insights, and tools to track outcomes. • Have local ownership and flexibility with the broad geographic coverage to deliver region-wide initiatives. 	
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Option 2 – Not recommended

Do not provide support for the establishment of the new Visitor Economy Partnership for the region and seek to retain Yarra Ranges Tourism instead, i.e. status quo.

The two remaining partner councils, Nillumbik Shire and Cardinia Shire, could potentially still form a VEP with state government (subject to their Council approval), and potentially partner with another local authority.

Benefits	Risks
<ul style="list-style-type: none"> • Continues with the current model, with local ownership and greater control by YRC, including veto rights. • This may receive a positive response from Yarra Ranges Shire businesses and residents in the first instance. But this would be negated by the loss of access to state and other local government partner funding. 	<ul style="list-style-type: none"> • YRC would miss out on leveraging opportunities offered by the partnership to grow the visitor economy in the wider region. • More funding required (at least \$500k) to ensure that Yarra Ranges Tourism remains viable. • No access to State Government funding of \$350k, or unique access to other State Government funding opportunities. • Limits access to destination marketing through Visit Victoria. • Misses out on the benefits of scale,

	<p>including participation in a well-supported regional tourism network with access to data, insights, and tools to track outcomes.</p> <ul style="list-style-type: none"> • Insights from our region will not be used to inform State Government's policy development and investment priorities. • Significantly hampers the delivery of Council's Economic Development Strategy and Destination Management Plan across the Shire. • Reputational risk – negative impact on relationships with Nillumbik Shire Council, Cardinia Shire Council and State Government.
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Option 3 – Not Recommended

Act as the only local authority to provide support for the establishment of the new Visitor Economy Partnership for the region

This option would be subject to endorsement from State Government.

Benefits	Risks
<ul style="list-style-type: none"> • Provides greater control to YRC, including continued veto rights. • Have local ownership and flexibility with the broad geographic coverage to deliver region-wide initiatives. • This may receive a positive response from Yarra Ranges Shire businesses and residents in the first instance. But this would be negated by the decrease in state funding, and loss of other local government partner funding. 	<ul style="list-style-type: none"> • This is not the preferred option of State Government and would lead to a decrease in their funding. • YRC would miss out on leveraging opportunities offered by the partnership to grow the visitor economy in the wider region. • More funding required (at least \$500k) to ensure that Yarra Ranges Tourism remains viable. • Misses out on the benefits of scale, including participation in a well-supported regional tourism network with access to data, insights, and tools to track outcomes. • Significantly hampers the delivery of

	<p>Council's Economic Development Strategy and Destination Management Plan across the Shire as we would likely have insufficient funding for the establishment of an internal FTE role, tasked with delivery of the Destination Management Plan.</p> <ul style="list-style-type: none"> • Reputational risk – negative impact on relationships with Nillumbik Shire Council, Cardinia Shire Council and State Government.
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Other options

Other options might include Yarra Ranges Council bringing tourism operations in-house, which would require the recruitment of up to 5 FTE staff, at a cost of approximately \$550k, plus additional budget of at least \$1M to cover operating costs. All the benefits of signing up to the Visitor Economy Partnership would be lost with this option.

Recommended option and justification

Option 1 - Endorses the establishment of the new Visitor Economy Partnership for the region, subject to subsequent endorsement from Cardinia Shire Council and Nillumbik Shire Council on 14 April and 29 April respectively.

Based on the analysis above, Option 1 provides significantly more advantages for Yarra Ranges Council Shire, and tourism operators in the region, than disadvantages, including increased access to funding from State Government and partner councils, and a reconfiguration of funding from Yarra Ranges Council. It also enables access to Visit Victoria, while ensuring that the Visitor Economy Partnership is the voice for tourism for the wider region.

FINANCIAL ANALYSIS

- The current partnership agreement with Council provides for a three-year financial commitment of \$489,016 per annum through the Yarra Ranges Tourism Limited Partnership Agreement until 30 June 2026, subject to annual review.
- The commitment includes \$106,000 per annum that directly supports the Yarra Valley Wine Growers Association, Regional Food Promotion, Yarra Valley Regional Food Group, and Tourism Grants that YRT administer on behalf of Council. These arrangements will be reviewed as part of the transition to the VEP.
- To be eligible for the Victorian Government funding, all three Local Government Areas must financially contribute to the partnership.

Council contributions are not prescribed due to the different nature of structures with each Visitor Economy Partnership.

- Amounts paid to the Visitor Economy Partnership were identified as part of the co-design process. The process suggested that initial contributions would be modelled on the visitation numbers to each Local Government Area. This was identified as the fairest model to allow for different Council size and capacity.
- Yarra Ranges Council visitation is 70% of the new region's visitation and an initial contribution of \$300,000 per annum is proposed for 2025/26. It is expected that Nillumbik Shire Council will contribute \$72,000 and Cardinia Shire Council a nominal sum of \$50,000 in the first year – although a funding request has been submitted to Council to match Nillumbik's contribution of \$72,000 for 2025/2026.
- The 2025/2026 contribution from Yarra Ranges Shire Council equates to approximately 71% of the overall baseline funding available to Tourism East - or 67% if Cardinia Shire contributes \$72,000. This figure excludes the \$350,000 contribution from State Government (see figure 1 below). Ongoing contributions would be established with Tourism East via a partnership agreement with Council.

Figure 1 - Comparisons between the councils and their respective financial contributions

	Cardinia Shire			Nillumbik Shire			Yarra Ranges Council		
	Value	% of Total Shire Industry	% of YV&DR VEP	Value	% of Total Shire Industry	% of YV&DR VEP	Value	% of Total Council Industry	% of YV&DR VEP
Economic Value - Total Output/ Sales	\$671.34m	7.3%	33%	\$234.08m	6.9%	12%	\$1,098.97m	8.9%	55%
Total Value add to Economy	\$265.9m	7.1%	32%	\$107.14m	6.9%	13%	\$455.59m	8.9%	55%
Visitor Economy Businesses	1,061	9.5%	32%	645	11.0%	19%	1,633	11.6%	49%
Total Tourism Employment	3,468	8.9%	34%	1,385	8.4%	14%	5,304	9.9%	52%
Population	118,194		35%	62,895		19%	156,068		46%
5-year Average Visitor Numbers (International + Domestic)	926,933		23%	268,016		7%	2,832,395		70%
5-year Average Visitor Nights (International + Domestic)	462,240		27%	25,508		2%	1,196,095		71%
Average Visitor Spend Per Trip	\$662			\$969			\$597		
Rates Income	110,382m		31%	74,436m		21%	167,780m		48%
2024/2025 Councils Contributions \$455,000	n/a			16% (\$72,000)			84% (\$383,000)		
CURRENT - 2025/2026 Councils Contributions \$422,000	12% (\$50,000)			17% (\$72,000)			71% (\$300,000)		
POTENTIAL OPTION* - 2025/2026 Councils Contributions - \$444,000	16.5% (\$72,000)			16.5% (\$72,000)			67% (\$300,000)		

*Cardinia has submitted a funding request to the Council to match Nillumbik's contribution for 2025/2026. A response is anticipated in early February.

APPLICABLE PLANS AND POLICIES

This report contributes to the following strategic objective in the Council Plan:

Vibrant Economy, Agriculture and Tourism:

Our tourism, agriculture, health, manufacturing and other industries are leading and dynamic. Strong investment and attraction underpin sustainable economic growth and job creation. This report contributes to the following major initiative in the Council Action Plan (2021-25):

- Become a world class trails and eco-tourism destination through project development, delivery, advocacy and partnerships, including the delivery of the Ridges and Rivers projects It also contributes to the following Council Plan Actions.
- Develop a destination management plan with Yarra Ranges Tourism Board to support the right eco-tourism, infrastructure growth that also protects our natural environment.
- Develop and deliver improvements to Council's network of recreational trails across the municipality to support improved recreational, health, social, and economic needs of the community and become a world class trails, agritourism and ecotourism destination.

RELEVANT LAW

Tourism East will be company limited by guarantee. This legal structure meets the State Government's independent entity requirement and satisfies the VEP funding requirements. An external legal team has formally reviewed tourism East's draft Constitution.

SUSTAINABILITY IMPLICATIONS

Economic Implications

Visitor economy businesses, organisations and events will benefit from the support from Tourism East as a recognised peak body for tourism in the region. This entity will have strong connections with the Victorian Government and regional network to unlock the potential of our region as a destination. This will unlock additional funding streams and opportunities, additional to the identified core funding.

Tourism East will be responsible for the implementation of the Yarra Valley and Dandenong Ranges Destination Management Plan, which will build the social licence of tourism across the local community and improve the liveability of the region. This Plan highlights key economic measures of success to be achieved by 2033, including increasing visitation to the region from 4.5 million visitors in 2023 to 9+ million visitors in 2033, with a shift from day trip to overnight visitation, along with increasing jobs in the region to 11,500 and gross revenue from \$1.2 billion to \$2.3 billion.

Once established, Tourism East will deliver marketing that will provide greater promotion of businesses and attractions. There will also be an increase in awareness of the region's attractions, which will increase the length of stay and visitor spend in the region.

Social Implications

Tourism East will be a recognised peak body to support this visitor economy of the region. This body will be advocating for investment into the visitor economy, which will create a broader range of activities available for both local and visitors to experience. The entity will also be involved in regional marketing, which may increase local pride for the region and increase connection to an individual's community and the greater region.

Environmental Implications

Tourism East will be implementing the Yarra Valley and Dandenong Ranges Destination Management Plan as the key strategic document for the entity. This document was planned through a holistic process and strongly acknowledges the importance of growing visitation in a sustainable manner and not negatively impact the region's environment. Once established, Tourism East will create appropriate policies to abide to and ensure environmental and sustainable impacts are managed appropriately.

COMMUNITY ENGAGEMENT

The Chair of Yarra Ranges Tourism, as the Regional Tourism Board, has participated in the co-design process.

Targeted stakeholder engagement has been undertaken with the tourism industry on 24 March, led by Yarra Ranges Council staff and the YRT Chair. This will include Yarra Valley Wine Growers' Association and Yarra Valley Regional Food Group.

Officers believe that appropriate consultation has occurred prior to final Council endorsement.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

Since September 2024, a significant amount of collaboration has occurred between participating councils, State Government and Yarra Ranges Tourism. This has been in the form of fortnightly in-person project working group meetings. The outcome has been the development of a proposed model for the formation of a Tourism East VEP, including the Constitution.

Next steps:

Date	Action
24 March 2025	Targeted industry engagement, including Wine Yarra Valley
8 April 2025	Yarra Ranges Council asked to endorse the three-way VEP, subject to subsequent endorsement from Cardinia Shire Council and Nillumbik Shire Council on 14 and 29 April, respectively

14 April 2025	Cardinia Shire Council consideration of the three-way VEP
29 April 2025	Nillumbik Shire Council consideration of the three-way VEP
30 April 2025	YRT Special General meeting to adopt new Constitution
Early May 2025	Public endorsement of VEP via joint media release from three councils
May 2025	Minister's decision
May/June 2025	Signing of new Partnership Agreement / MOU by three CEOs, as delegated by Council
30 June 2025	State Government funding of YRT ends
1 July – 31 Dec 2025	Transition Committee implements new VEP, including appointment of Chair
1 July 2025	YRT staff, including CEO, move across to new VEP
Post 1 July 2025	Recruitment of new VEP Board by Transition Committee
Within 12 months	New VEP Board review organisation structure, CEO etc.

RISK ASSESSMENT

The risks and benefits of each of the options have been outlined in the options analysis above.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

Nil