



A PERI-REGIONAL APPROACH

The economic and social benefits for the Mornington Peninsula and Yarra Ranges

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EXECUTIVE SUMMARY

- Mornington Peninsula and Yarra Ranges are unique ‘peri-regional’ areas with a mix of urban, rural and regional characteristics. This mix creates distinctive economic advantages and disadvantages. Acknowledging this and opening up regional funding streams to these municipalities will benefit the regions, their residents and the State of Victoria.

WHAT DEFINES PERI-REGIONAL VICTORIA

- Peri-regional areas are the missing piece in the spatial composition of Victoria. As a unique geographical form, it completes the picture of Victoria, which now includes metropolitan, Interface, peri-urban, regional cities and rural councils.
- Peri-regional areas can be identified by mapping the concentration of high-value agribusiness land, tourism destinations and conservation land. Doing this reveals that Mornington Peninsula and Yarra Ranges are predominantly peri-regional in nature.
- Although they are embedded amongst the rapidly urbanising Interface Councils of outer metropolitan Melbourne, unlike these other municipalities, Mornington Peninsula and Yarra Ranges intentionally retain important rural features and functions. This is partly a consequence of State government policy to establish Green Wedge Zones, which are mostly found in the two municipalities.
- We can define peri-regional Victoria as:

Regions of outer metropolitan Melbourne characterised by, and dependent on, the investment in tourism, agribusiness and high-value amenity and conservation landscapes for their economic and social wellbeing.

THE FEATURES AND CHALLENGES OF PERI-REGIONAL VICTORIA

- Across the domains of labour and skills, housing, transport, health and the consumer economy, Mornington Peninsula and Yarra Ranges share a mix of rural, regional and metropolitan features.
- Retaining the “regional in the urban” creates significant economic potential for Victoria. The assets and amenities in these areas (which service agribusiness, tourism and land conservation) are critical to the economic wellbeing of Victoria and are important ‘green lungs’ for Greater Melbourne, contributing significantly to the State’s globally recognised liveability.
- However, retaining the regional in the urban also generates vulnerabilities requiring tailored responses. Mornington Peninsula and Yarra Ranges have metropolitan





challenges such as skills gaps and high housing prices; regional challenges such as slow Internet speed and poor public transport access; and outer metropolitan challenges caused by socio-economic disadvantage across various measures (and reflected in high SEIFA index values).

- The importance of the visitor economy to Mornington Peninsula and Yarra Ranges also means the two municipalities are amongst the most seriously affected by COVID-19 related lockdowns. This has added to the challenges, with an estimated 2,205 and 3,178 jobs lost, respectively.

CHANGING THE POLICY SETTING

- Plan Melbourne and the Double Triple Vision 2020 set the spatial agenda for Victoria: to ease development pressure in Melbourne, more evenly distributing it around the State, and bridge the economic wellbeing gap between rural and urban Victoria. Our peri-regional LGAs can and should play a major role in helping Victoria meet these objectives.
- Unfortunately, the current policy setting means that Mornington Peninsula and Yarra Ranges invariably fall through the policy gap. Neither urban nor regional, they are often required to apply to urban programs to fund what are essentially regional objectives. While they do occasionally secure funding for these activities, it is often ad hoc. Moreover, the evidence shows the level of support provided is not commensurate with the economic contribution the two LGAs make to the State.
- There are State-significant economic opportunities in the two LGAs that currently do not match any consistently regulated funding support stream. However, by adjusting regional funding programs (particularly those for agribusiness and tourism) so that peri-regional areas are recognised, these places will make a greater, long-term contribution to the State's economic wellbeing.
- For example:
 - An evaluation of just four unfunded agribusiness and tourism projects in the two LGAs (all of which are similar to funded regional projects) suggests around \$121 million in GRP could have been generated for the State if they had been funded.
 - Applying the Regional Victorian payroll tax rate of 2.43% to the two LGAs, rather than the current metropolitan rate, could yield over \$31.9 million and \$30.2 million respectively in tax savings to local employers, which may stimulate local job creation and go some way to reducing the transport burden generated by the outflow of commuters from these LGAs.
 - The Building Better Regions Fund location-based eligibility criterion excludes 86% and 68% of Mornington Peninsula's and Yarra Ranges' economically active areas. The combined GRP for these excluded areas is \$10.4 billion.





NEXT STEPS

- There are precedents for recognising the uniqueness of peri-regional Victoria. We introduced peri-urban LGAs and Interface Councils in response to the complexity of the challenges in rapidly urbanising, formerly rural areas. Peri-regional Victoria is just another type of complex region: where urbanisation is curtailed in favour of agribusiness, tourism and nature conservation.
- There are at least four options for how we do this in an efficient way:
 - 1) **Business as usual.** We can leave the policy and program setting as is, with the occasional ad-hoc inclusion of Mornington Peninsula and Yarra Ranges into regional funding programs. Although useful, this is sub-optimal, with the evidence showing funds are not always efficiently allocated.
 - 2) **Reclassify as regional.** We can reclassify the two LGAs as regional. There is a case for this as they share many features with regional Victoria, particularly the regional cities. However, the analysis clearly shows that the two LGAs retain (and are likely to continue to retain) both metropolitan and regional characteristics. Reclassifying them as regional LGAs would, in all likelihood, create new issues caused by the mismatch. At the least, reclassification may require the rezoning of State-significant Green Wedge Zones.
 - 3) **Create a new Region Type.** We can formalise a peri-regional LGA status for the two municipalities. This will create an efficient mechanism for eligibility for regional LGA programs that support State-significant, metropolitan-based regional industries (particularly agribusiness and tourism). There is a precedent for this. The Peri-Urban Group of Rural Councils have urban features and issues and are now treated as a unique set of LGAs. However, creating a new region type is a major undertaking and should not be considered lightly.
 - 4) **Expand program eligibility.** We can expand existing regional funding programs to include Mornington Peninsula and Yarra Ranges. This may be the most efficient 'fine-tuning' approach, and, again, there is a precedent for this in the inclusion of peri-urban LGAs in the eligible pool for the Growing Suburbs Fund. Some thought will be required about how future (new) funding programs deal with the two LGAs.

Option 4 is considered the most balanced approach. It requires a modest adjustment to existing policies and programs and will require the least administrative effort to implement. On that basis, it is the recommended solution.





Contents

Page

1.0	INTRODUCTION	1
1.1	Background.....	1
1.2	What is peri-regional?	2
1.3	Why is this important?.....	2
2.0	DEFINING A PERI-REGIONAL AREA.....	3
2.1	A state of regions	3
2.2	Defining a peri-regional area.....	5
3.0	THE FEATURES AND CHALLENGES OF PERI-REGIONAL VICTORIA.....	9
3.1	Peri-regional characteristics.....	9
3.2	Peri-regional vulnerabilities	11
3.3	The importance of retaining the regional in the urban.....	12
4.0	CHANGING THE POLICY SETTING.....	15
4.1	Introduction	15
4.2	The policy context	15
4.3	Funding incompatibility	16
4.4	Tax implications.....	24
4.5	Concluding statement.....	25
5.0	APPENDIX.....	27
5.1	Methodology	27
5.2	Charts and Data.....	29





Figures

Page

Figure 1: Victoria's Regions	4
Figure 2: Peri-Regional Definition	6
Figure 3: Population Growth by LGA Group (2000-2020).....	7
Figure 4: Defining Peri-Regional Victoria	7
Figure 5: Population Growth by LGA, 2011-2021	8
Figure 6: Daily Visitor (Discretionary) Spend, Mornington Peninsula.....	13
Figure 7: Daily Visitor (Discretionary) Spend, Yarra Ranges.....	13
Figure 8: Percentage Job Loss, Top 10 Metropolitan SA3s.....	14
Figure 9: Comparing Wine Fund Grants and Wine Industry Scale	19
Figure 10: Horticultural Innovation Grants to Horticultural Economic Value.....	19
Figure 11: BBRF Eligible and Ineligible Regions	23
Figure 12: Top 10 LGAs by Agricultural Value	30
Figure 13: Top 10 LGAs by Conservation Land Area.....	30
Figure 14: Top 10 Tourism Destinations LGAs	31
Figure 15 Top 10 LGAs by Improved Land Value.....	31
Figure 16: Escape and Local Spend Shares – All Spending	32
Figure 17: Escape and Local Spend Shares - Consumer Staples	32
Figure 18: Escape and Local Spend Shares - Discretionary Spend	33
Figure 19: Escape and Local Spend Shares – Services & Other	33

Tables

Page

Table 1: Peri-Regional Index Parameters	6
Table 2: Nearest Neighbour Ranking/Typology.....	10
Table 3: Critical Peri-Regional Vulnerabilities	12
Table 4: Change in Visitor Spend Lockdown/Pre-lockdown	14
Table 5: The Development Policy Context	16
Table 6: Major RDV Funding Programs	18
Table 7: Economic Impact of Unfunded Projects	20
Table 8: Matching Peri-Regional Unfunded Projects with Funded Regional Projects.....	20
Table 9: BBRF Eligible/Ineligible Activity	23
Table 10: Payroll Tax Estimations by LGA.....	24
Table 11: Payroll Tax Concession Impacts by LGA	25



1.0 Introduction

Mornington Peninsula and Yarra Ranges have commissioned a study demonstrating their unique geographical and economic conditions and the importance (and benefits) of acknowledging this through fine-tuning existing funding and policy support. The two municipalities are peri-regional areas: places that, while located in the (outer) metropolitan area, retain many of the economic and social characteristics of regional areas. By providing support that addresses the problems and leverages the benefits associated with these characteristics, the two LGAs can make a far greater contribution to local, regional and State economic wellbeing.

1.1 Background

In June 2020, Victoria's five peri-urban councils¹ were granted access to the Growing Suburbs Fund, originally established for Victoria's ten Interface Councils². The adjustment was an acknowledgement that, as with the Interface Councils, peri-urban Victoria was experiencing rapid population growth, and part of its landscape was transitioning from rural to urban.

Changing the program eligibility has created a precedent for formally fine-tuning policy, and it draws attention to an important and, thus far, overlooked issue: that although they are Interface Councils, Mornington Peninsula and Yarra Ranges are not rapidly transitioning from rural to urban and, therefore, they are not experiencing rapid population growth like the other eight councils in the group.

The challenges faced by these two councils result from a different set of pressures derived from retaining critical rural landscape

characteristics that support tourism, agribusiness and environmental services³.

This poor fit between the two municipalities, council groupings, and funding eligibility is why this study was commissioned. It:

1. Draws attention to the unique conditions of peri-regional areas, which share features in common with outer metropolitan, rural and regional areas.
2. Articulates the case for treating the two municipalities as peri-regional. Data shows how they retain many regional characteristics, such as dominant agribusiness and tourism activity, and have infrastructure and service issues typical of regional areas (e.g. a shortfall in public transport connectivity).
3. Demonstrates how residents in the two municipalities are being under-served.
4. Demonstrates how enabling regular (rather than *ad hoc*) access to regional funding and policy programs for the two

¹ Bass Coast, Baw Baw, Golden Plains, Moorabool and Surf Coast.

² Cardinia, Casey, Hume, Melton, Mitchell, Nillumbik, Whittlesea and Wyndham, along with Mornington Peninsula and Yarra Ranges.

³ A recent example of this is the State Government's plan to create the Liwik Barring Landscape Conservation Area, which is partly in the Yarra Ranges.





municipalities will benefit residents and, more broadly, Victoria's economy.

Research for this project occurred from September to November 2021.

1.2 What is peri-regional?

Peri-regional areas are typically found at the edges of metropolitan regions and are often the gateway to the regions, with roads, tourist trails, forests and natural landscapes leading out of urbanised and into rural settings.

However, unlike peri-urban areas, through a combination of land controls and physical constraints, they are retaining, rather than transforming, their regional characteristics. This is done particularly to support agribusiness and tourism while still accommodating important environmental services, such as green space retention and water catchments.

While these peri-regional areas may not experience the same residential development pressures that peri-urban areas or the other Interface Councils do, they have unique challenges associated with:

- service access (the lower density of development often means service provision is poor relative to inner urban or peri-urban areas);
- the demands of the agricultural sector (transport and logistics networks, water access and the farming activity itself all require sufficient space and appropriate, ongoing infrastructure investment to be efficient); and
- the importance of protecting and enhancing high-value tourism assets (particularly the rural landscapes)⁴.

1.3 Why is this important?

Most outer metropolitan council areas are defined by the rate of residential development and the need for infrastructure investment and job growth to match.

By contrast, peri-regional areas seek to retain, not replace, their rural and conservation land. Agribusiness and tourism in these peri-regional areas are far more important to the economic wellbeing of residents and visitors than allowing these landscapes to transition to urban areas via wholesale housing subdivision. Because the economic drivers are different, the consequences are different, with peri-regional areas appearing and functioning more like regional or even rural areas but located in and sharing some of the features (good and bad) of urban areas.

Our human landscapes are complex, and compromises will always be made when categorising them into typologies. Nonetheless, there is real economic opportunity in fine-tuning our current funding and policy guidelines so that our peri-regional areas can make a bigger and more effective contribution to the State's economic wellbeing.

'Peri-regional' is the missing piece in the puzzle of the spatial components of Victoria. And it is not a complex process to introduce. It merely requires a small change to key funding and support program access that ensures regional development policies better reflect the unusual circumstances of Mornington Peninsula and Yarra Ranges.

⁴ The newly proposed Federal tourism strategy, THRIVE 2030, emphasises the importance of enhancing tourism assets and infrastructure as part of a plan to help return Australia to a sustainable economic growth trajectory.





2.0 Defining a Peri-Regional Area

Victoria is comprised of several recognised LGA groupings. By deploying a simple quantitative method, we can show how Mornington Peninsula and Yarra Ranges have economic and land use characteristics similar to both regional and metropolitan Victoria. This mix creates the basis for another grouping, one that has a ‘retained rural in urban’ character. Four metrics can be combined to show where this exists in metropolitan Melbourne: agribusiness activity, the abundance of conservation land, tourism and land value.

2.1 A state of regions

Spatial differences abound. Where we live and work makes a difference to our lives, particularly our access to everything from jobs and services to clean air and water.

These differences are becoming increasingly complex. So much so that, for a long time now, the traditional urban-rural divide has not satisfactorily defined them.

In the last few decades, the Australian Bureau of Statistics identified five regions that describe Australia from a statistical perspective⁵. This typology was based on relative accessibility to services. At the global scale, UN-Habitat is working on the challenges of defining rural-urban boundaries and expends considerable efforts to analyse, categorise and develop custom programs and policies for the different typologies.

Half a century ago, the term ‘peri-urban’ was introduced. This defines (generally) fast-growing rural hinterlands immediately outside cities and characterised by often conflicting rural and urban land uses. They are, though, transforming from predominantly rural to predominantly urban functions.

Here in Victoria, we both formally and tacitly acknowledged this concept by adopting the classification of the five peri-urban LGAs.

Even this has proven inadequate at fully capturing the complexity of different economic, physical and social settings. Our 79 Victorian LGAs are organised into occasionally overlapping groups, including:

- 10 Regional Cities
- 10 Interface Councils
- 38 Rural Councils
- 41 Metropolitan Councils
- 5 Inner City IMAP councils
- 7 National Growth Areas Alliance members

Each group has different levels of policy support, different advocacy bodies, exclusive funding streams and so forth. For example, the Growing Suburbs Fund is specifically designed to help manage the growth pressures in the outer metropolitan Interface

⁵ Major Cities; Inner Regional; Outer Regional; Remote; and Very Remote. These are based on relative access to services as measured by the Accessibility and Remoteness Index (ABS, 2021).





Councils. From June 2020, the peri-urban councils were eligible for this program to recognise rapid urbanisation.

Figure 1 illustrates the current main groupings defined by dominant themes.

By necessity, the organisation of different LGA groupings continues to evolve as economic and other conditions change and development continues. As we adopted the concept of peri-urban areas to recognise the rapid urbanisation of formerly rural hinterland, we must now turn to those pockets of critical rural land in outer metropolitan areas: the peri-regional. These have their own unique economic and social opportunities and challenges. Here in Victoria, peri-regional areas overlap our Interface Councils. However, it is a unique setting. Quantitative and qualitative measures can show how peri-regional Victoria is neither urban, regional, Interface, nor peri-urban.

Peri-regional Victoria is dominated by (mostly) outdoor and conservation land-based tourism activity and, most significantly, important agribusiness activity.

Unlike peri-urban areas, which are, over time, transitioning to an urban form, these places are intentionally retaining regional features. Furthermore, they have strong economic and social connections with other regional areas, whether through agricultural supply chains or neighbouring tourism and amenity assets that form a connected visitor experience.

Mornington Peninsula and Yarra Ranges are two such regions in Victoria. Nillumbik and Cardinia share some of these features, and there may be merit in considering at least part of these LGAs as belonging to peri-regional Victoria.

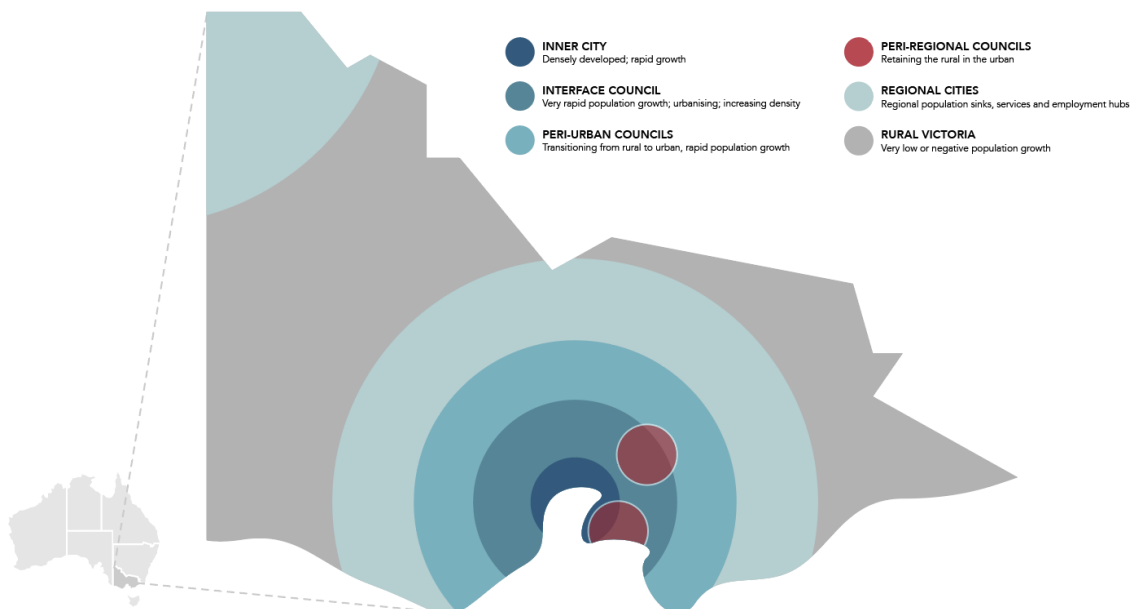


Figure 1: Victoria's Regions

A stylised image of Victorian LGAs grouped into primary locational classifications. Source: Geografia, 2021





2.2 Defining a peri-regional area

Peri-regional Victoria is:

Regions of outer metropolitan Melbourne characterised by, and dependent on, the investment in tourism, agribusiness and high-value amenity and conservation landscapes for their economic and social wellbeing.

By mapping regional characteristics, such as the presence (and dominance) of agribusiness, we can identify the peri-regional areas in Greater Melbourne. To do this, the following four data sets have been used:

1. Agricultural output by value.
2. Total volume of conservation land.
3. Volume of tourism activity.
4. Total capital land value.

Areas with high agricultural output value, extensive areas of conservation land, and high volumes of tourism activity are typically regional.

High (improved) land value is also included to correct for low value remote rural land and to account for the fact that peri-regional areas are high value *in their current use*. Not only are they regional, but they are also high-value regional.

By merging this data into a single index and then mapping the top decile, we see Victoria's predominantly higher value regional areas. If we exclude rural Victoria from this, it shows that Mornington Peninsula, Yarra Ranges and parts of Cardinia and Nillumbik, are defined by these characteristics and, therefore, peri-regional (Figure 2).

Of the total land area of the two municipalities, 77% of Mornington Peninsula (or 560 of the Shire's 724 sqkm) and 44% of Yarra Ranges (or 1,081 of the 2,461 sqkm) are in the top decile of the index. As the index factors in land value, this is essentially the quantum of land in the two municipalities that is high-value peri-regional land. Table 1 lists the top ten (by the total volume of peri-regional land area) from the metropolitan LGAs⁶.

WHY NOT USE INTERFACE COUNCIL CLASSIFICATION?

Not surprisingly, as the data in Table 1 shows, the top ten LGAs are all Interface councils. However, historical population growth data is also included. This unequivocally demonstrates that, while the Interface Councils all *currently* have extensive peri-regional land area, Mornington Peninsula and Yarra Ranges are retaining it, while the other eight are seeing the land transitioning to urban (residential) land. This is why population growth is significantly lower.

In fact, as Figure 3 shows, population growth over the last 20 years in Mornington Peninsula and Yarra Ranges has been much closer to the regional city, or even rural LGA average, than that of the metropolitan council or peri-urban groupings.

It is important to note this low growth rate is not a cause of peri-regional status but an intentional outcome. Land is considered more valuable for agribusiness, tourism or environmental services than for residential development.

⁶ Figure 1212 to 15 in the Appendix plot the top 10 LGAs by each these individual metrics. In most cases (albeit not all) these are Interface Councils.



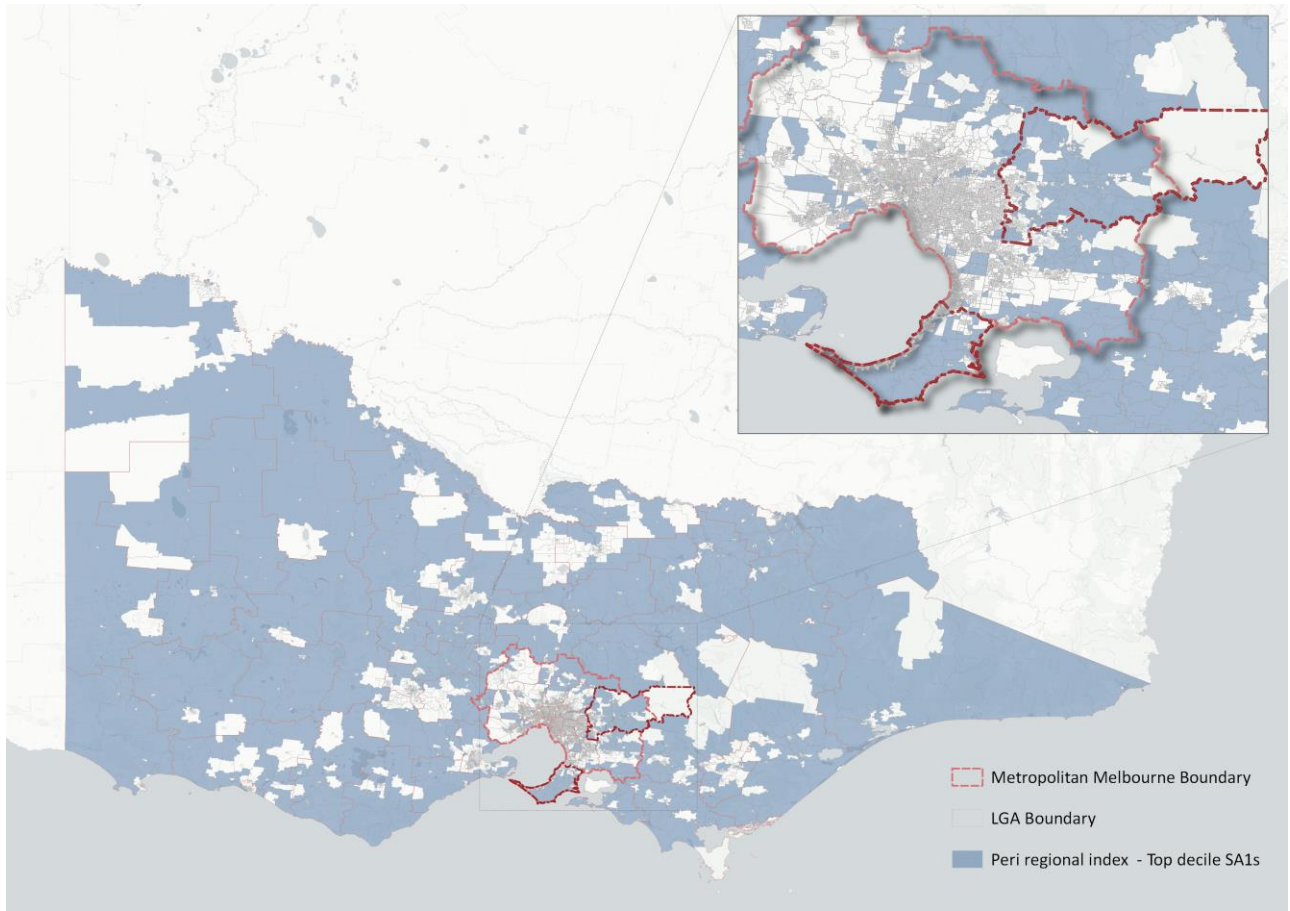


Figure 2: Peri-Regional Definition

Source: Geoscience Nexus, ABS Agricultural Census 2016-17, Tourism Research Australia, 2019, ABS Experimental Land Account, 2016.

Table 1: Peri-Regional Index Parameters

LGA	Total Land Area (sqkm)	'Peri-Regional' Area (sqkm)	Percentage	AAGR ⁷
Mitchell	2,737	2,015	74%	4%
Yarra Ranges	2,462	1,081	44%	1%
Cardinia	1,283	741	58%	6%
Mornington Peninsula	724	560	77%	2%
Whittlesea	490	222	45%	5%
Melton	528	151	29%	5%
Nillumbik	432	120	28%	1%
Casey	409	91	22%	4%
Hume	504	47	9%	4%
Wyndham	542	39	7%	6%
Average			39%	4%

Source: ABS, 2021, Geografia, 2021, Geoscience Nexus, ABS Agricultural Census 2016-17, Tourism Research Australia, 2019, ABS Experimental Land Account, 2016

⁷ Average Annual (population) Growth Rate.



If we plot population growth and the volume of peri-regional land, we can see natural groupings within the Interface Council group (Figure 4). Mornington Peninsula and Yarra Ranges sit in the bottom right quadrant of low growth, peri-regional (i.e. non-urbanising).

Figure 5 maps recent historical population growth rates by LGA to highlight the contrast between Mornington Peninsula, Yarra Ranges and its neighbours.

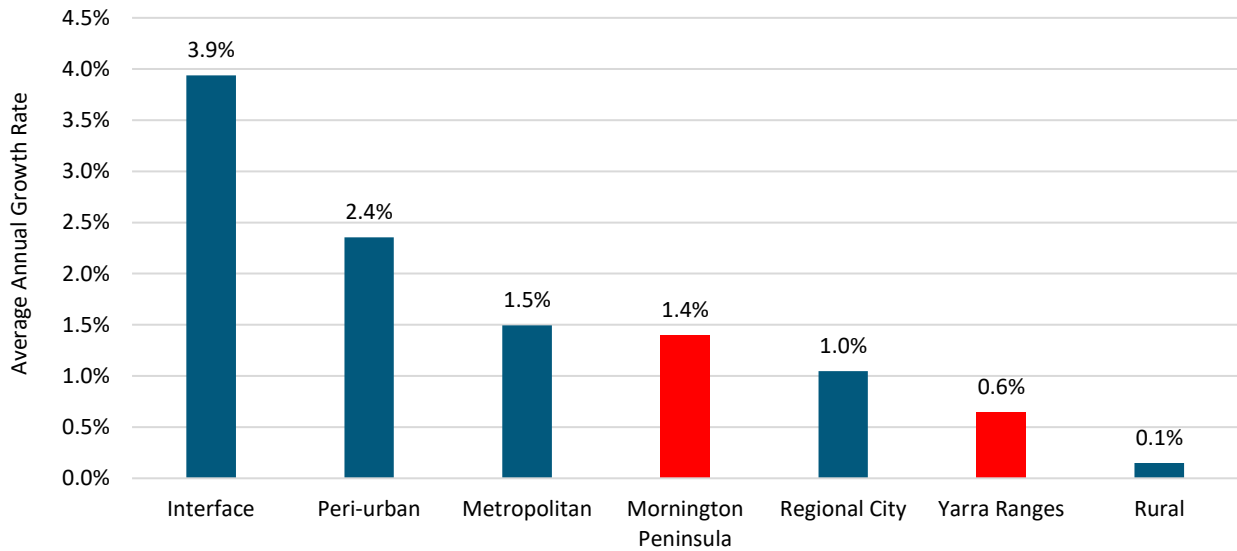


Figure 3: Population Growth by LGA Group (2000-2020)

This plots the average annual population growth rate for Victorian LGA groups. Source: ABS, 2021

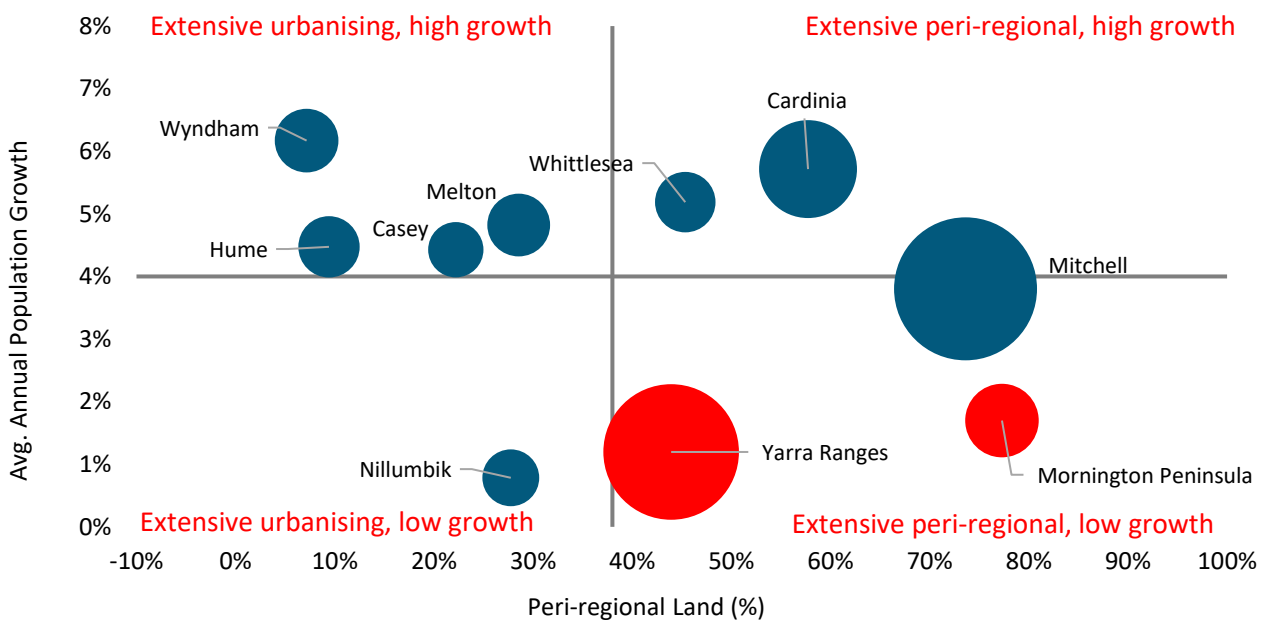


Figure 4: Defining Peri-Regional Victoria

Source: ABS, 2021, Geografia, 2021, Geoscience Nexus, ABS Agricultural Census 2016-17, Tourism Research Australia, 2019, ABS Experimental Land Account, 2016



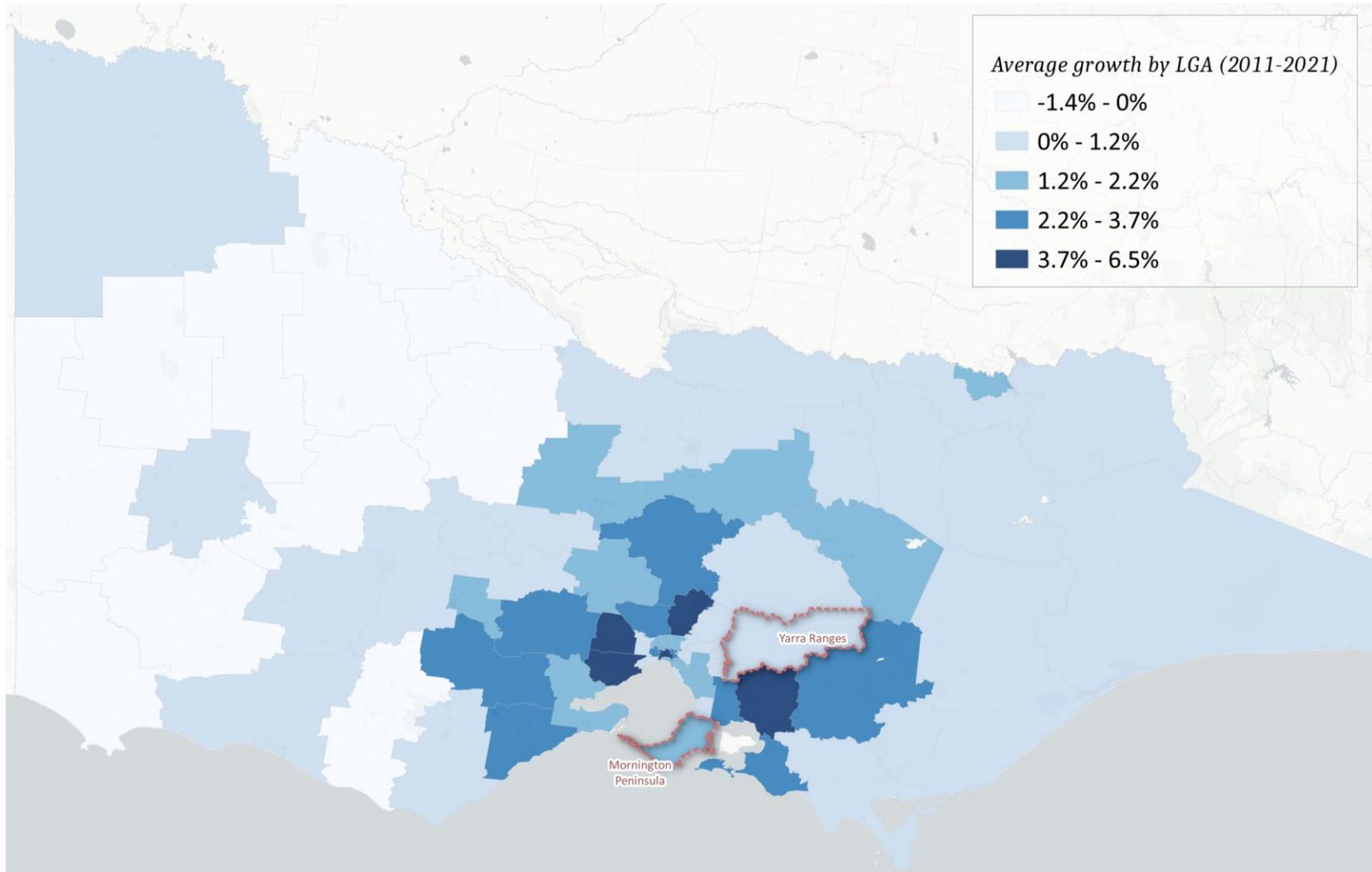


Figure 5: Population Growth by LGA, 2011-2021

This maps the average annual change in Estimated Resident Population for Victorian LGAs. It shows how Mornington Peninsula and Yarra Ranges are embedded within faster-growing areas. Source: ABS, 2021



3.0 The Features and Challenges of Peri-Regional Victoria

Further quantitative analysis of key economic characteristics of Mornington Peninsula and Yarra Ranges reveals their mixed characteristics. Although the two LGA's peri-regional characteristics provide important economic advantages for Victoria, they also introduce economic disadvantages, with challenges across the breadth of the major policy domains, from housing to connectivity and health and welfare.

3.1 Peri-regional characteristics

Mornington Peninsula and Yarra Ranges largely sit in outer metropolitan Victoria but border rural Victoria. Not surprisingly, economic data shows they share features in common with rural and metropolitan areas.

By using nearest neighbour analysis⁸ with all other LGAs, we can quantify the extent to which these LGAs are more similar to rural or metropolitan councils.

In addition, by ranking the LGAs by variable⁹ - that is, how they compare on key socio-economic metrics with other LGAs - we can also identify the most critical economic vulnerabilities.

The analysis investigated 25 metrics across five domains, the first four of which (labour force and skills; transport and connectivity; health and welfare; and housing) represent the major policy priorities for both urban and regional development.

The fifth domain involved an analysis of bank transaction data. This revealed aspects of the consumer economy that highlight further economic vulnerabilities¹⁰.

The results of this analysis are shown in Table 2. It includes both the metropolitan ranking results for each metric (excluding visitor spending) and the nearest neighbour analysis outputs, which matches the two LGAs for each domain with the nearest LGA by data values.

⁸ A form of machine learning that uses a statistical comparison to classify cases based on their similarity across a group of variables to other cases.

⁹ Ranking is done only for metropolitan LGAs given the two LGAs are currently classified as metropolitan.

¹⁰ For Expenditure analysis, Spendmapp data for the calendar year 2019 was used. This removed the influence of lockdowns on this analysis. Data is compiled at LGA level, and excluded the City of Melbourne. Ranking for consumer expenditure is based on the highest proportion of spending escaping or going online (i.e. leaking instead of being spent with local businesses). Visitor Expenditure extracts spending on discretionary goods and services during non-work hours. Note that, to comply with data anonymity rules, the closest matching region is used, rather than LGA.



Table 2: Nearest Neighbour Ranking/Typology

Domain	Metrics	Rank	
		MP	YR
Labour force and skills	% of Population:		
	• Completed high school	30	28
	• Completed Cert iii and iv	4	2
	• Employed in agribusiness or tourism	3	1
	• Unemployed	26	18
	• In the lowest income quartile	5	12
	<i>Closest Matching LGA</i>	<i>Greater Geelong</i>	<i>Frankston</i>
Transport and connectivity	• Mobile download speed	29	30
	• Mobile upload speed	28	31
	• Fixed broadband download speed	28	30
	• Fixed broadband upload speed	28	30
	• % of pop with public transport access ¹¹	30	28
		<i>Closest Matching LGA</i>	<i>Cardinia</i>
Health and welfare	% of (relevant population):		
	• Classified at health risk (DHHS)	15	10
	• Jobseeker recipients	16	17
	• Jobkeeper recipients	5	17
	• With a low-income card	6	7
	• On aged pension	1	7
	• Requiring disability assistance	8	21
(Other) SEIFA index	22	21	
	<i>Closest Matching LGA</i>	<i>Mansfield</i>	<i>Maroondah</i>
Housing	% of (relevant population):		
	• Experiencing rental stress	4	7
	• Experiencing mortgage stress	15	14
	• Experiencing homelessness	5	8
	• Receiving C'wealth Rent Assistance	11	22
	(Other) Median House Price	20	22
	<i>Closest Matching LGA</i>	<i>Wangaratta</i>	<i>Moorabool</i>
Resident Consumer Expenditure	Resident Spend Leakage:		
	• Consumer Staples	18	8
	• Discretionary Spend	19	14
	• Services	20	14
	• Total	19	12
	<i>Closest Matching Region</i>	<i>Rural</i>	<i>Metropolitan</i>

Figures in bold are the 'worst' ranked variables for each LGA in each domain. In each case, a higher number is a poorer outcome. Source: Department of Social Services, 2021; Department of Health and Human Services, 2021; Department of Treasury, 2021; ABS, 2016, National Skills Commission, 2021; Social Health Atlas of Australia, 2021; Valuer-General of Victoria, 2021; Ookla, 2021; Spendmapp by Geografia, 2021

¹¹ This refers to the percentage of the resident population living within 400m of a bus and/or 600m of a tram and/or 800m of a train station.





3.2 Peri-regional vulnerabilities

From Table 2, we can conclude that:

- depending on the metric, each municipality is most similar to a mix of metropolitan council (e.g. Frankston and Yarra Ranges on labour force and skills gaps); regional city (e.g. Mornington Peninsula and Wangaratta on housing stress), and rural council (e.g. Mornington Peninsula and Mansfield on health and welfare issues); and
- the two municipalities consistently rank amongst the worst performing on most of the metrics evaluated.

The diverse mix of characteristics in the two municipalities shows they are neither fully urban nor fully regional. Nor are they transitioning from a rural landscape to one that is predominantly urban - the typical trajectory of outer metropolitan areas.

As they are neither regional nor urban nor in transition, there is a case for treating them as relatively unique regions requiring tailored policy and funding solutions.

In identifying the unique status of Mornington Peninsula and Yarra Ranges, the analysis also reveals some of the economic vulnerabilities these characteristics create.

Table 3 highlights the 'worst' ranked variables from the analysis. That is variables where the two LGAs perform at or near the bottom relative to the other metropolitan councils.

We can see from this that they have:

1. Metropolitan challenges such as skills gaps and high housing prices.
2. Typically regional and rural challenges such as slow Internet speed and poor public transport access.

3. Outer metropolitan challenges such as a high SEIFA index caused by socio-economic disadvantage across various measures.

With respect to consumer expenditure patterns, the two LGAs have high expenditure leakage in non-basic goods and services (for example, discretionary spending on specialised goods, dining and entertainment). This can be characteristic of both rural areas, where this expenditure leaks to Regional Cities and outer metropolitan areas where the leakages go to the central city. In this case, Mornington Peninsula matches the former and Yarra Ranges the latter.

The next section reviews the policies relevant to the two LGAs in the context of these economic characteristics and vulnerabilities.





Table 3: Critical Peri-Regional Vulnerabilities

Domain	Mornington Peninsula	Yarra Ranges
Labour force and skills	<ul style="list-style-type: none"> Proportion of adult population having completed high school 	<ul style="list-style-type: none"> Proportion of adult population having completed high school
Transport and connectivity	<ul style="list-style-type: none"> Public transport access 	<ul style="list-style-type: none"> Mobile Internet Upload Speed Public transport access
Health and welfare	<ul style="list-style-type: none"> SEIFA index 	<ul style="list-style-type: none"> Proportion of population requiring disability assistance SEIFA index
Housing	<ul style="list-style-type: none"> Housing cost 	<ul style="list-style-type: none"> Proportion receiving C'wealth rent assistance Housing cost
Resident Consumer Expenditure	<ul style="list-style-type: none"> Services spending leakage 	<ul style="list-style-type: none"> Services spending leakage Discretionary spending leakage

3.3 The importance of retaining the regional in the urban

Mornington Peninsula and Yarra Ranges are part of the Interface Council group. They:

- Share the history of underfunding for infrastructure;
- Have had less per capita public investment in health services and social housing than inner Melbourne;
- Have poor public transport networks.

But as has been described already, they differ in several critical ways. Most importantly, the two LGAs retain (and will continue to retain) critical and high-value agricultural areas, which generate significant agribusiness and tourism export revenue to the State. As shown earlier, this means their population growth rates are significantly lower than the other Interface Councils.

Mornington Peninsula and Yarra Ranges also make a unique contribution to Victoria as day-tripper destinations. The two LGAs have the second and third highest visitor counts for metropolitan councils and the potential to become significant assets for delivering on the Federal Government's THRIVE 2030 Plan

(currently in draft form). Amongst other things, this seeks to diversify tourism markets, including domestic tourism, and enhance infrastructure supporting the visitor economy.

We can see exactly how valuable the areas are as day trip destinations for metropolitan residents in the pattern of visitor spending. Figure 6 and Figure 7 show the daily spending by metropolitan visitors to the two LGAs from January 2020 to September 2021. Spending is shown for selected discretionary categories such as accommodation, dining and entertainment and specialised food (including alcohol).

During lockdown periods, visitor spending was notably down compared with non-lockdown periods. However, it did recover rapidly relative to the visitor spend rebound in metropolitan councils.

Table 4 further emphasises that the two peri-regional LGAs are key visitor destinations for Greater Melbourne residents who have had few choices for recreational trips through this period. Under Stage 4 conditions, they were amongst the hardest hit LGAs in terms of the decline in visitor spending.



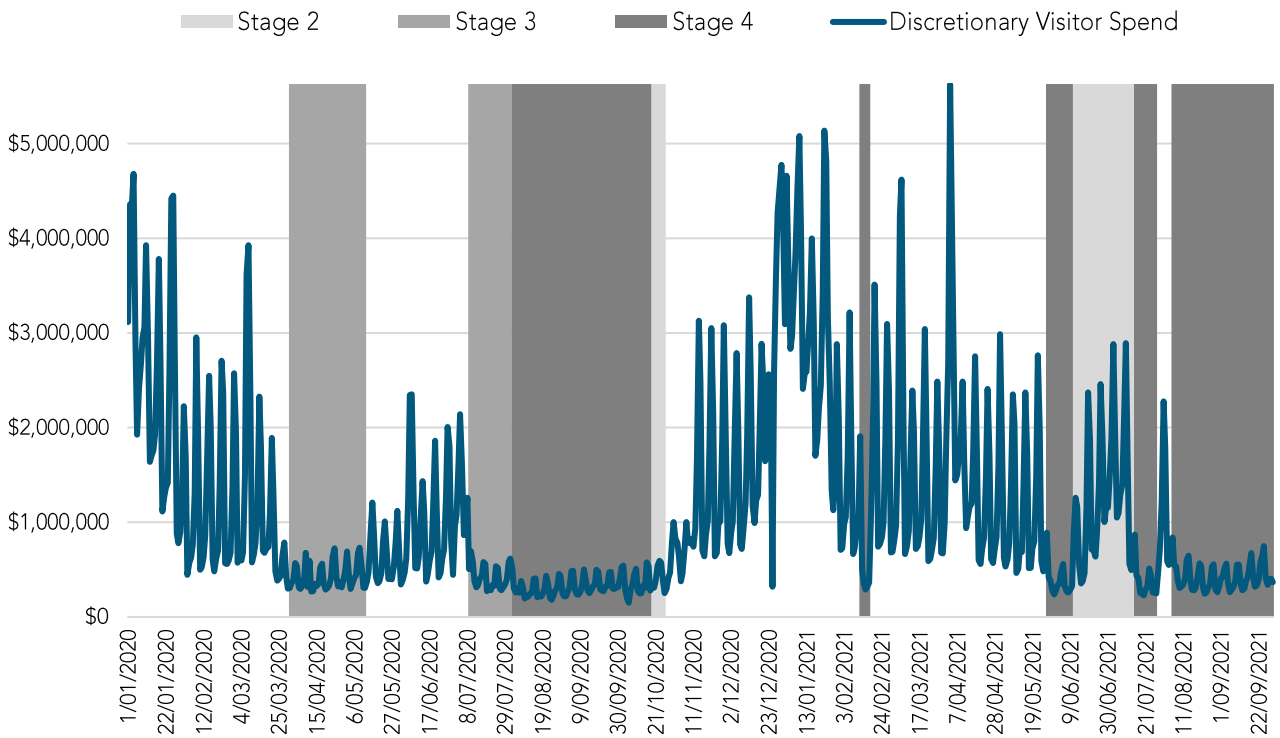


Figure 6: Daily Visitor (Discretionary) Spend, Mornington Peninsula
Source: Spendmapp by Geografia, 2021

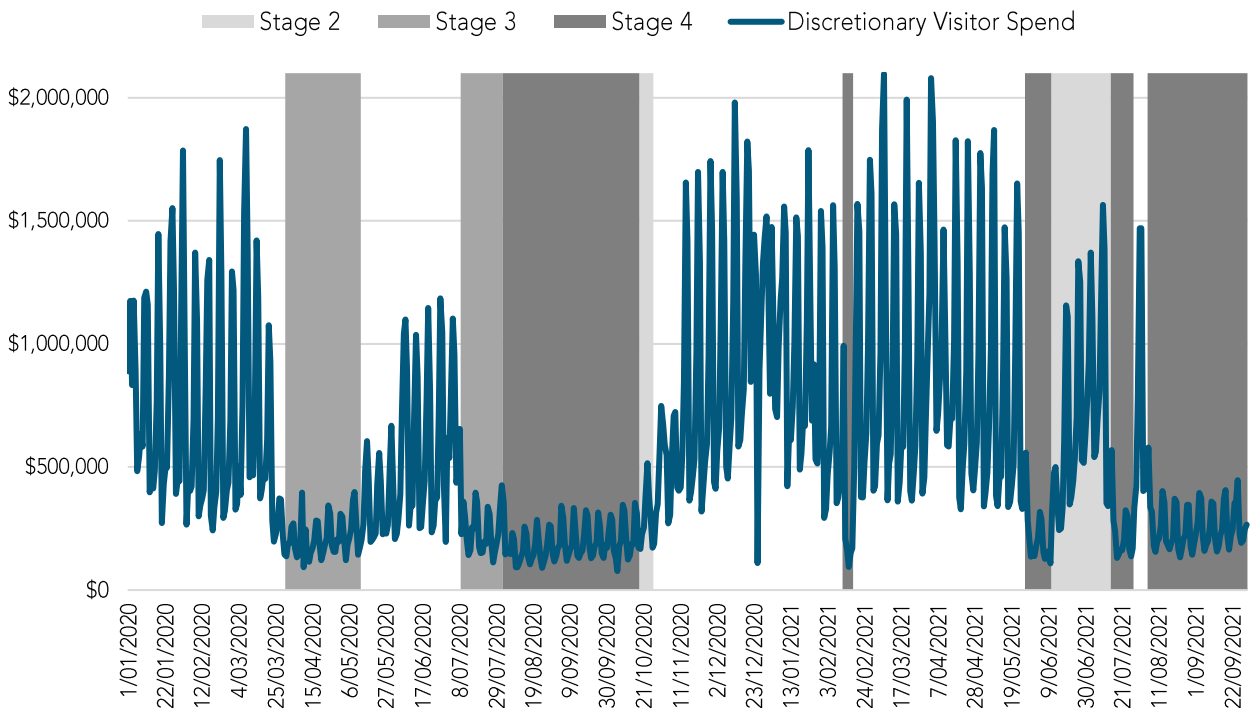


Figure 7: Daily Visitor (Discretionary) Spend, Yarra Ranges
Source: Spendmapp by Geografia, 2021





Table 4: Change in Visitor Spend Lockdown/Pre-lockdown

Region	Stage 2 Impact	Stage 3 Impact	Stage 4 Impact
Metropolitan	-13.5% to 1.7%	-44.9% to -22.1%	-63.6% to -41.4%
Peri-urban	-3.9% to 8.3%	-26.9% to -2.0%	-32.9% to -5.7%
Regional City	-11.0% to 8.3%	-24.4% to -4.7%	-36.6% to -22.4%
Rural	-16.5% to 3.8%	-53.5% to -18.2%	-59.6% to -11.3%
Mornington Peninsula	-15.6%	-48.4%	-59.2%
Yarra Ranges	-7.7%	-38.0%	-51.1%

This shows the comparative change in daily visitor spending under different lockdown conditions. Mornington Peninsula’s economy was particularly significantly impacted. Source: Spendmapp by Geografia, 2021

MIXED CHARACTERISTICS MEAN MULTIPLE VULNERABILITIES

In some respects, the mix of characteristics in the two LGAs is the basis of their economic strength. However, while the data shows the importance of the two LGAs as recreational assets for metropolitan residents, it has also highlighted their economic vulnerability under conditions of restricted travel. Although not available at LGA-level, ABS Payroll data shows job loss rates by SA3 that all of Mornington Peninsula and most of Yarra Ranges in the top 10 most impacted parts of metropolitan Melbourne (Figure 8).

The next section explores the policy context and shows why Mornington Peninsula and Yarra Ranges are not optimally served by their current status as urban LGAs. It goes on to show why adjusting program eligibility to recognise their peri-regional status aligns with the broader State development policy agenda and will unlock further economic opportunity.

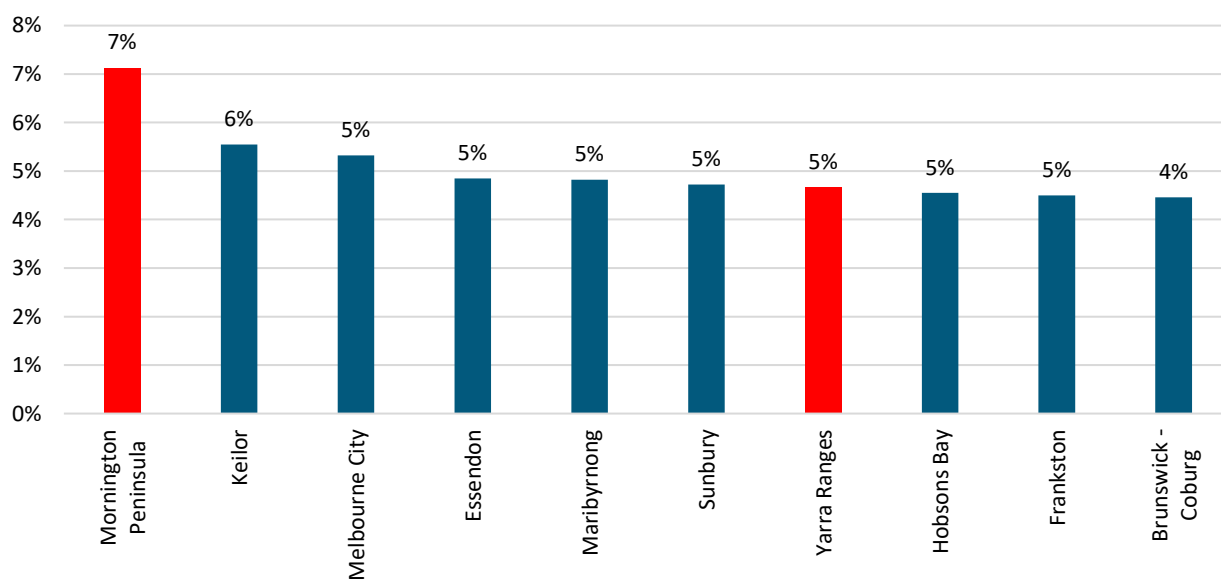


Figure 8: Percentage Job Loss, Top 10 Metropolitan SA3s

This shows the worse affected SA3s in Metropolitan Melbourne for job losses from March to September 2020. Source: ABS, 2021





4.0 Changing the Policy Setting

Eligibility for the various policy and funding programs in different parts of Victoria is generally aligned with the classification of LGAs into five regions: rural, regional cities, metropolitan, peri-urban and Interface. While this has been a relatively effective framework, continuous policy evolution is necessary both to reflect and to keep abreast of the complexity of Victoria's different regions. This has already been tacitly acknowledged in the more recent establishment of two of the five: peri-urban and interface councils as new classifications, as well as in the extensive implementation of *ad hoc* policies and investment. An evaluation of the current policy settings shows there is scope to improve the current State spatial economic policy setting. This would introduce a more consistent, efficient and long-term approach to policy setting and mean that Mornington Peninsula and Yarra Ranges will make a greater contribution to the State's economic wellbeing.

4.1 Introduction

We have argued that the long-term spatial economic agenda for Victoria would be greatly enhanced by integrating peri-regional areas into policy and funding guidelines. Moreover, best practice strategic economic development implements consistent and well-aligned policy and funding programs to encourage long-term investment.

There are opportunities to improve how things stand by recognising the peri-regional condition through better-aligned policy arrangements such as grant programs and tax arrangements. A fine-tuned policy setting will better serve Mornington Peninsula and Yarra Ranges. In turn, they will make a greater contribution to the State's economic wellbeing.

to demography (e.g. programs to support different cultural groups), different industries (e.g. manufacturing-specific programs), and spatial matters. That is, locationally-based disadvantages and opportunities supported through spatially-limited funding or policy programs.

With respect to the latter, Plan Melbourne and the Double Triple Vision 2020 are the two most relevant documents. As Table 4 shows, these establish the long-term strategic spatial agenda for Victoria, which is to:

- Take infrastructure and housing cost pressure off Metropolitan Melbourne; and
- Lift economic wellbeing in Regional Victoria up to the Metropolitan standard.

4.2 The policy context

State Government policy addressing economic wellbeing considers issues relating





Table 5: The Development Policy Context

Policy	Locational Objectives	Initiatives
Plan Melbourne	To alleviate development pressure from Metropolitan Melbourne and provide more affordable housing options in regional areas	Implement Regional Victoria population attraction strategies: <ul style="list-style-type: none"> • Transport and urban renewal priorities for long-term regional commuter cities and peri-urban municipalities • Property and tax concessions to attract new housing development investment and resident population
Double Triple Vision 2020	Bridge the economic gap between Metropolitan and Regional economies	Focus on Regional Victoria's competitive advantages in: <ul style="list-style-type: none"> • Agri-production and processing; • Tourism; and • Rural amenity Implement RDV (and other) programs targeting priority projects to bridge the economic gap.

Mornington Peninsula and Yarra Ranges could make significant contributions to these spatial objectives. However, they are often overlooked in favour of peri-urban and regional LGAs. For example:

- The Green Wedge Zones (a distinctly metropolitan planning intervention) in the two LGAs limit their capacity to contribute to the alleviation of metropolitan development pressure. By contrast, because of the greater capacity to rezone farming land to meet growing residential demands, peri-urban LGAs do not face the same problem.
- Despite its significant contribution to the Metropolitan economy, agribusiness and nature-based tourism are not policy priorities for metropolitan areas. On the one hand, there is a strong emphasis on economic recovery through arts, culture and events in inner-city Metropolitan areas. Additionally, where agribusiness and nature-based tourism are priorities, they are supported by regional funding programs which are not accessible to Mornington Peninsula and Yarra Ranges (e.g. RDV funding programs). This is even though the nature of tourism in the two LGAs aligns with the funding objectives.

Overall, then, the long-term spatial, strategic goal for Victoria: to smooth out development - taking pressure from intensively developing areas and levelling economic wellbeing - should be able to leverage from our peri-regional areas. However, the current policy and funding guidelines are not taking advantage of them to the extent possible.

4.3 Funding incompatibility

As noted above, Mornington Peninsula and Yarra Ranges could contribute more to Victoria's larger spatial development agenda and important industry development objectives in agribusiness and tourism. The problem is that current funding guidelines result in the two LGAs being defined as metropolitan LGAs, despite having economic potential more aligned to regional LGAs. The result is that they often rely on grant opportunities that are not tailored to their peri-regional context.

The Growing Suburbs Fund is a case in point. The two LGAs can apply to this fund and often do successfully (e.g. Yarra Ranges' Yarra Valley





Trail and Mornington Peninsula's Destination Rosebud). However, the metrics by which these applications have been assessed are less than optimal. Funding has been secured because the infrastructure is 'supporting growing residential suburbs'. That is, developing new recreational assets for residents. While this is certainly valuable, the *real* value lies in developing tourism assets and agribusiness-related projects.

AN UNTAPPED OPPORTUNITY WITH RDV FUNDING

By contrast, many of Regional Development Victoria's funding program objectives are well suited to addressing the particular economic vulnerabilities in Mornington Peninsula and Yarra Ranges (e.g. infrastructure shortfalls) and leveraging the economic opportunities (e.g. in agribusiness and tourism). The barrier to this is the requirement for applicant LGAs to be recognised as rural or regional. Mornington Peninsula and Yarra Ranges are currently not eligible to apply to most (albeit not all) RDV funding programs (Table 6).

Of course, metropolitan LGAs are given some leeway to access agribusiness programs (e.g. Food Source Victoria, the Horticultural Innovation Fund and the Wine Growth Fund). Applicants must demonstrate linkages to Regional Victoria and potential economic benefits to the State. For example, the City of Monash received funding through RDV's Regional Jobs Fund to help develop a Horticultural Centre of Excellence.

Equally, Wine Growth Fund grants have been issued to recipients in metropolitan councils such as Melton, Knox and Manningham.

Surprisingly, though (given Mornington Peninsula's and Yarra Ranges' large agribusiness sectors and their direct commercial links to Regional Victoria), the

historical funding distribution is more ad hoc than reflective of economic potential. Because of the size of these sectors in the peri-regional LGAs, greater and more formalised RDV-derived funding support is likely to have much more substantial flow-on effects into Regional Victoria than ad hoc funding to metropolitan councils.

The Horticultural Innovation Fund and the Wine Growth Fund are good examples of this. A review of historical allocations shows that both funds have provided a greater level of funding to LGAs with smaller industry contributions than those of Mornington Peninsula and Yarra Ranges. For example:

- Despite having both smaller wine tourism and production markets, the Shire of Nillumbik has received four Wine Growth Fund grants, compared with none for Mornington Peninsula
- The cities of Melbourne and Monash have had more successful grant applications to the Horticultural Innovation Fund than Yarra Ranges. This is despite both LGAs having very low actual horticultural production value or jobs.

Figure 9 and Figure 10 compare the scale of the local wine and horticulture industries with the relative success of funding applications.

In addition to this, a stronger connection to RDV will allow the two LGAs to more easily and regularly access the skills and knowledge RDV holds. It would also allow the councils to participate in conversations on regional issues pertinent to their communities, enabling industry innovation and stronger economic growth.



Table 6: Major RDV Funding Programs

Program	Eligibility	Description	Suitable for Two LGAs
Regional Infrastructure Fund	No	Infrastructure for economic and community activity.	Yes. Both LGAs are already significant contributors to Victoria's economy through tourism and agribusiness.
Regional Jobs Fund	No	Attract new investment to create new/retain jobs in regionally competitive industries. Includes Horticultural Innovation Fund, Wine Growth Fund etc.	Yes. Both LGAs are already significant contributors to Victoria's economy through agribusiness.
Regional Tourism Infrastructure Fund	No	Help grow and realise the potential of regional Victoria's visitor economy.	Yes. Both LGAs are State-significant and nature-based tourism destinations.
Regional Economic Stimulus and Resilience Grants	No	Recovery and economic stimulus for 11 bushfire-affected LGAs and Incorporated Areas of Victoria.	No. Both LGAs are not one of the 11 identified local government and unincorporated areas.
Regional Recovery Fund	No	Help address the impacts of COVID-19 responses, bushfire, and drought. To guide the focus of recovery activities, five regions and Regional Recovery Committees (Barwon Southwest, Grampians, Loddon Mallee, Hume and Gippsland) have been established to deliver local recovery programs.	No. Both LGAs are not located in one of the five identified regions.
COVID-19 Infrastructure Stimulus Program	Partially		Yes. Tourism-dependent elements of the economy have been significantly impacted by COVID-19 lockdowns.
Local Economic Recovery Program	No	Fund local projects for community recovery; support economic stimulus projects; and boost industry and jobs in bushfire-affected regions in East Gippsland and Northeast Victoria.	No. Both LGAs are not located in the two identified bushfire-affected regions.
Investment Fast-Track Fund	No	The \$10 million Investment Fast-Track Fund will support regional and rural projects to strengthen their investment evidence base by funding activities that support planning and preparation, thereby fast-track projects to the investment-ready stage.	Yes. There are investment-ready projects to support agribusiness and tourism.
Regional Community Leadership Program	No	Supports initiatives that develop and facilitate the emergence of local leaders, strengthen existing community leadership capabilities and develop stronger connections between local leaders and regional development initiatives.	Yes. Both LGAs have well-developed local industry organisations and business networks (particularly in the agribusiness sector) that could be further supported through this fund. This includes, for example, the Mornington Peninsula Vignerons Association and Agribusiness Yarra Valley Inc.
Stronger Regional Communities Program	No	Aims to support rural and regional towns in attracting families and young people to live and work.	Yes. An opportunity to attract families and young people to live and work in the two LGAs, help reduce development pressure elsewhere and balance out population ageing.
Regional Tourism Investment Fund	Yes	Support tourism infrastructure projects that will increase visits, stimulate private investment, and help generate jobs.	Yes. Agribusiness and tourism sectors with significant growth potential.

Source: RDV, 2021



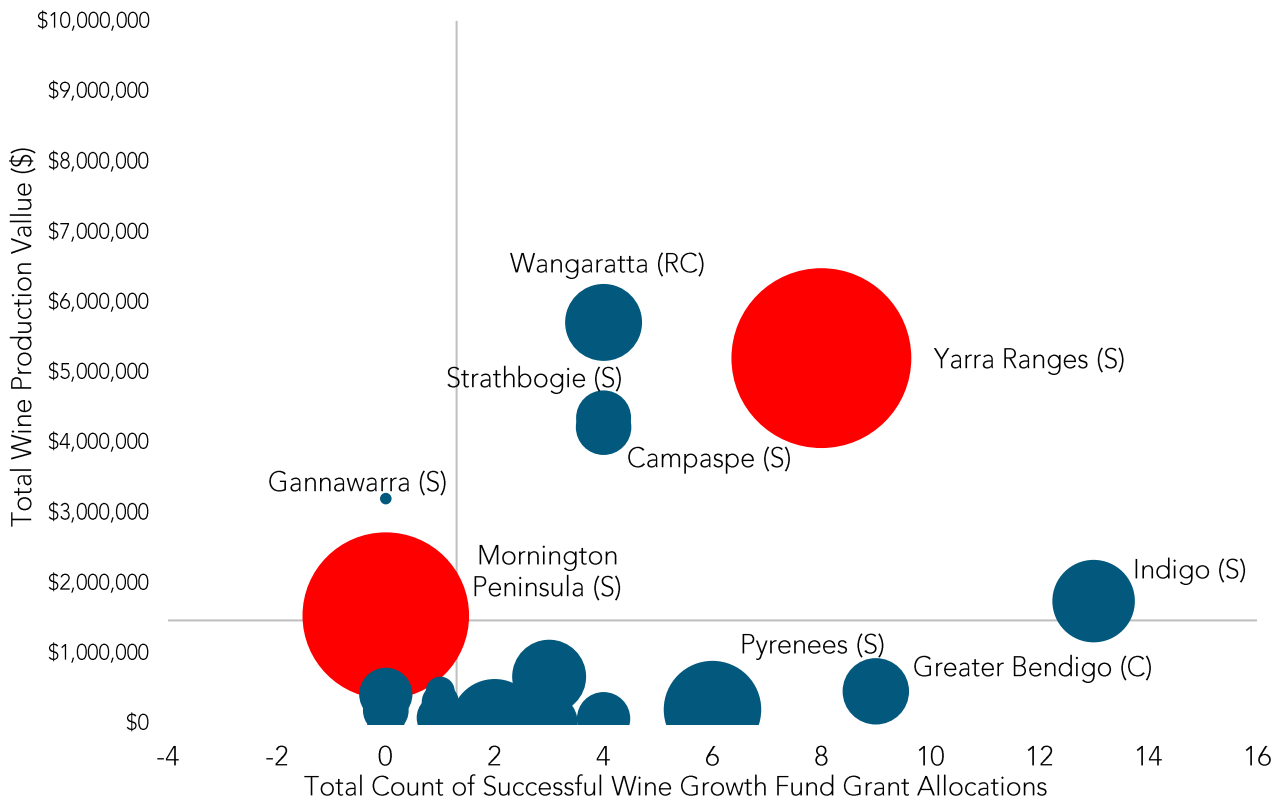


Figure 9: Comparing Wine Fund Grants and Wine Industry Scale

This plots the number of Successful Wine Fund grants against industry value by LGA. Bubble size reflects the scale of wine tourism through an annual count of visitors. Axes are mapped at the average value for the X and Y variables. Source: RDV, 2021

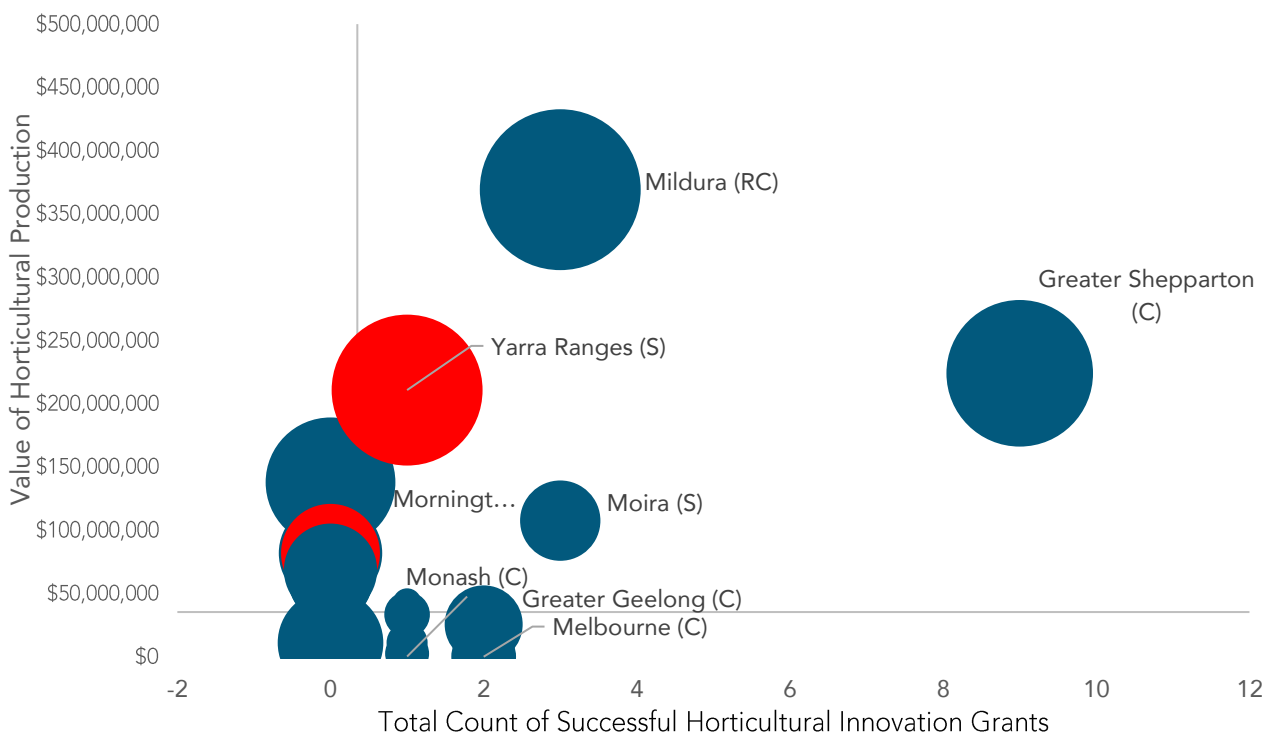


Figure 10: Horticultural Innovation Grants to Horticultural Economic Value

Source: RDV, 2021





THE ECONOMIC CONSEQUENCES OF THIS MISALIGNMENT

A few explicit examples can demonstrate the direct economic loss to Mornington Peninsula’s and Yarra Ranges’ economy, and indirectly to Victoria’s economy due to State-significant agribusiness and tourism projects going unfunded. Table 7 summarises the results of a high-level economic impact evaluation of four unfunded agribusiness and tourism projects in Mornington Peninsula (MP) and Yarra Ranges (YR). These projects are

typical of rural and regional projects, which could have generated over \$121 million in GRP.

As shown in Table 8, a brief evaluation of RDV funded projects suggests that these four unfunded would, if the two LGAs were eligible, be good prospects for major grant funding.

Table 7: Economic Impact of Unfunded Projects

Item	Peninsula Bay Trail (MP)	Agriculture Centre of Excellence (MP)	Warburton to Walhalla Trail (YR)	Yarra Valley Equestrian Centre (YR)
Construction Phase				
Total Output Impact	\$44,997,460	\$77,995,597	\$10,001,058	\$28,002,961
GRP Impact	\$32,633,491	\$56,564,718	\$8,365,159	\$23,422,446
Total FTEs	195	337	45	125
Operational Phase				
Total Output Impact	\$4,035,995	-	-	\$6,509,415
GRP Impact	\$1,373,220	-	-	\$2,624,046
Total FTEs	57	-	-	88

Source: Geografia, 2021. Economic inputs for the Mornington Peninsula Bay Trail and Yarra Valley Equestrian Centre are from Urban Enterprise, 2019 and Yarra Ranges Council, 2021. Economic inputs for Mornington Peninsula Agricultural Centre for Excellence and Yarra Ranges Warburton to Walhalla Trail are from the costs of benchmark projects Hawkesbury Agricultural Centre of Excellence (NSW) and Yarra Valley Trail (Growing Suburbs Fund, 2018-19).

Table 8: Matching Peri-Regional Unfunded Projects with Funded Regional Projects

Potential Grant Opportunities	Peninsula Bay Trail (MP)	Agriculture Centre of Excellence (MP)	Warburton to Walhalla Trail (YR)	Yarra Valley Equestrian Centre (Yering) (YR)
Regional Infrastructure Fund	Macedon Ranges Council: Kyneton – Campaspe River Trail Improvement and Connections Project (\$300,000)	Buloke Council: Advancing Intensive Agricultural Opportunities in the Loddon Mallee Region (\$50,000)	Macedon Ranges Council: Kyneton – Campaspe River Trail Improvement and Connections Project (\$300,000)	





Potential Grant Opportunities	Peninsula Bay Trail (MP)	Agriculture Centre of Excellence (MP)	Warburton to Walhalla Trail (YR)	Yarra Valley Equestrian Centre (Yering) (YR)
Regional Jobs Fund		Monash University: Horticulture Centre of Excellence (CiC) Hop Temple Pty Ltd: Australian Centre Craft Beer Excellence - Education Project (\$380,000)		Forest Lodge Racing: Establishment of a Thoroughbred Racehorse, Training and Rehabilitation Centre (CiC)
Regional Tourism Infrastructure Fund	Creswick Trails Project (\$2,560,000)		Creswick Trails Project (\$2,560,000)	
Regional Recovery Fund				Tourism Greater Geelong and the Bellarine: Business Events Attraction (CiC)

Source: RDV, 2021

We can draw from this that, ideally, Mornington Peninsula and Yarra Ranges should be able to access these RDV funds. This is particularly the case now we are in an economic recovery mode, with significant effort required to overcome the economic losses that resulted from regional travel bans.

The Victorian Government already tacitly recognises this, making Mornington Peninsula and Yarra Ranges eligible for some regional economic relief measures. For example:

- The \$200 regional tourism voucher eligibility was widened to include Yarra Ranges, Mornington Peninsula, Cardinia and Nillumbik.
- The Regional and Tourism Investment Fund is now open to Mornington Peninsula and Yarra Ranges, along with Nillumbik and other Regional LGAs.

Formalising these ad-hoc policy arrangements would provide greater certainty to investors and councils and ensure economic development is implemented in the most effective way known: through long-term strategic support.

OTHER SPATIALLY DEFINED FUNDING PROGRAMS

The analysis above indicates a failure of existing policy settings and grant programs to target the regions with the highest economic potential. Instead, there is more of an ad-hoc approach to funding eligibility that is not considered best practice strategic economic development.

However, the two LGAs could access other regional funding grants that do not have regional LGA eligibility criteria. For example:

- By using Victorian Tourism regions. Mornington Peninsula and Yarra Ranges lie in distinct and separate regional tourism regions outside metropolitan Melbourne. This may have formed the basis for the decision to allow the \$200 Regional Victorian Tourism Voucher to be used in the two LGAs.
- The use of ABS Remoteness Areas Geography. A significant portion of Yarra Ranges and Mornington Peninsula lies in the Inner Regional Australia geography (RA-2). The Workforce and GP Rural Incentive Program provides up to





\$60,000 in relocation and retention grants to doctors moving from metropolitan areas to regional areas, including areas designated RA-2.

- The Federal Government Peri-Urban Mobility Program (PUMP) aims to improve mobile coverage in bushfire-prone peri-urban areas. Grants are allocated to geographically defined PUMP Eligible Corridors. A significant portion of Yarra Ranges (and a small portion of Mornington) lies outside these Eligible Corridors.
- The use of ABS Urban Centre/Locality (UCL) or Significant Urban Area (SUA) boundaries. These are used to identify ineligible urban areas for regional and rural funding programs. For example, the prominent \$1.38 billion Commonwealth Building Better Regions Fund (BBRF) provides regional funding to non-SUA areas. By area and business count, most of Mornington Peninsula and Yarra Ranges are eligible for this program (Figure 11).

While these grants provide better access than the Regional LGA eligibility criteria, they still make arbitrary location-based eligibility determinations. This can mean that a substantial portion of a region's businesses and economy are not eligible. For example, as we can see from the BBRF rules, although the excluded areas in blue in Figure 11 are relatively small, as the data in **Error!**

Reference source not found. shows, they accommodate most of the respective LGAs' economic activity. As a result, 86% and 68% of Mornington Peninsula's and Yarra Ranges's economies are excluded from accessing the BBRF.



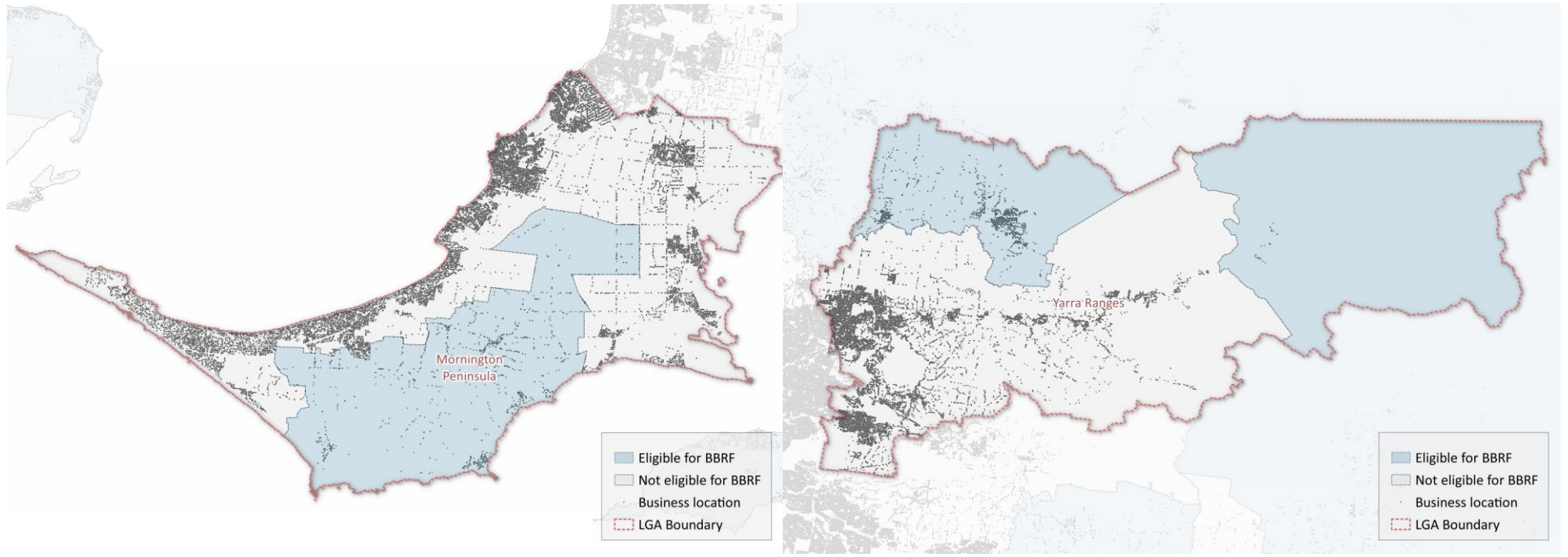


Figure 11: BBRF Eligible and Ineligible Regions

This maps the ABS Significant Urban Area boundary and business data to show where BBRF funding can be applied in contrast to the concentration of businesses by location in Mornington Peninsula (left) and Yarra Ranges (right). Source: ABS, 2021

Table 9: BBRF Eligible/Ineligible Activity

LGA	Total GRP (\$m)	Total GRP of BBRF Excluded Areas (\$m)	% of Economy Excluded
Mornington Peninsula	7,548	6,497	86%
Yarra Ranges	5,759	3,934	68%

Source: Geografia, 2021



4.4 Tax implications

The Victorian and Federal governments use income and property tax concessions to encourage urban to rural migration and investment. Examples include:

- The ATO Housing Fringe Benefit to ABS-defined Remote regions.
- The First Home Owners grants to regional Victorian LGAs.
- State Revenue Office concessions in stamp duties for commercial and industrial properties.
- Payroll concession rates for Regional LGAs.

Given their significant economic potential, it is reasonable to assume using tax concessions to encourage further relocation to, and investment in peri-regional Victoria may benefit the state.

Table 10 summarises an analysis of extending the Payroll Tax concession to Mornington Peninsula and Yarra Ranges.

Recent research by the Department of Treasury and Finance¹² found potential economic gains to regional LGAs that have benefited from the concession. This includes passing on a 7-9% wage increase to employees.

As LGA-level State Revenue Office data was not made available, this estimation has been carried out with the potential payroll tax pool in Mornington Peninsula and Yarra Ranges using three different methodologies. Taking the average of these methods suggests that Mornington Peninsula employers are paying over \$63.8 million in Payroll Taxes, and Yarra Ranges employers over \$60.3 million (at the current payroll tax rate of 4.85%). This matches Parliamentary Budget Office modelling¹³, which found that Payroll Taxes represent approximately 1.4% of the Victorian economy: a small but non-negligible impact.

Applying the Regional Victorian payroll tax rate of 2.43% to the two LGAs could yield over \$31.9 million and \$30.2 million, respectively, in tax savings to local employers (Table 11).

This represents less than 1% of each LGA's economy, which may be seen as a relatively small contribution. However, it is important to note that this does not include flow-on economic benefits and the potential impact of new businesses relocating to access lower taxes. On that basis, extending tax concessions to peri-regional Victoria should be considered as part of the policy adjustment to better leverage the economic potential of these two LGAs.

Table 10: Payroll Tax Estimations by LGA

LGAs	Total Payroll Tax Method 1	Total Payroll Tax Method 2	Total Payroll Tax Method 3	Average Total Payroll Taxes	% of GRP
Mornington Peninsula	\$154,162,747	\$19,048,127	\$18,159,543	\$63,790,139	0.8%
Yarra Ranges	\$149,744,913	\$15,008,507	\$16,388,455	\$60,380,625	1.0%

Source: Geografia, 2021

¹² Evaluating the effect of cutting the regional payroll tax rate (Keating, Smart and Gow, June 2021).

¹³ Victorian taxes and revenue: Volatility, trends and stability (Parliamentary Budget Office, August 2020).



Table 11: Payroll Tax Concession Impacts by LGA

	Total Payroll Tax Savings - Method 1	Total Payroll Tax Savings - Method 2	Total Payroll Tax Savings - Method 3	Average Total Payroll Tax Savings	% of GRP
Mornington Peninsula	\$77,081,373	\$9,524,064	\$9,079,772	\$31,895,070	0.85%
Yarra Ranges	\$74,872,457	\$7,504,253	\$8,194,228	\$30,190,313	0.52%

Source: Geografia, 2021

4.5 Concluding statement

The argument here is that:

- The current understanding of regional distinction is increasingly out of alignment with the reality on the ground.
- There are characteristically rural or regional areas -specifically Mornington Peninsula and Yarra Ranges - embedded in rapidly expanding urban areas that should be retained as they create considerable economic value for the State.
- The benefits these peri-regional areas bring to the State are not without cost. They have both regional and urban economic and social disadvantages.
- Unfortunately, there is a small but critical policy misalignment between the locationally-based economic funding framework and the reality of regional distinctiveness, which means many of these disadvantages (and, equally, the economic potential) are not addressed through current funding guidelines.
- Best practice strategic economic development policies should be fine-tuned to match the local economic reality and, most importantly, be implemented consistently and not in an ad-hoc manner.
- Making modest but formalised eligibility adjustments to current funding programs will open up important investment sources for peri-regional Victoria and allow them access to the skills and insights embedded in bodies like Regional Development Victoria. This will help further unlock the economic

potential of Mornington Peninsula and Yarra Ranges. In turn, this will benefit the people of these LGAs and, more broadly, the State.

NEXT STEPS

There are options for addressing this issue: from doing nothing to reclassifying the two LGAs as regional or introducing an entirely new, formal regional typology: peri-regional. There are costs and benefits to each solution, outlined below.

- 1) **Business as usual.** This means no fundamental change in the arrangement of spatial distinctions, but with the occasional (ad-hoc) acceptance of the eligibility of Mornington Peninsula and Yarra Ranges into regional funding programs. Although ad-hoc responses can be useful, they are sub-optimal, as the evidence shown here demonstrates funds are not always efficiently allocated.
- 2) **Reclassify as regional.** Reclassify the two LGAs as regional. Although there is a case to be made for this, data analysis shows that the two LGAs retain (and are likely to continue to retain) metropolitan characteristics. In all likelihood, reclassifying them as regional LGAs would create new issues. For example, they would no longer be eligible for metropolitan infrastructure and health programs, despite having 'metropolitan-scale' problems in these domains. It may also require rezoning of the Green Wedge Zones to Farming Zones, encroaching on State-significant



conservation land. Land which has, particularly in recent times, proven to be invaluable to metropolitan residents seeking rural landscape respite.

- 3) **Create a new Region Type.** Formalising a peri-regional LGA status will create an efficient mechanism for making the two LGAs eligible for regional LGA programs that support State-significant but metropolitan-based regional industries (particularly agribusiness and tourism). There is precedent for this in the creation of Peri-Urban Group of Councils.
- 4) **Expand program eligibility.** Expand key existing funding programs, including tax concessions, to include Mornington Peninsula and Yarra Ranges in recognition of their peri-regional status. This may be the most efficient 'fine-tuning' approach, and there is a precedent in the recent inclusion of peri-urban LGAs in the eligible pool for the Growing Suburbs Fund. However, it does leave unsettled how future new programs deal with the two LGAs, although this is not an insurmountable problem.

Option 4 is considered the most balanced approach. It requires a modest adjustment to existing policies and programs and will require the least administrative effort to implement. On that basis, Option 4 is the recommended course of action going forward.



5.0 Appendix

5.1 Methodology

Five main quantitative exercises were undertaken to identify and then quantify the nature of peri-regional Victoria. These are outlined here.

PERI-REGIONAL INDEX

The peri-regional index is a composite index of small-area agricultural, tourism, conservation and land price values. The index is calculated using a geometric mean of the following:

- 1) Total Agricultural Value at the ABS SA1 geography, assigned using the ABS SA2 Agricultural Census, 2016-17).
- 2) Total Tourism Visitors at the ABS SA1 geography, assigned using the Tourism Research Australia Total Domestic and International Visitors by SA2 in 2019).
- 3) The proportion of Conservation Land Area, derived at the ABS SA1 geography, using the ABS SA1 Experimental Land Account data of land classified as Conservation and Natural Environment.
- 4) Total rateable land value at the ABS SA1 geography, using the ABS SA1 Experimental Land Account data.

A peri-regional area is then defined as an SA1 located in the top quartile of the peri-regional index.

NEAREST NEIGHBOUR ANALYSIS

The nearest neighbour analysis is a machine learning method to locate the closest matching neighbour to a respective observation, using a range of datasets. In the context of this analysis, socio-economic indicators (by the relevant categories) have been aggregated into a normalised score for all LGA in Victoria. The closest matching LGAs to Mornington Peninsula and Yarra Ranges by scores were then identified. These are the nearest matching neighbours. The method shows how the underlying socio-economic characteristics of Mornington Peninsula and Yarra Ranges are more closely aligned to regional (and even rural) LGAs than to metropolitan LGAs.

INPUT-OUTPUT MODEL

An Input-Output (I-O) table was composed to calculate GRP impacts. An I-O table is a descriptive framework for showing the relationship between industries and sectors and inputs and outputs in an economy. It can be used to measure the impact of autonomous disturbances on an economy's output, employment and income. Using the Leontief Inverse and several other augmentation methods, the economic impact of expenditure on the region can be depicted through the I-O model.



Derivation

The ABS (2020) Input-Output database compiles a regional I-O table. Total Economic Impact is constructed using the following three categories:

- 1) Initial Output Effects – the estimated initial expenditure on the general regional economy.
- 2) Production Induced Effects – the estimated impact of the Initial Output Effects on the general economy. The Production Induced Effects are made up of two components:
 - i. The First Round Effects – the amount of output required from all industries of the economy to produce the Initial Output Effect; and
 - ii. Industrial Support Effects – the effects of the second and subsequent rounds of induced production;
- 3) Consumption Induced Effects – the induced production of extra goods and services resulting from private final consumption expenditure of households affected by the initial output effects.

The difference between expenditure, output, value-add and Gross Domestic Product

- Expenditure or industry consumption represents the internal consumption by households, businesses and government for a given industry.
- Direct Industry Output equals expenditure (or industry consumption) less the costs to retailers of domestic goods sold, costs to industry of imported goods sold and net taxes on products.
- Direct Industry Value Added is calculated by subtracting industry intermediate inputs (goods and services produced and supplied by other businesses).
- Direct Industry Gross Regional Domestic Product is then calculated by adding net taxes on products to direct industry value-added.

PAYROLL TAX ESTIMATES

The payroll tax estimates used in this study are derived from the average results from three methodologies: the individual income approach, the business revenue approach, and the business employment approach.

The individual income approach

- 1) The individual income approach quantifies the effective payroll tax rate at the Victorian level, using ATO State-level wages and salaries data of Victorian residents and SRO State-level aggregate payroll tax data.
- 2) ATO postcode-level data was used to quantify the total wages and salaries exacted from residents of Mornington Peninsula and Yarra Ranges.
- 3) The effective payroll tax rate was then applied to the total wages and salaries by LGA, which estimates the total potential payroll tax paid by residents of Mornington Peninsula and Yarra Ranges.
- 4) This yields an upper bound estimate of the potential payroll taxes of the LGAs as it includes payroll tax-paying residents of Mornington Peninsula and Yarra Ranges who work elsewhere in Metropolitan Melbourne (this portion of tax payments is technically ineligible to the Payroll Tax Concession scheme, which requires residency and work in a regional location).



The business revenue and business employment approach

- 1) The ABS Business Longitudinal Analysis Wages and Salary data was used to quantify the proportion of businesses (by business revenue) by industry paying payroll taxes in Victoria.
- 2) These proportions were applied to the ABS Business Entry/Exit data on the number of businesses (by industry) in Mornington Peninsula and Yarra Ranges by business revenue size. This yields the number of payroll tax-paying businesses in the respective LGAs.
- 3) The payroll tax-paying rate and the lower bound wages and salaries in the highest wages and salaries bracket of ABS Business Longitudinal Analysis Wages and Salary data were then applied to the estimated number of payroll tax-paying businesses by LGA and by industry. This yields the estimated total payroll tax paid in the LGAs, using the ABS Business Entry and Exit business revenue data at the LGA level.
- 4) The business employment approach used the same methodology, except that the business employment size data is used rather than the business revenue data.

ECONOMIC VALUE OF THE BBRF EXCLUDED AREAS

The assessment for deriving the area excluded from the BBRF used a location quotient regional input-output model to estimate the economic value of excluded areas in Mornington Peninsula and Yarra Ranges. The method was as follows:

- 1) The total employment by industry of the ineligible areas was aggregated from ABS Place of Work Destination Travel Zone (DZN) small areas that are located in an ABS Urban Centre and Locality boundary (i.e. in ineligible areas).
- 2) The economic value of the excluded areas was then estimated using the DZN total employment by industry data as inputs into a location quotient regional input-output model.

5.2 Charts and Data

Figure 12 to Figure 15 illustrate the data that make up the four components from Figure 2. Figure 16 to Figure 19 plot various resident wallet shares by escape spend for different LGA groupings.



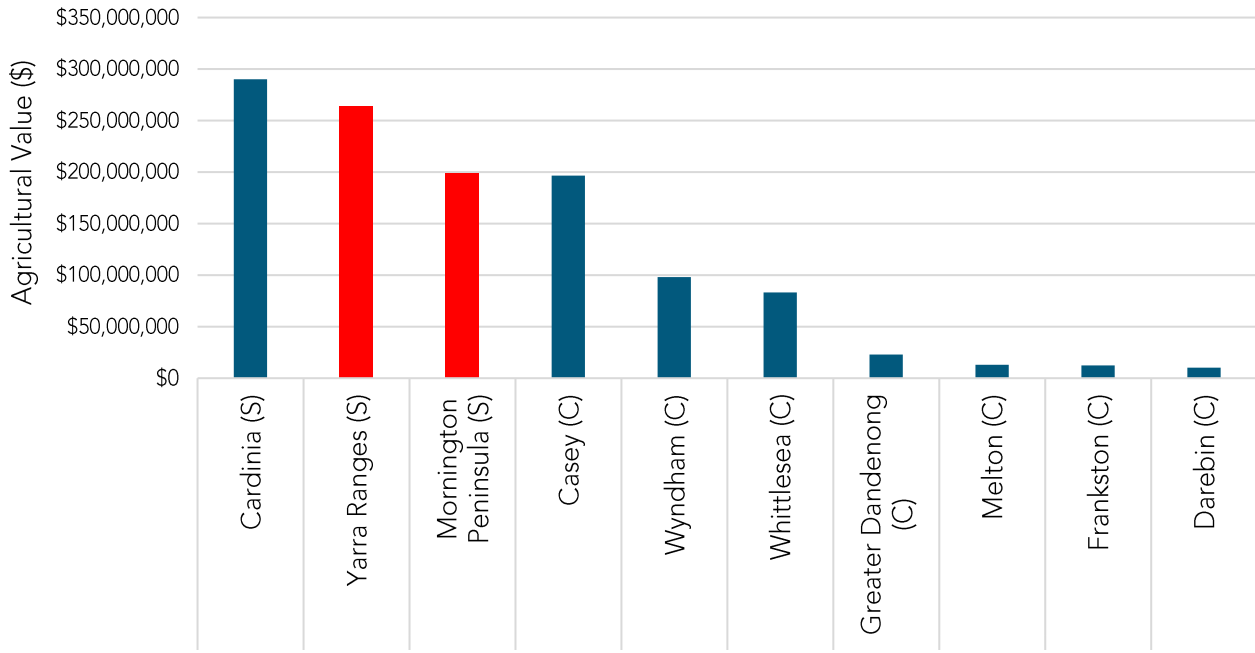


Figure 12: Top 10 LGAs by Agricultural Value
 Source: ABS Agricultural Census, 2017

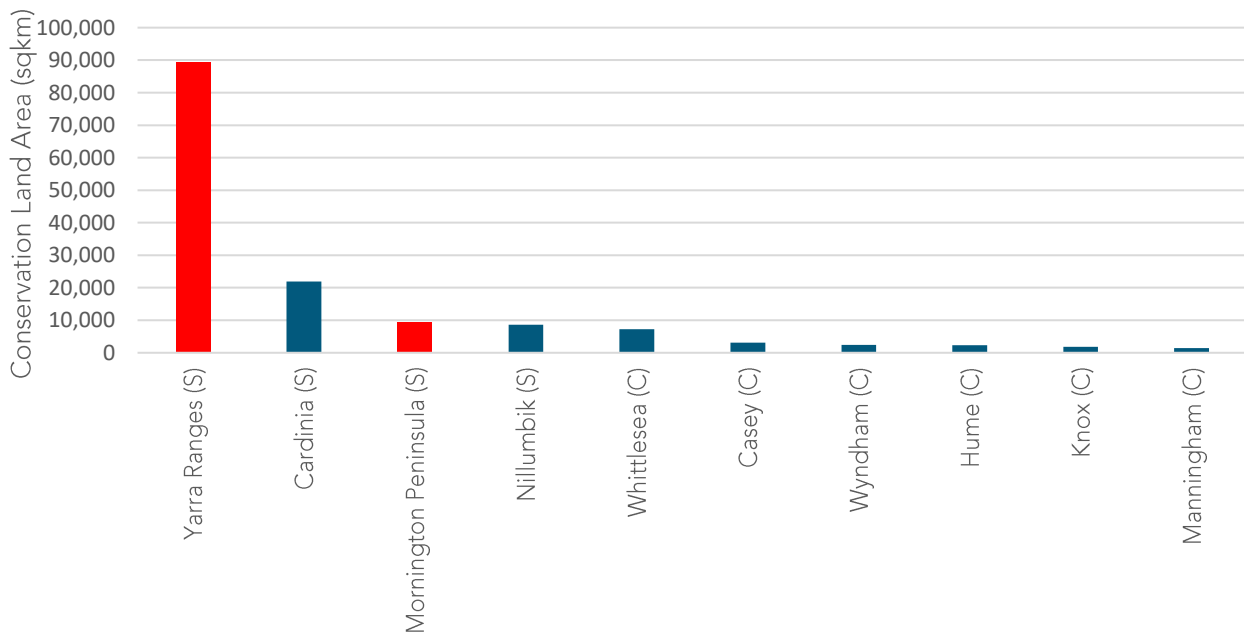


Figure 13: Top 10 LGAs by Conservation Land Area
 Source: ABS Experimental Land Account, 2016



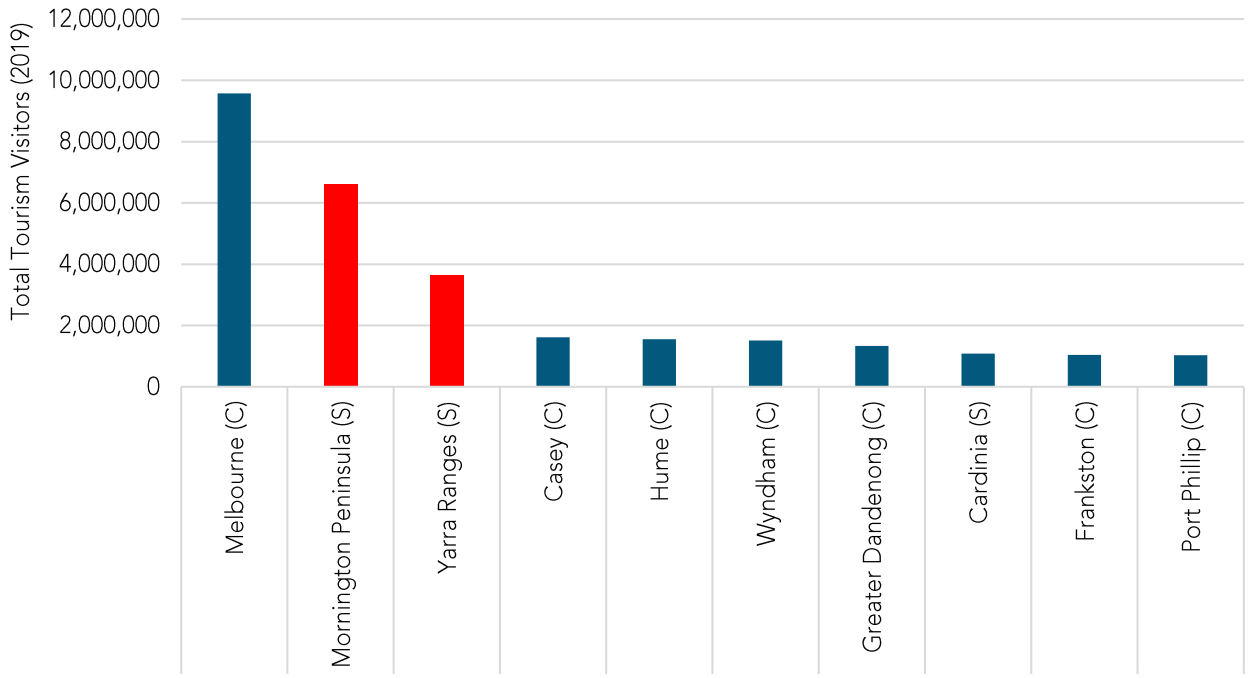


Figure 14: Top 10 Tourism Destinations LGAs
Source: Tourism Research Australia, 2019

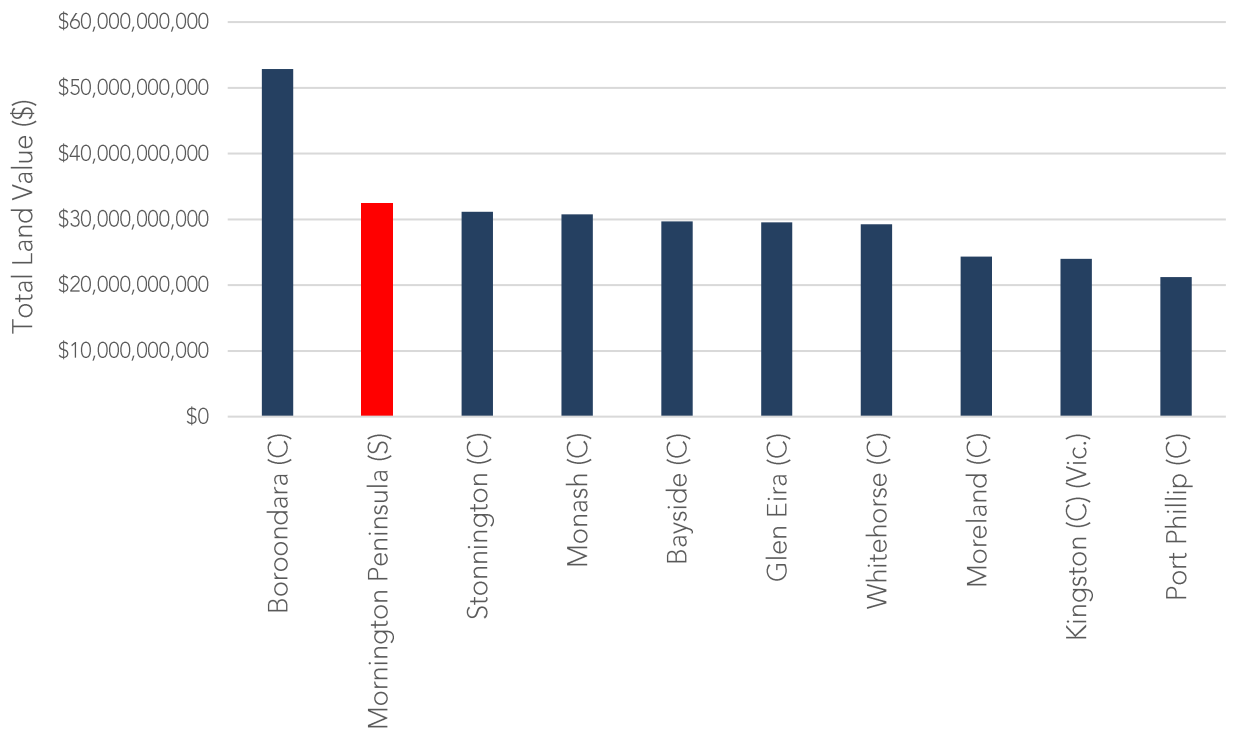


Figure 15 Top 10 LGAs by Improved Land Value
Source: ABS Experimental Land Account, 2016



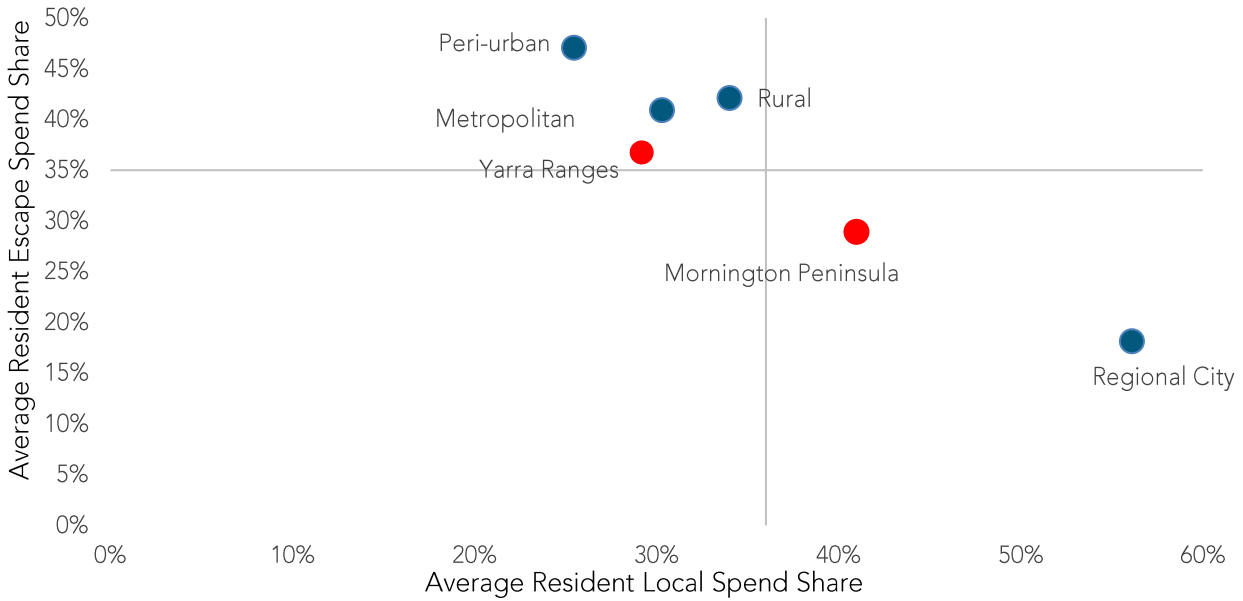


Figure 16: Escape and Local Spend Shares – All Spending

This uses Spendmapp data to plot the Resident Wallet spend share of local and escape spending for all spending. Victorian councils have been grouped into categories for comparison. The two peri-regional councils sit between council typologies. Axes are at the averages for all Victorian LGAs.

Source: Spendmapp by Geografia, 2021

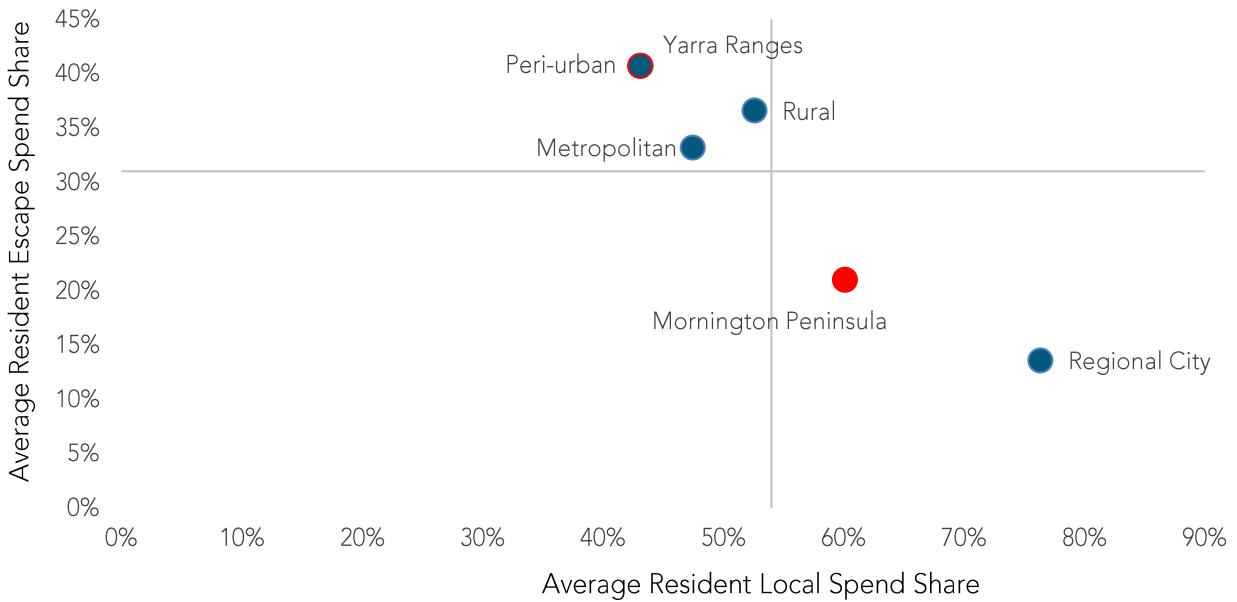


Figure 17: Escape and Local Spend Shares - Consumer Staples

Note that Yarra Ranges figures are almost the same as the Peri-urban average for both spend shares. Source: Spendmapp by Geografia, 2021



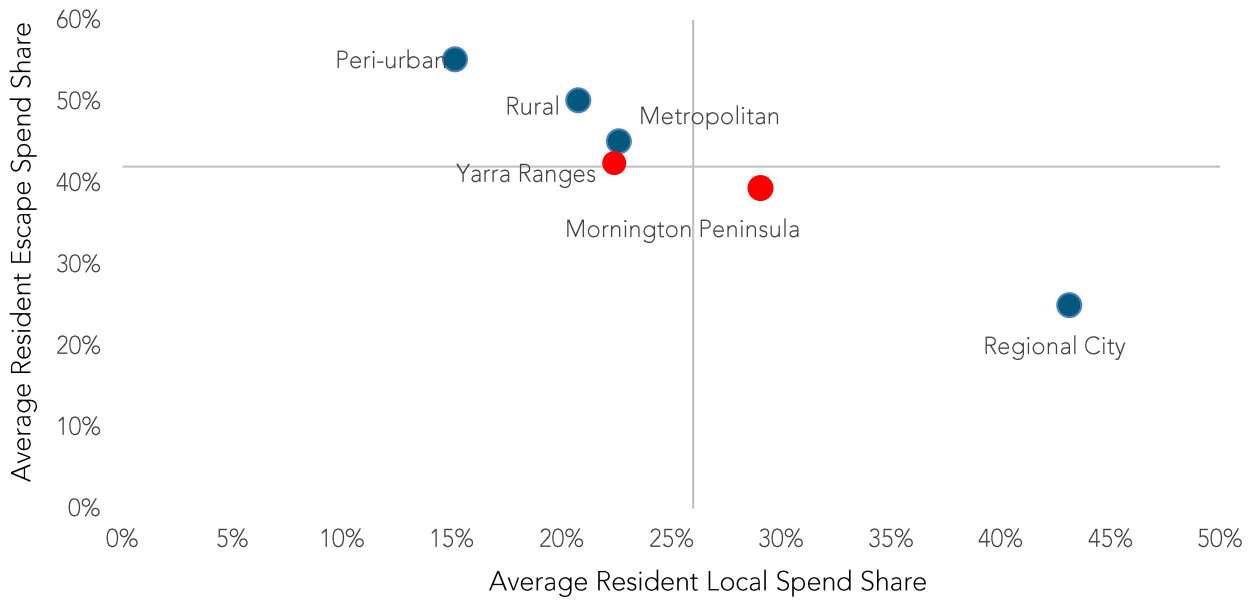


Figure 18: Escape and Local Spend Shares - Discretionary Spend
Source: Spendmapp by Geografia, 2021

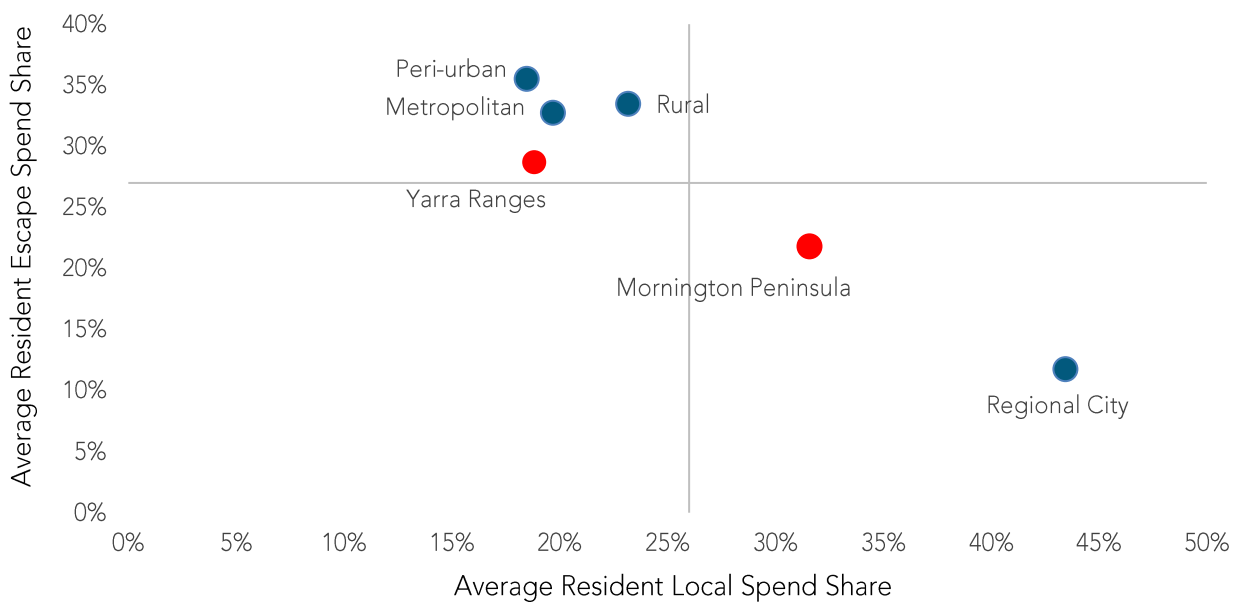


Figure 19: Escape and Local Spend Shares – Services & Other
Source: Spendmapp by Geografia, 2021

