

Mr Steven Kingshott
Chair
Victorian Local Government Grants Commission
C/- Local Government Victoria
Department of Government Services
Via email: nada.bagaric@dgs.vic.gov.au

Dear Steven Kingshott

Submission to Gants Commission

Thank you for the opportunity to make a submission to the Victorian Local Government Grants Commission (VLGGC) in preparation for the 2025/26 financial assistance grant allocations to Victorian councils.

Murrindindi Shire Council has been concerned about inequities in the distribution of annual grant allocations and has been advocating for an independent and transparent review of the model and the criteria used to determine them.

We acknowledge that achieving equitable outcomes across the sector is both complex and challenging. While the application of the various cost and revenue drivers, adjustors and weightings in the model, on the surface, appear to provide a sound method for calculating and distributing grant allocations, we question whether the results truly balance equity and address the financial needs of individual councils. We suggest that this should be independently tested, akin to a scientific peer review, to evaluate the model's effectiveness and its outcomes.

Council's concerns stem from our analysis under the 'Know Your Council' reporting tool, which consistently shows that Murrindindi derives amongst the lowest annual allocations per capita compared to the cohort of small rural councils. This is despite challenges such as highly dispersed and relatively small population, a burgeoning infrastructure renewal gap, and deteriorating annual adjusted underlying operating deficits.

In our 2023 submission to the VLGGC we highlighted the overall diminution of the relative value of annual financial assistance grants to Murrindindi overtime, the lack of alternative revenue streams for rural councils and the growing reliance on capped rate revenue increases to meet escalating service obligations. Operational measures under 'Know Your Council' demonstrate that Council's financial circumstances are not due to operating inefficiencies, as we maintain favourable unit costs compared to similar councils.

In May 2024, our concerns were endorsed at the MAV State Council Meeting, where a motion put forth by Murrindindi, was supported by over 90% of member councils:

That the methodology used by the Victorian Grant Commission in determining the allocation of Commonwealth Financial Assistance Grants be reviewed to place greater emphasis on the impacts on rural councils of natural disasters and climate change, the limited alternate revenue options, the increased costs associated with cultural heritage management plans (CHMPs), and the increased demands of heavy transport and tourism impacting local roads.

This motion and its background are attached in full.

Our concerns were further recognised in the Final Report of the 2024 Victorian Parliamentary Inquiry into Local Government Funding and Services. The Inquiry heard from several rural councils, including Murrindindi, regarding the need to more thoroughly examine the cost drivers impacting the financial sustainability of rural councils. This led the Inquiry Committee to make the following recommendation to government:

That the Local Government Grants Commission continue to review and refine the methodology it uses to allocate Commonwealth Financial Assistance Grants in meaningful consultation with councils.

Should such a review fail to identify improvements to address the unintended imbalances for rural councils like Murrindindi created by the model, we request that other forms of compensation outside the model be introduced. This could involve withholding a portion of Commonwealth funds from the pool to address specific areas of financial need for councils, with these allocations being transparent and their rationale clearly understood across the sector. In the case of Murrindindi Shire Council, which sustained historical underfunding through the VGC methodology, significant lumpsums in catch-up grant allocation should be issued, in the spirit of restorative justice.

The cumulative impact of ongoing revenue shortfalls is particularly debilitating for our small rural council and our capacity to continue to service our community. Unique challenges disproportionately impact our council, including the adverse impacts of climate change, increasing extreme weather events, peak periods of high visitation, small and highly dispersed populations reducing economies of scale, lack of alternative revenue streams and the increasing inability to adequately renew ageing infrastructure.

We would welcome the opportunity to discuss our concerns with the Commission at its earliest convenience.

Yours Sincerely



Livia Bonazzi
Chief Executive Officer

Link:

[Final Report of the 2024 Victorian Parliamentary Inquiry into Local Government Funding and Services](#)

Attachment:

Motion endorsed at the MAV State Council, May 2024

Attachment

Murrindindi Shire Council Motion Name

Review of Victorian Grants Commission Funds Allocation Methodology

Motion

That the methodology used by the Victorian Grant Commission in determining the allocation of Commonwealth Financial Assistance Grants be reviewed to place greater emphasis on the impacts on rural councils of natural disasters and climate change, the limited alternate revenue options, the increased costs associated with cultural heritage management plans (*CHMPs*), and the increased demands of heavy transport and tourism impacting local roads.

Rationale

- Rural areas are disproportionately impacted by the worsening effects of climate change, affecting agricultural production and nature-based tourism, which are highly sensitive to a changing and increasingly volatile climate. Rural shires bear the brunt of more frequent and intense climate-driven disasters, including bushfires, floods, and droughts.
- Ageing infrastructure and rural roads are ill-equipped to handle these extreme climatic events, leading to increased deterioration. Climate change vulnerability, combined with the demands of heavy transport and tourism, creates extra burdens on rural Council services and road infrastructure, making funding increasingly difficult.
- Many floods, storms, and fires do not meet the threshold for government funding, leaving councils to cover these costs. Rural councils are more susceptible to these frequent emergencies and face additional challenges due to rate capping and limited ability to raise alternative revenue, unlike larger urban councils.
- A study by Rural Councils Victoria (2022) concluded that rural councils' new or 'boutique' revenue sources are unlikely to generate sufficient income to improve local government finances. The solution likely requires improved access to national tax revenues.
- Rural councils also contend with the high costs of CHMPs for capital works due to the prevalence of undisturbed land.
- Consequently, rural councils are least likely to generate surplus funds to address these demands, as evidenced by having the largest relative underlying deficits among Victorian Councils.

We call for a review of the VGC's methodology in determining the allocation of Commonwealth Financial Assistance Grants to recognise the increased financial pressures and lack of alternative income streams for rural councils.