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Victorian Local Government Grants Commission
c/- Local Government Victoria
Department of Government Services
1 Spring Street, Melbourne VIC 3000

Dear Chair and Members of the Victorian Local Government Grants Commission,

Thank you for the opportunity to provide this submission to the Victorian Local Government Grants Commission.

The Victorian Local Government Grants Commission (VLGGC) model is internally consistent, transparent and long-standing, however, aspects of the model increasingly rely on population-based and demographic proxies that no longer reflect how services are delivered in practice, particularly for small, geographically dispersed rural councils.

Murrindindi Shire Council submits that a small number of targeted, evidence-based refinements would materially improve equity by better aligning assessed costs with contemporary service delivery reality, without creating perverse incentives or undermining the integrity of the model.

These refinements respond to the fact that population-based proxies no longer reliably reflect real cost drivers for dispersed rural councils, and focus on two core issues:

1. Modernising outdated demographic cost assumptions (notably Languages and Children under 6), where marginal costs are now largely met through other funding streams or technological change; and
2. More accurately recognising access-driven fixed costs, particularly in waste, governance, libraries and community services, where costs are determined by geography, travel and minimum service obligations rather than population alone.

For clarity, 'access-driven fixed costs' refer to costs that arise once communities are distributed across multiple localities such that services can no longer be delivered from a single location without imposing unreasonable travel burdens. At that point, councils must operate multiple service access points or incur materially higher travel, staffing and contractor costs. These costs are largely fixed, non-linear and unavoidable, and do not scale with population or utilisation.

The current model assumes that most service costs scale with population, adjusted by a set of demographic and geographic indices. While this holds for metro councils and large regional centres, it breaks down for councils where costs are driven by access and dispersion rather than utilisation.

For councils such as Murrindindi, costs are driven by minimum viable service provision, not demand. Geography and travel time, not headcount, determine operating cost, and multiple services must be provided locally to avoid unreasonable access burdens, even where utilisation is low.

This is not a matter of inefficiency or asset choice. It is a structural characteristic of delivering statutory and essential services in dispersed rural settings.

1. Addressing the current Waste Management throughput model distortion

The current model treats the waste management function as primarily driven by dwellings, lightly modified by scale and dispersion. This implicitly assumes high throughput, short haul distances, and economies of scale typical of metropolitan systems.

This assumption does not hold for dispersed rural councils like Murrindindi and Strathbogie, which operate multiple Resource Recovery Centres / transfer stations not because of excess capacity or inefficiency, but because a) towns are geographically separated, b) closing facilities would impose unreasonable travel distances on residents, and c) minimum operational standards apply regardless of tonnage.

Each RRC carries fixed costs:

- staffing and supervision,
- compliance and environmental controls,
- contracted haulage over long distances to final disposal,
- and asset maintenance.

These costs do not scale with households or tonnage. A dwelling-based proxy therefore systematically underestimates rural waste costs in dispersed shires.

Recommendation 1

Counting the number of facilities could create perverse incentives (rewarding councils with unnecessary or redundant facilities). Instead, the model should strengthen population dispersion and remoteness weightings within Waste and incorporate an access / haul-distance modifier (eg distance-weighted service catchments).

This recognises unavoidable access costs without rewarding asset proliferation.

2. Addressing the current distortion in Libraries and Community Services

The current model treats library and community services costs as still primarily population-driven. However, in small rural councils, libraries must meet minimum opening hours, professional staffing thresholds apply, and compliance, governance and systems costs are fixed.

Whether a branch serves 3,000 residents or 800 residents, a librarian must still be rostered, buildings opened, cleaned, and systems maintained.

Murrindindi operates three libraries across a dispersed geography and a mobile library to reach remote localities. This is not discretionary and reflects the shire's settlement pattern, access expectations, and statutory service standards.

Yet the model largely treats this as a population service with minor dispersion adjustment, materially understating fixed cost burden.

Recommendation 2

Increase the influence of dispersion and remoteness in Recreation & Culture and Community functions, recognising that costs scale with service reach, not utilisation; and fixed personnel costs dominate in low-density settings.

3. Recognise true travel burden and multi-site service delivery

The Governance function appropriately recognises scale disadvantages for small councils. However, it does not sufficiently capture internal travel burden. For councils like Murrindindi, staff and Councillors travel extensively between townships and localities; meetings, inspections and service delivery occur across a large footprint, and multi-site operations are unavoidable. These are real, recurring costs, not choices.

The current Population Dispersion measure describes where people live, but it does not sufficiently capture the access-driven service obligations that arise once communities are distributed across multiple localities such that service duplication becomes unavoidable.

In particular, it treats distance as a spatial descriptor rather than a cost driver, and does not account for travel time, road quality, terrain or safety constraints that materially affect operating costs, especially in mountainous or hazardous road environments.

As currently applied, the Population Dispersion metric:

- describes settlement spread rather than service access, capturing settlement spread but not the need for minimum service duplication once populations are distributed across multiple centres.
- does not treat distance as a cost, failing to account for travel time, road quality, terrain, or safety constraints that materially affect operating costs, especially in our mountainous or hazardous road networks.
- assumes a linear correlation with population, even though beyond certain access thresholds, costs become fixed and non-linear, driven by minimum staffing, compliance and service availability requirements.
- does not recognise functional service thresholds, such as when services cannot be delivered from a single location without imposing unreasonable travel burdens on residents.
- applies dispersion in a weak and uniform way, rather than linking it more strongly with functions where access is the dominant cost driver (eg waste, governance, libraries and community services).

As a result, the current metric systematically understates the costs faced by councils with dispersed settlement patterns, where geography and access obligations, rather than population size, are the main determinants of service delivery cost.

Recommendation 3

Strengthen the interaction between scale and population dispersion within Governance, explicitly recognising geographic travel burden. Refining Population Dispersion to reflect travel time, access thresholds, road quality and terrain would materially improve equity, particularly for councils with mountainous or hazardous road networks, while having negligible impact on compact municipalities.

These refinements can be operationalised using objective inputs already familiar to the Commission, including travel-time bands, population-weighted access thresholds and road network characteristics, rather than subjective assessments or asset counts.

4. Addressing outdated cost assumptions in demographic adjustors- Languages

The Language adjustor was designed when translation was bespoke, interpreter services were costly, and engagement was primarily in-person.

That cost structure has changed fundamentally and today:

- AI-assisted translation has near-zero marginal cost,
- digital communication dominates,
- many language costs are absorbed centrally or shared across organisations.

The Language adjustor also applies a largely population-based scaling assumption, despite evidence that marginal translation and communication costs have declined significantly. While language support remains important for equity, the current weighting risks overstating cost pressure relative to actual service delivery effort, particularly where language support is already provided through centralised or shared mechanisms.

Yet the Language adjustor retains significant weightings in Governance and Community functions, disproportionately benefitting large metropolitan councils.

Recommendation 4

Reduce the weighting of the Language adjustor, and/or narrow its application to contexts where in-person, regulated or high-risk communication is required.

This would bring the management of language barrier into the current world without impacting access and equity.

5. Addressing outdated cost assumptions in demographic adjustors - Children under 6

Children under 6 already attract substantial vertical funding through:

- Commonwealth Child Care Subsidy,
- State kindergarten funding,
- early years capital and service programs.

The Children under 6 adjustor assumes a generalised local government cost burden, despite early-years services now being heavily supported through targeted Commonwealth and State funding programs. As a result, this adjustor risks duplicating costs that are already funded elsewhere, rather than isolating residual local government cost exposure.

Yet the model treats this cohort as a generalised cost pressure, inflating general-purpose grants in addition to program funding.

Recommendation 5

Reduce the weighting of the Children under 6 adjustor or apply a discount where program funding coverage is high.

This avoids overlapping subsidies while preserving targeted early-years investment, removing effective double counting of program-funded costs.

Conclusion

In summary, the five recommendations above consolidate into four targeted model adjustment areas, with Recommendations 4 and 5 addressing the same underlying issue of outdated or overlapping demographic cost proxies.

1. Modernise the Language adjustor (reduced weighting, narrower scope)
2. Reduce or discount the Children under 6 adjustor to avoid double counting
3. Strengthen population dispersion and remoteness weightings, particularly in Waste, Governance and Community functions
4. Refine Waste cost recognition to reflect access and haul distance rather than number of dwellings.

Murrindindi Shire Council is not seeking special treatment. Rather, it is seeking alignment between the model's cost drivers and contemporary service delivery reality.

Targeted refinement of a small number of adjustors would improve horizontal equity, modernise the model, remove overlapping subsidies, and better reflect the unavoidable costs of serving dispersed rural communities.

In particular, consolidating outdated demographic proxies while strengthening access-driven cost recognition would improve equity without increasing the overall complexity of the model.

These changes would strengthen the credibility, fairness and long-term durability of the VLGGC framework across the local government sector.

Yours sincerely,



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