

THE CITY OF
GREATER GEELONG

SUBMISSION INTO INQUIRY INTO LOCAL GOVERNMENT FUNDING AND SERVICES.

JUNE 2024

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Executive summary

The City of Greater Geelong (the City) welcomes this **Inquiry into Local Government Funding and Service Delivery In Victoria** and looks forward to hearing the recommendations of the Economy and Infrastructure Committee following consideration of feedback provided.

As highlighted by the City in our recent submission to the Standing Committee on Regional Development, Infrastructure and Transport inquiry into local government sustainability, the City is a growing, diverse regional city and works hard to deliver the core services the community expects from ratepayers' money and from Australian and Victorian government investment into the region. With this investment, however, comes the obligation to deliver Australian and Victorian government priorities. This distribution of expenditure responsibilities and revenue capacities results in a large vertical fiscal imbalance between the three levels of government, often with the states relying on Australian government funding themselves to support these priorities.

Community trust relies on governments working together. The City is seeking a mature discussion between all levels of government so that critical service provision and infrastructure is in place where it is most needed.

Effective, sustainable funding for local government will require the Australian Government to increase Financial Assistance Grants to at least one per cent or more of Commonwealth Tax Revenue.

It will also require the Australian Government to consider the guidelines that support infrastructure funding.

Recent changes in Australian government funding guidelines have seen local government take on a significantly higher level of financial burden for the delivery of infrastructure projects. In chasing grant opportunities from Australian and Victorian governments, local government are being asked to undertake separate, standalone planning works. There is potential for these grant programs to draw more directly on the comprehensive infrastructure and community planning activities that local government has already undertaken. This could significantly reduce project deliver timelines and administrative duplication. The City knows that this work is required to guide future investment, however, opportunities for funding to support this planning work have been reduced or fully removed.

This demand on local government to continue taking on the responsibility for delivering against gaps in funding for local, state, and Australian government infrastructure

priorities is not sustainable in the long term. This position is likely to result in reprioritisation of funding away from service delivery to infrastructure investment, further exasperating the vertical fiscal imbalance and negatively impacting the local communities.

A financially sustainable model of funding for local government service delivery and infrastructure is required to ensure this does not happen. To support the Economy and Infrastructure Committee in this inquiry work we offer the following considerations:

Consideration 1: A one size fits all approach to local government grants and funding, including statewide rate capping does not work. Councils need greater control of their own revenue mechanisms to address local needs and aspirations.

Consideration 2: The Victorian Government open discussion with local government about the provision of untied funding at a state level.

Consideration 3: Whilst not in the remit of the Victorian Government and in line with our submission to the Standing Committee - The Australian Government's Financial Assistance Grants needs to sit at 1% or more of Commonwealth Tax Revenue to support the sustainability of local government.

Consideration 4: Victorian Government contribution to early years services should more closely align with the actual costs of providing community and early years infrastructure.

Consideration 5: Infrastructure funding should include a 2-stage approach, stage one provides funding to cover planning and consultation and stage two provides funding to deliver the build – linked together with pre-approval and not subject to future rounds to deliver.

Consideration 6: That projects which have already commenced should be eligible projects to receive Government funding where an alignment with the funding objectives is clear.

Consideration 7: Realistic timeframes for responding to requests for tender (grant opportunities) are given with consideration to the complex environment within which local government operates.

Consideration 8: Prompt response to tenders (grant applications) and awarding of grants, in line with Grant Guidelines, by Australian and Victorian governments.

Submission

LOCAL GOVERNMENT

To look at **the ability of local governments to meet core service delivery objectives** you first need to understand the diversity of population, environment, and social economic standing of local governments across Victoria.

In Victoria, local government consists of 79 councils representing the state's more than six million people. These councils are classified as cities (34), shires (38), rural cities (6), and boroughs (1). (MAV)

Each local government area has unique infrastructure needs. Local governments must tailor their investments to address specific challenges, such as transportation, utilities, and public facilities. Alongside the demands that arise based on natural endowments, such as beaches, rivers and lakes, national parks, and forests. This diversity will influence economic opportunities and development strategies.

Victorian local government's emphasise place-based initiatives that address local needs. These initiatives focus on collaboration, tailoring solutions to specific socioeconomic conditions within each locality. Place-based approaches are important at the local government level as it enables sharing of decision-making control with communities seeing themselves as equal partners in the success of their community.

Local socioeconomic conditions vary due to factors such as industry and jobs, industry closures, remoteness, impacts of natural disasters, access to services including health and social services and diverse challenges facing community members including youth, family, refugee, and aged care support challenges.

Economic specialisation, infrastructure, and administrative capacity also shape local government's role.

Victoria's local governments are good at adapting to their unique socioeconomic contexts, emphasising collaboration and tailored solutions, however in acknowledging this it is also important to highlight what this means at the local level.

About the City of Greater Geelong

The City of Greater Geelong (the City) is the second-largest city in Victoria. Located 75 kilometres south-west of Melbourne, the municipality covers an area of 1,252 square kilometres, comprising suburban, coastal and country areas.

Outside of metropolitan Melbourne, the greater Geelong municipality (the municipality) is the most populated region in Victoria, with an estimated resident population of 282,809 (ABS ERP 2023). Over the past decade, the population of the municipality has experienced significant growth in the western and eastern corridors. Population is forecast to grow to 396,388 by 2041.

The size and demographic profile of the municipality continues to shift and change. The population is aging. Residents over 65 years of age has increased by 22.8% between 2016–2021.

Conversely, over the past 10 years, birth rates have increased significantly, with the population of young children expected to continue to increase.

The municipalities culturally and linguistically diverse communities also continue to increase. A total of 17.7% of the municipalities total population were born overseas. Migration has been key to the development of the region and today, the City welcomes new arrivals from countries such as Afghanistan, Iran, Iraq, South Sudan, Congo, and Myanmar. International students are also an important part of the rich multicultural fabric of the region.

Community size and expectations on local governments have significantly changed in the last 10 years, this can be seen in the community profile of the municipality:

Population growth: 282,809 (ABS Estimated Resident Population 2023) between 2016 and 2021 the population increased by 37,626 people (16.1%). This represents an average annual population change of 3.03% per year, with 2024 estimates sitting at 289,272. Increasing demands and stress on all aspects of community life.

Population density: 225.8 persons per square km (ABS Estimated Resident Population 2023).

SEIFA Index of Disadvantage: In 2017 the municipality sat at a score of 1,007.

For Statistical Areas Level 1 (SA1s) across Australia, the average (population weighted) SEIFA score on the index of disadvantage is 1,000. Comparatively the municipality sits at a higher level of disadvantage than the G21 Region at 1,016.4. Increasing demand on social services infrastructure.

Health and Wellbeing: 35.9% of the population identify as having long term health conditions, increasing demands on health and social assistance.

Employment: 23.4% of the population identify as having a household income of less the \$800 (low). 34.3% of the population identifies as not in the labour force, 4.4% unemployment.

Between 2016 and 2021, the number of people employed in the municipality showed an increase of 26,010, and the number unemployed showed a decrease of 1,068. In the same period, the number of people in the labour force showed an increase of 24,942 or 22.5%. Of the 117,834 people who work in the municipality, 96,343 or 81.8% also live in the area. This places increased demand on roads, transport and parking as more people commute to work.

Economic Profile: \$19.57 billion GRP with 144,568 Local jobs and 22,090 Local businesses. Largest Industry – Health Care and Social Assistance (NIEIR *State of the Regions* dataset May 2024) which talks to the demand for health care and social assistance across the region.

Affordable housing: It is estimated that 5,487 households have an unmet need for affordable housing in the municipality. This represents 5.3% of all households compared to 4.5% for Regional Victoria. (ABS *Estimating Homelessness 2021* and ABS *Census 2021*).

While the City welcomes this growth across the municipality this brings with it fiscal challenges during challenging economic times.

Over the twelve months to the March 2024 quarter, all living cost indexes rose between 3.3% and 6.5%.

Costs have been on an upward trend year-on-year placing pressures on local governments to deliver against Precinct Structure Plans and Developer Contribution Provisions that were developed and agreed on during more favourable financial times.

The financial impost on local government to fully carry the financial risk for infrastructure provision when costs escalate, erodes the capital collected years before.

Local government carry substantial risk when supporting infrastructure growth.



Geelong, located on the picturesque shores of Corio Bay in Victoria, Australia, is a vibrant city known for its rich history and bustling waterfront. Recognised as a UNESCO City of Design, Geelong is emerging as a key regional hub for innovation and development.

Greater Geelong's economy is diverse and growing rapidly. It frequently outpaces every other region in Australia in terms of growth in population, jobs and Gross Regional Product (GRP). Jobs are growing at double the pace of the population and the region has never been more attractive for its lifestyle and opportunity.



Geelong is Victoria's second city and one of the state's fastest growing areas.

Population: 282,800 (2023)
Growth of 6,280 over last year
Growth of 36,425 over last five years

Source: ABS (2024)



Geelong has the second largest economy in Victoria.

GRP (2022-23): \$19.6b
1 year growth: 5.0%
5 year average annual growth: 5.4%

Source: economy.id (2024)



Geelong is booming

\$12.4b in major projects
Recently completed: \$961m
Commenced: \$4.3b
Including Nyaa! Banyul Geelong Convention and Event Centre (\$456m)
Approved: \$2.0b
Proposed: \$5.1b
Source: Geelong Data Exchange, May 2024.



Recently Completed Projects

Geelong Quarter (incl. Holiday Inn and Suites Geelong) (\$200m)
GMHBA Stadium - Stage 5 (\$142m)
Geelong Arts Centre redevelopment (\$140m)
Spirit of Tasmania Terminal (\$135m)
Quest Geelong Central (\$70m)

TOP INDUSTRIES



Contribution to Economy (\$b)

Healthcare: \$2.6 (16%)
Construction: \$1.9 (12%)
Education and training: \$1.3 (8%)
Retail trade: \$1.2 (8%)
Manufacturing: \$1.2 (8%)

Source: economy.id (2024)



Top Exporting Industries (\$m)

Manufacturing: \$1,857
Healthcare: \$1,200
Wholesale trade: \$922
Retail trade: \$777
Finance and insurance: \$746

Source: economy.id (2024)



Contribution to Jobs (No.)

Healthcare: 30,840 (21%)
Retail trade: 15,370 (11%)
Construction: 15,210 (11%)
Education and training: 13,840 (10%)
Accommodation and food services: 9,695 (7%)

Source: economy.id (2024)



Important Exporters

Viva Energy
Herd Group
Golden Farms
Godfrey Hirst
Incitec Pivot
University Hospital Geelong
Deakin University
Midway

VISITOR ECONOMY AND EVENTS



Geelong and the Bellarine Visitation

Visitors: 6.3m
Visitor nights: 4.6m
Visitor expenditure: \$1.8b

Source: Tourism Research Australia (YE September 2023)

Major Events (2022-23)

Number of events: 18
Event visitors: 757,500
Economic impact: \$77.5m



Economic Contribution of Visitor Economy and Events to the Geelong Economy

Direct contribution to GRP: \$434m (2.7% of total)
Direct contribution to employment: 6,270 jobs (4.3% of total)

Source: economy.id (2024)



CREATIVE INDUSTRIES

Geelong is Australia's first (and only) City of Design and a member of the UNESCO Creative City Network.

The Creative Industries are an evolving mix of sectors spanning arts, culture, screen, design, publishing, advertising and a range of professional services.

Direct contribution to GRP: \$755.8m (4.7% of total)

Direct contribution to employment: 7,942 jobs (5.5% of total)

Source: Lucid Economics (2024)



Geelong has world-leading innovative talent across a variety of creative pursuits, from fashion and the arts to engineering and production.

REVENUE STRUCTURE AND COST SHIFTING

When considering **local government's revenue structure, as well as whether these structures are sustainable and appropriate and how cost shifting from state and federal governments to local council impacts** you first need to understand the current financial position that local governments are in.

Balancing financial pressures

Like most local governments, the City continues to face financial pressure. This is driven by significant escalations for wages as well as materials and service.

In Victoria, the capacity to raise revenue is artificially constrained by the Victorian Government's rate cap policy, the cost to deliver services and infrastructure however continue to climb at a higher rate than the 2.75 per cent rate cap.

The Australian Government made an election commitment to provide 'fair increases' to Financial Assistance Grants. That has not eventuated yet.

Local government plays a critical role in ensuring that communities are productive, resilient, and liveable, They have a small revenue base to do this work, with substantial assets to maintain. It is important to recognise the individual needs, aspirations and challenges of each of Victoria's 79 councils.

The City is continually challenged to balance the needs and aspirations of the community against fiscal responsibility.

We are duty-bound to make decisions that are evidence-based, financially responsible and reflect the needs of the community and stakeholders we serve. This demands prudent judgement, especially as we, along with many other councils, acutely feel the impacts of inflation and substantially higher costs, compounded by the Victorian Government's rate cap of 2.75%, which limits crucial rate revenue. In the 2024-25 Budget, you will find a considered allocation of resources aimed at addressing the most pressing needs of our community. From infrastructure upgrades to social programs, every dollar has been carefully allocated to maximise its impact.

(2024-25 to 2027-28 City of Greater Geelong Budget)

While the City is projecting a budgeted surplus of \$2.07 million in the coming year, the four-year budget forecasts further small surpluses over the following three years and an awareness that due to escalating costs there may be a need during this period to record a deficit.

The City's total expenditure in 2024-25 will be \$491.1 million. Local government is not small business. Where the money goes (top 10 sources of expenditure):

- **Capital projects delivery** – \$213.4 million (35.8 per cent)
- **Waste management** – \$63.6 million (10.7 per cent)
- **Services and internal services** - \$54.7 million (9.2 per cent)
- **Asset management and maintenance** – \$46.4 million (7.8 per cent)
- **Family Services** - \$34.7 million (5.8 per cent)
- **Parks and reserve management** – \$33.8 million (5.7 per cent)
- **Recreation and sport** – \$32.2 million (5.4 per cent)
- **Community programs and venues** – \$25.7 million (4.3 per cent)
- **Statutory and strategic planning** – \$24.2 million (4.1 per cent)
- **Community care** – \$21 million (3.5 per cent)

The City is budgeting for \$15 million in new borrowings in 2024-25, taking the total borrowings by the end of the fiscal year to \$189.4 million. These new borrowings are required to fund the delivery of core community facilities and infrastructure.

As a growth region the City currently has 11 Precinct Structure Plans in place, this places multi-level pressures on the City to deliver the required resources and financial investment to sustain and support the growing region.

By the end of the 2024-25 fiscal year, the City will be responsible for the upkeep of just over \$5.7 billion in assets – an increase of around \$400 million on 2023-24.

The City's four-year budget identifies that this figure will increase to over \$7.2 billion by the end of 2027-28.

While staffing costs sit at \$204.6 million this year up \$10.2 million on forecast 2023-24 result. Mainly due to salary increases in line with the City's Enterprise Agreement.

The City is one of Geelong's largest employers, providing full-time, part-time, or casual employment for 1863 people.

Impacts affecting financial position

The Victorian Government artificially constrains local government revenue, with a rate cap set at 2.75 per cent for the 2024-25 fiscal year.

Rates and charges make up just under half (47.8 per cent) of the City's total comprehensive income and so are essential to supporting the services and facilities the City provides to the community.

Historically, in greater Geelong, commercial rates have been set higher while residential rates have been lower.

Under a 10-year plan, the City will aim to progressively bring the two rates together to support local business and ensure the greater Geelong region is an attractive place for business investment.

Residential rates remain extremely competitive in comparison to other local governments across the state:

- Average capital improved property value: \$768,093
- Average rates payable: \$1,545.86 (up \$66.57 or 4.5 per cent)

Commercial/Industrial:

- Average capital improved property value: \$1,189,525
- Average rates payable: \$4,668.65 (down \$245.72 or 5 per cent)

Unlike other spheres of government, the City does not have access to a growth tax that would allow us to share in the prosperity of the region's economy and provide services and infrastructure to meet growing community needs. This creates an unhealthy financial relationship with grant programs from other levels of government.

The City relies heavily on Australian and Victorian government growth infrastructure grant funding to deliver on the region's growth needs. However, in a competitive marketplace, the higher need and demand on the City for investment to meet demand in the region, is not always considered by governments in the allocation of grant funding.

The current funding model for local governments does not adequately account for the increased revenue requirements of growing councils to meet the demands for infrastructure and services. As a result, residents in these areas suffer from inadequate access to essential services and infrastructure as councils balance need and budget.

This issue is underscored by the disparity in revenue growth among different levels of government. Over the past five years, while Federal tax revenue has risen by 31% and Victorian State tax revenue by 34%, local government tax revenue has only increased by 16%.

In Victoria, the rate capping mechanism applies uniformly to all councils, without considering structural factors such as inflation, growth demands, and varying cost pressures faced by different councils. In contrast, the NSW rate capping model utilizes a Rate Peg indexed against a fixed basket of goods measured by the Local Government Cost Index. This index incorporates a population factor, adjusting the rate peg according to population growth in municipal areas. This approach supports councils experiencing rapid growth by enabling them to increase rates to meet rising demands for infrastructure and services.

Another drawback of Victoria's rate capping policy is its insufficient consideration of inflation's impact on local governments. The Essential Services Commission (ESC) recommends rate adjustments based on projected changes in the Consumer Price Index (CPI), often underestimating the actual expense increases encountered by Victorian councils.

NSW addresses this issue through its Local Government Cost Index, which accurately reflects the specific cost increases faced by councils, ensuring fairer rate adjustments that align with financial realities. Adopting a similar methodology in Victoria would enhance councils' capacity to respond effectively to infrastructure and service needs.

Additionally, the current local government specific grant programs are currently not offered across all regions creating a disparity in funding and through that service delivery. The level of funding is also changing with many crucial grants being discontinued, grant that were crucial for local community infrastructure.

For example Growing Suburbs Fund and Suburban Revitalisation Program, funds have not been available to Geelong even though we are the fastest growing region in Victoria. Geelong has requested to be considered for the Growing Regions Fund, when eligibility was expanded to include some neighbouring council's however this was rejected. It should be noted that these successful programs that have not been continued under the current budget.

The vast differences between local governments not only in service delivery, but also form a funding perspective reinforces the need for consideration of context and the urgent need for **alternative models of funding** to be considered.

Growth councils such as the City of Greater Geelong, with growing and changing populations, face significant challenges in meeting the needs of their communities' services and infrastructure.

Understanding and consideration of the diverse needs of communities and how the current financial models impact service availability and quality is required for an appropriate and sustainable funding model to be developed.

Consideration 1: A one size fits all approach to local government funding, including statewide rate capping does not work. Councils need greater control of their own revenue mechanisms to address local needs and aspirations.

Community service delivery

Cost of services continue to rise through a combination of increased delivery as population grows and increased cost to deliver. The cost of services delivered to the community for the 2024-25 year is expected to be \$386.4m which is an increase of \$27.0m over the 2023-24 forecast. The key influencing factors are the increased price of materials, external services, and employee costs. In the period 201-2022 to 2027-2028 there has been an increased cost of service delivery of 28.97%.

Because of that, the City relies on support from the Australian Government through Financial Assistance Grants for financial sustainability.

Both components of the Financial Assistance Grant are untied in the hands of local government, allowing them to allocate the grants according to local priorities, this is critical for delivery of services and infrastructure projects.

To support **the ability of local governments to meet core service delivery objectives** these untied grants are the most important ones that the City receives, as they can be directed to the services and infrastructure the community needs and that service planning identifies.

The Victorian Government does not provide untied grants in this way. In many ways, the most important support the City receives are these untied Financial Assistance Grants. They provide much needed and scarce capacity for local decision-making to support local needs and aspirations. With the artificial constraints of the State Government rate cap, this importance cannot be underestimated.

The City would welcome discussion with the Victorian Government about this **alternative model of funding** at a state level.

Consideration 2: The Victorian Government open discussion with local government about the provision of untied funding at a state level.

Untied grants are a significant form of investment for local governments. They provide the flexibility to allocate funds to areas most needed by the community, whether it is for building new infrastructure, delivering programs that meet community needs, or maintaining essential services and facilities like pools, libraries, sporting grounds, and roads.

The ability to direct these funds strategically is crucial, especially since local governments often face challenges with short-term grants that may not align with the long-term service planning and community needs.

Consideration 3: Whilst not in the remit of the Victorian Government and in line with our submission to the Standing Committee - The Australian Government's Financial Assistance Grants needs to sit at 1% or more of Commonwealth Tax Revenue to support the sustainability of local government.

Adequate untied funding will allow for a more effective and efficient use of resources, enabling local government to address specific local priorities without the constraints of externally imposed conditions.

From a Victorian Government perspective, recent changes to state grant funding are also impacting service delivery.

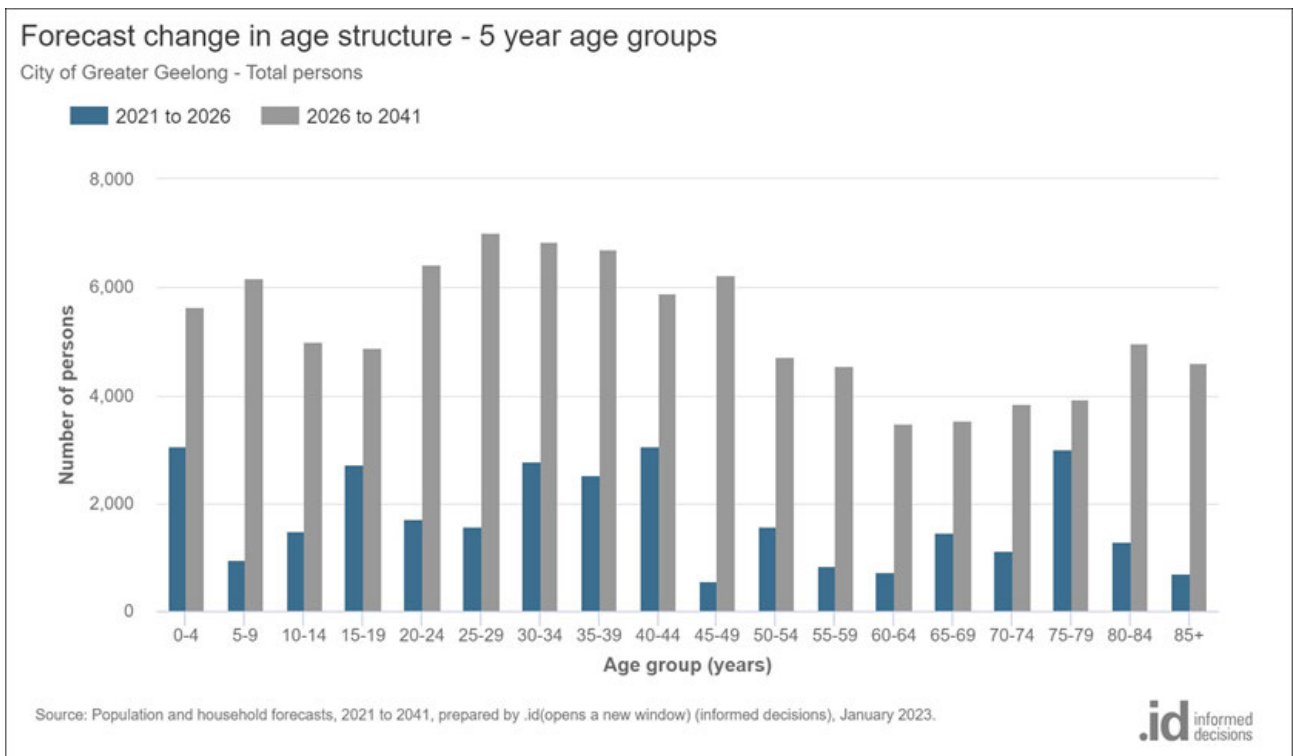
Library services

Since 1975, the Victorian Government has contributed equally to funding for local libraries. Over time we have seen this contribution decline to just 17%. This cost shift creates significant financial and operational burden on local government as they seek to continue to provide the service and maintain the infrastructure to support this free service to their community during equally shifting times in print medium.

local context to be integral to any changes to the **models of funding** for local government.

Early years services

As already highlighted, over the past 10 years, birth rates have increased significantly in the greater Geelong municipality, with the population of young children expected to continue to increase.



The City currently have a budget allocation of approx. \$17 million to the Geelong Regional Library Corporation for the operation of Libraries across our municipality. The City's most recent capital investment for a new library at Armstrong Creek required an investment of over \$22 million of which the Victorian Government contributed \$1.5 million. The Living Libraries Fund where this funding came from has now been reduced to a maximum allocation of \$200,000 – resulting in further infrastructure upgrades and new libraries for growing communities within our local government area to be an impossible ask of the City. This disparity will result in inadequate service provision to any new growth areas.

Consideration to reinstate equal funding should be made to help cover the infrastructure and operational costs in growth regions. This need reinforces the importance of

Together with the forecast growth, Geelong has a reasonable proportion of households with children 15.3%, with a larger proportion of single parent households with young children.

The Geelong municipality historically has a strong participation rate of children attending kindergarten with 96% percent of children enrolled in a kindergarten program, higher than the Victorian average of 92%. The number of four-year old kindergarten enrolments in a long day care or integrated children's service setting has been steadily increasing over the last ten plus years.

The need to provide every three-year-old in Victoria with access to 15 hours of subsidised kindergarten by 2029, combined with the existing strategic challenges of growth, asset renewal, funding and service capacity means that it

will be important for all levels of government, services providers and users to understand the implications and demands on services and infrastructure now and into the future and to work better together.

We know through conversation with bordering municipalities that the current funding model does not adequately account for the increased demands on community and early years infrastructure in growth regions. Precinct Structure Plans and Developer Contribution Plans are often based on smaller population forecasts, leading to funding shortfalls. This is exacerbated by higher-than-anticipated population densities and increased service standards. The need for larger facilities and higher construction and operation costs further strains local government resources.

An **alternative model of funding** should better reflect the needs of growing communities and the context within which the services will be located..

Consideration 4: Victorian Government contribution to early years services should more closely align with the actual costs of providing community and early years infrastructure.

This alignment would help cover the additional costs of expanding infrastructure and meeting the growing demands of the community.

Capital projects

The City recognises that renewing and upgrading existing assets in established areas is as important as providing new assets in growth areas. Since 2021-22 the City has been allocating an increasing share of capital investment towards renewing and upgrading the City’s existing assets. In 2024-25 the City will invest \$59.1 million in renewal of assets, \$40.3 million in asset upgrades, and \$111.2 million in new assets.

The City is working hard to find and make use of Australian and Victorian government grant opportunities to help fund capital projects, to help ease the burden on the City’s own finances. While the City receives significant income through developer contributions, these do not cover the full cost of providing the necessary community infrastructure in newly developed areas.

Four-year capital projects forecast:

- 2024-25 – \$210.5 million
- 2025-26 – \$209 million
- 2026-27 – \$195.9 million
- 2027-28 – \$137.2 million
- Four-year total – \$752.6 million

These figures include City and external funding such as Australian and Victorian government grants and developer contributions.

2024-2025 Capital expenditure by category:

- Roads, paths, kerb, and channel and drains \$50.8 million
- Land acquisitions \$46.4 million
- Parks, open space, and leisure \$42.3 million
- Buildings \$29.6 million
- Waste management \$10.1 million

The City is highly dependent on grants to deliver services and capital works to the community it serves, budget extract:

	2023/24 (\$*000)	2024/25 (\$*000)
Total operating grants	\$66,433	\$73,906
Total capital grants	\$26,050	\$24,484

Grants represent 15.64% of revenue for this fiscal year 2023/24 and a 14.53% projection for 24/25. This investment by government has dropped relative to total revenue over the last 10 years. Budget projections work on an assumption of recurrent funding availability with embedded CPI increase.

The ability of the City to make long-term financial investment decisions relies on certainty of revenue over time that is indexed realistically. Future sustainability is dependent on the ability to reap returns on investment over time and a revenue base that grows in line with demand and cost of living.

Factors such as limitation on eligible funded projects, rate-capping, and cost-shifting, impact the financial stability of local governments.

Infrastructure

There is an ongoing need placed on local government to invest in and maintain aging infrastructure and meet the diverse needs and demands of a changing and growing population.

Recent changes to both Victorian and Australian government funding approaches have impacted local government's ability to deliver on large scale infrastructure work by requiring local government to complete planning and scoping work for capital works and major infrastructure works prior to application for government funding.

This expectation places financial burden on local government without certainty of revenue to support delivery on this investment. It also creates a challenge to local government in strategic planning and resourcing, and importantly, in managing the expectations of community.

This added financial burden extension places the City, as it does other local governments, in the unenviable position of reducing services and infrastructure for the community to ensure asset functionality. In answer to the question as to **whether there are alternative models of funding to consider**, we believe there is.

Consideration 5: Infrastructure funding needs to consider a 2-stage approach, stage one provides funding to cover planning and consultation and stage two provides funding to deliver on that consultation – linked together with pre-approval and not subject to future rounds to deliver.

Local government needs the flexibility that comes with security of revenue to respond to changing needs and proactively prepare for future demand.

As noted in the City's municipality breakdown, the City's population data by age cohort shows that the fastest two growing cohorts have been older residents and younger adults looking to start a family.

Forecast population projections highlights that this growth will not only bring a higher demand on services such as community health and wellbeing, aged care, family support and care, but also to housing demand and community, recreational infrastructure, and open spaces.

Projects to support growth are planned and investment is committed by Council in annual budgets, however emerging needs can arise requiring diversion of revenue.

Current grant funding precludes local government from applying for projects that have already commenced, this impacts the City's ability to be responsive to changing needs, see following scenario.

The City has commenced a self-funded civil infrastructure project; the project is a priority project for the community, is shovel ready, and had a budget allocation.

Government releases a grant opportunity which directly aligns to the civil infrastructure project already commenced. Funding guidelines precludes the City from putting this project forward for funding as it has already commenced.

At the same time the City has identified an urgent need to review social housing plans but has no funding available within budget to invest in planning and design.

By enabling the City to apply for projects that have commenced and not just projects sitting waiting - shovel ready - there would be improved capacity to respond and deliver to the regions changing needs.

Communities grow and change, **a sustainable and appropriate revenue structure** must meet the growing and changing needs of local government, considered at the local level.

Consideration 6: That projects which have already commenced should be eligible projects to receive Government funding where an alignment with the funding objectives is clear.

This would free local government funds for further investment in areas of need. Reinforcing the need for context when looking at local government funding approaches.

Asset management

The City's Asset Policy talks to the way in which sustainable delivery of the City's services is dependent on asset infrastructure which has been developed and maintained over generations. This investment continues to grow strongly because of the City's capital investment program and developer contributed assets. The 2020 replacement cost of the City's existing asset base was \$2.3 billion.

Asset Management combines management, financial, economic, and technical practices with the objective of meeting required service levels through physical assets in the most cost-effective manner.

Most City assets are long lived and require significant on-going investment in maintenance and renewal activities to ensure they deliver the required levels of service expected by the community. This requires a focus on the City's long-life assets which vary greatly across local government areas.

Growth area demands

The City is facing growth at unprecedented levels. The Armstrong Creek growth area is the largest contiguous growth area in Victoria, consisting of 2,500 hectares of develop-able land, and is one of the largest growth fronts in the country. This growth area provides a clear example of how changing community needs

The Victorian Government has consistently recognised the importance of the growth area in accommodating the unforeseen levels of population growth in Victoria.

Armstrong Creek, in the greater Geelong municipality, is seen as Victoria's sixth growth area alongside the Growth Areas Authority Councils Wyndham, Hume, Casey-Cardinia, Melton, and Whittlesea. The Geelong region itself is regional Victoria's fastest growing area.

The Armstrong Creek growth area will:

- provide housing for between 55,000 to 65,000 people
- provide approximately 22,000 residential homes
- provide 22,000 jobs, with a focus on high technology jobs and developing synergies with Deakin University
- be developed as a sustainable community, with a focus on walkability, public transport provision and sustainable water use
- have physical and social infrastructure provided at an early stage, with an aim of building communities rather than just releasing land for development - there will not be just homes and jobs in the growth area, but schools, retail space, parks, open space, bike paths and a place for people to create a home and be part of a community
- provide a boost to local employment during the construction phase
- assist in addressing housing affordability issues currently experienced in the region
- have significant public transport provision
- provide for more sustainable housing choices

As recently highlighted by our Mayor Trent Sullivan in his response to the Victorian Governments' announcement of draft housing targets June 16, 2024.

"The government's draft housing target for Greater Geelong is the highest in the state and recognises our important role as the largest regional city in Victoria. Council is planning for strong population growth over the next two decades, but this level of new housing would be an increase on the forecasts in our Settlement Strategy. We'll be considering the target, discussing it with the government and making a submission via the Plan for Victoria process.

Geelong is getting bigger and that brings a lot of exciting opportunities. At the same time, it's very important to us and our community that growth is planned and managed in a way that maintains what we all love about living here. We'll need to see significant government investment in services and infrastructure for our region as our population grows."

Mayor Trent Nathan

The draft target of 139,000 new dwellings by 2051 would see 5,150 new dwellings built each year. This is significantly higher than the current rate given there were 2,780 residential building approvals in 2022-23.

Council is planning for an even 50-50 split of housing growth between new growth areas (such as the remainder of the Armstrong Creek Growth Area and the new Northern and Western Geelong Growth Areas), and infill development in established areas.

The Northern and Western Geelong Growth Areas will have space for around 40,000 homes.

We are seeking to direct infill development to strategically located areas close to public transport and existing services. These include central Geelong, Pakington Street North, the former Saleyards Precinct, and South Geelong.

While carrying out a long-term settlement boundary review, which will support the Council in setting a clearly defined boundary to contain growth to identified areas across the municipality. This matter is expected to be considered by our Council in the coming months.

Council's Settlement Strategy, including population forecasts, can be found [here](#).

Growth area development is funded through a variety of revenue streams. Australian, state, and local governments

play a significant role in funding high order infrastructure such as schools and arterial roads. As do the stakeholders that the City works with such as developers who construct roads, drainage, local parks, and shared paths and then gift this infrastructure to the City as public assets, which the City then maintains.

As highlighted by Mayor Trent Nathan, local government needs to see significant investment in services and infrastructure to meet population growth and Victorian Government housing targets.

Without **a sustainable and appropriate revenue structure** which includes government funding, the City cannot meet the infrastructure or maintenance needs of the growing communities across the region.

Which is why **Consideration 2** (above) is so important, not all infrastructure needs are shovel ready.

Grant Guideline implications

An important point to consider when looking at **revenue structures** and **models of funding** is the ability of local government to respond quickly to grant opportunities in such a complex and evolving environment.

In 2024 the average open time for a grant opportunity has been 67 days, assuming you hear about a grant the day it opens. A 2-month window provides challenges for local government to release officers from business-as-usual, to coordinate and develop an application, to secure approvals, follow internal procurement processes, consultation with community, approvals from Council etc.

Consideration 7: Realistic timeframes for responding to requests for tender are given with consideration to the complex environment within which local government operates.

An additional timeline challenge currently faced by local government is the delays often seen in Australian and Victorian Government's response to tenders. Grant guidelines provide clear timeframes as to when applicants can expect to hear if they have been successful or not in their application. Over recent years these dates are often blown out by anything up to 3 months, this delay in awarding of a grant can have substantial impact on local government's ability to deliver the project for which they had tendered in a responsible manner:

- quotes are no longer valid, new quotes can result in an escalation of project costs before the project starts, impacting Council budgets and financial projections.

- Contractors may no longer be available, in regional locations where smaller markets exist this creates a real risk to the successful delivery of the project and risks non-compliance with completion timelines.
- Officers have moved onto other projects, creating a resourcing risk, which potentially could result in additional project costs not previously anticipated.
- Community confidence in local government's consultation process is negatively impacted, when community does not receive an outcome within the anticipated timeline, they lose trust in Council.
- Officer morale is negatively impacted as they wait to hear the outcome on anticipated works that they are heavily invested in delivering.

Consideration 8: Prompt response to tenders and awarding of grants in line with Grant Guidelines, by Australian and Victorian governments.

Prompt responses will allow local government to better coordinate, plan for and implement projects in line with funding submission budgets and timelines.

REGIONAL SERVICE DELIVERY AND INFRASTRUCTURE NEEDS

What are the needs?

Local government operates in a complex but important strategic and legislative landscape. It is vital that local government focuses its efforts on the right things, ensuring adherence to the *Local Government Act 2020*. The ability of local government to respond to community needs comes down to resourcing – the capability and the capacity to deliver.

The following strategic needs are dependent on **a sustainable and appropriate revenue structure** often sourced through Australian and state government funding to deliver, and have been identified through a range of community consultations and masterplan developments.

- **Sustainable Development:** Balancing economic growth with environmental sustainability is crucial. Urban planners need to consider factors such as green spaces, energy efficiency, waste management, and water conservation to create a sustainable city.
- **Land Use Zoning:** Proper zoning ensures that land is used efficiently and appropriately. Urban planners must allocate areas for residential, commercial, industrial, and recreational purposes while minimising conflicts.

- **Transportation Infrastructure:** Improving transportation infrastructure is essential. This includes road networks, public transit systems, cycling lanes, and pedestrian-friendly pathways. Efficient transportation options enhance mobility and reduce congestion.
- **Affordable Housing:** Providing affordable housing options for residents is a priority. Urban planners need to address housing affordability, density, and equitable distribution across neighbourhoods.
- **Heritage Preservation:** Balancing modern development with the preservation of historical and cultural heritage is challenging. Urban planners must protect significant landmarks and maintain the city's unique character.
- **Climate Resilience:** The City faces climate-related risks such as sea-level rise, extreme weather events, and heatwaves. Urban planning should incorporate climate adaptation strategies to enhance resilience.
- **Public Spaces and Recreation:** Designing and maintaining public spaces, parks, and recreational areas contribute to community well-being. Accessible green spaces promote physical activity and social interaction.
- **Mixed-Use Development:** Encouraging mixed-use developments (combining residential, commercial, and recreational spaces) fosters vibrant neighbourhoods and reduces dependency on cars.
- **Community Engagement:** Involving residents in planning decisions ensures that their needs and preferences are considered. Effective community engagement leads to better urban outcomes.
- **Urban Revitalisation:** Transforming underutilised areas or brownfields into vibrant spaces requires strategic planning. Revitalisation efforts can enhance economic activity and quality of life.

Who is best placed to respond to these needs?

Local government is best placed to deliver and respond to these community needs for several reasons, including:

- **Proximity:** Local governments are the closest tier of government to the community, which gives them a better understanding of local issues and needs.

Our Community Plan 2021–25 is the key plan of the Greater Geelong City Council. It tells the community what the councillors are aiming to achieve during their four-year term. All newly elected councils in Victoria are

required to develop a council plan and municipal public health and wellbeing plan following council elections. These plans are informed by community consultation and demonstrate the understanding of local issues and the approach required by the City to deliver on community needs.

- **Tailored Services:** Local government has the capacity to tailor services to local needs, ensuring that policies and programs are relevant and effective.
- **Collaborative Engagement:** Local government can engage with the community to identify existing strengths and capabilities, developing solutions in partnership with local leaders and organisations.
- **Inclusivity:** By involving residents in decision-making processes, local governments gain new knowledge and perspectives, ensuring that policies address the real needs of the community
- **Community Connection:** Local government plays a key role in fostering a sense of community, which is crucial for the well-being and satisfaction of residents.

These factors contribute to the ability of local governments to provide responsive and customised solutions that align with the specific requirements and aspirations of the communities they serve.

What is the biggest challenge in meeting these needs?

Research commissioned by the Australian Local Government Association (ALGA) shows that over the past decade local government expenditure per capita has flatlined, while spending by other governments has continued to rise. This is despite additional responsibilities increasingly being forced onto local government by other spheres of government.

Cost-shifting to local government means that already limited funds and resources are being diverted to new services while existing community services and local facilities go unfunded. By international standards, investment in local government across Australia is low, and this is constraining local governments capacity to deliver core services, such as maintaining local roads and community infrastructure.

In 2023 the Grattan Institute identified local governments needed an additional \$1 billion per year to effectively maintain their roads. ALGA's *2021 National State of the Assets Report* highlights that 10% of local government infrastructure assets are in poor condition and need attention.

The City's *2023 Annual Report* identified the number one challenge impacting services at the City as the growing pressure of financial sustainability.

The City operates within budget constraints, limiting the ability to invest in new services and infrastructure. Because of these constraints the City is forced to consider a range of strategies to maintain essential services and programs, while managing costs.

This may include finding cost savings through efficiency measures, exploring alternative funding sources, or generating revenue through strategic commercial opportunities.

Other challenges which the City is facing, which impacts service delivery, includes:

- Digital divide
- Climate change
- Social and economic inequity
- Population growth
- Changing community needs
- Organisational change
- Infrastructure and maintenance

SUMMARY

In closing, the City thanks the Victorian Government for this opportunity to contribute to the **Inquiry into Local Government Funding and Service Delivery In Victoria** and looks forward to hearing the recommendations of the Economy and Infrastructure Committee following their consideration of feedback.

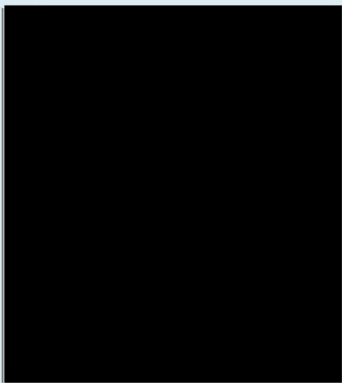
As we did in our recent submission to the Standing Committee on Regional Development, Infrastructure and Transport inquiry into local government sustainability, we wish to finish by highlighting what increased financial sustainability and reduced cost shifting would mean to the City.

A **financially sustainable and appropriate revenue structure** that considered the environment and socio-economic position (the context) within which local government sits, would allow the City to plan **with certainty**, delivery of the identified priority projects underpinning the greater Geelong Strategic, Council and Organisational Plans.





Priority projects includes major infrastructure works awaiting funding across the following 6 priority themes:

1. Integrated transport network and better connections
2. Clever and creative economic investments
3. Essential facilities for a healthy and diverse community
4. Sporting facilities for a healthy and diverse community
5. Caring for our community
6. Protecting our environment and driving a circular economy

Projects that are critical for the greater Geelong growing and changing regional area, and the economic prosperity, health, and wellbeing of the communities that the City serves.



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