

20 June 2024

Legislative Council Economy and Infrastructure Committee
Inquiry into Local Government funding and services
Parliament House, Spring St, East Melbourne VIC 3002

Via e-submission: <https://www.parliament.vic.gov.au/localgovernmentfunding>

To whom it may concern,

The Victorian Greenhouse Alliances are formal partnerships of local government and statutory authorities working collaboratively to drive climate action for emissions reduction and community resilience across 70 of Victoria's 79 municipalities.

On behalf of our members, we are pleased to provide this submission to the Legislative Council Economy and Infrastructure Committee's **Inquiry into local government funding and services**.

Our submission responds to Items 1, 4 and 5 (any other related matters) in the [Terms of Reference](#), with a focus on local government funding and services as they relate to councils' response to climate change.

In Victoria, the *Local Government Act 2020* requires councils to promote the economic, social, and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, and give priority to achieving the best outcomes for the municipal community, including future generations.

Councils are on the frontline preparing for, mitigating, and responding to the risks and impacts of climate change as communities across Victoria experience the compounding effects of successive flood, storm, fire, and heatwave events. Councils play a critical role in community resilience and wellbeing, providing vital community service, coordinating local disaster preparedness, response, and recovery, and managing \$140 billion of high value community assets and infrastructure including roads, community buildings and facilities, parks, paths, tracks and trails, all impacted by climate change.¹

A recent economic analysis of the direct risks to council-owned community assets from climate hazards in Greater Melbourne assessed average annual damages as currently \$90-120 million. This is expected to increase to around \$210-\$300 million by 2050 (a 150% increase) and \$400-\$540 million by 2100 (a 300% increase) under business as usual (i.e. no adaptation).² In regional Victoria, analysis by Deloitte Access Economics found that the 2022 flood event alone caused \$432 million in damages to the local governments of Murrindindi, Moira, Strathbogie, and Mitchell – just four of the 63 Victorian LGAs impacted by this event – including damages to public infrastructure, losses of agricultural produce, business disruptions, residential and commercial damages, and emergency response costs.³ As the impacts of climate change become increasingly clear, it is critical that all three levels of government work together to accelerate the transition to net zero and beyond as fast as possible, while

¹ <https://www.audit.vic.gov.au/report/results-2022-23-audits-local-government>

² Natural Capital Economics, 22 March 2023, Adaptive Community Assets: A report prepared for the Eastern Alliance for Greenhouse Action. ([link](#))

³ https://www.parliament.vic.gov.au/494a5d/contentassets/af5f665989af4fcaaa09a886d56ce0b0/reply-1.-qon-moira-shire-council-attach-1-deloitte_report_final-draft_august2023.pdf



supporting communities to adapt to the unavoidable impacts of climate change and strengthening the resilience of local economies and our built and natural environment.

As the level of government closest to communities, councils are well placed to inform, facilitate, and implement place-based responses to climate change if adequately resourced to do so. Increasingly, however, councils are in the difficult position of having to do more with less, with rates in Victoria capped at 2.75%, Commonwealth Financial Assistance Grants falling to 0.53% of Commonwealth taxation revenue, and the impacts of climate change, rising inflation, labour shortages, and increasing construction and maintenance costs putting significant pressure on council budgets.

1. The effects of cost shifting from the state and federal governments to local councils in an examination of vertical and horizontal fiscal imbalances.

For too long state and federal governments have looked towards councils as a vehicle for implementing fragmented emissions reduction, renewable energy, and climate change adaptation programs and policies, without adequate support or resourcing. Meanwhile, councils across Victoria are struggling to provide core services while also responding to successive climate-related disaster events that have caused extensive damage to community assets, disruption to the delivery of community services, and unbudgeted financial impacts. These challenges are particularly acute for rural and regional councils disproportionately impacted by climate change.

A survey of Victorian councils conducted by FinPro has found that cost shifting from higher levels of government, extensive capital works, and growing costs associated with climate change are resulting in significant financial pressure on councils resulting in a reduction in core services and infrastructure investment for Victorian communities.⁴

Victorian councils have a legislated responsibility to respond to climate change, and many have adopted ambitious corporate and community emissions reduction targets and climate action plans; but state and federal governments have greater capacity to generate the funds required to adequately mitigate and adapt to climate change as the primary recipients of tax revenue. A multi-level governance approach is urgently needed to meet the scale of the climate change challenge for the benefit of current and future generations of Victorians.

As outlined in the *Many Hands Make Light Work* report⁵, a multilevel governance approach that includes local, state, and federal governments would see more cohesive, unified work between governments, with less duplication. Each level of government must be adequately resourced to deliver within its remit. This approach would empower all spheres of government to fulfill their climate ambitions by promoting effective coordination between and across governments.

Recommendations for the Victorian Government

1. Work with the federal and local governments to re-set roles and responsibilities by establishing a multilevel governance approach to climate adaptation.

⁴ [24.29.01-FinPro-Minister-Local-Government-Local-Government-Financial-Sustainability-Jan-2024.pdf](#)

⁵ https://citiespowerpartnership.org.au/wp-content/uploads/2023/07/Many-Hands-Make-Light-Work_Screen-Singles.pdf

4. Whether the existing revenue structure is sustainable and appropriate or if alternative models of funding would be more sustainable and appropriate.

Primary sources of funding for councils to respond to climate change and support resilience building in communities include council rates and user charges, Commonwealth Financial Assistance Grants, and competitive state and federal grants. With a declining share of tax revenue and a growing list of responsibilities, local governments face a widening resource gap that limits their ability to undertake essential climate change adaptation and mitigation work.

Local government rates make up less than 4% of taxation in Australia, tied to property numbers and value. Climate event, such as bushfires, flooding, and sea level rise, are a growing threat to property values, with homes and businesses in some parts of Australia becoming uninsurable.⁶ The municipalities hardest hit by climate change are often least able to invest in resilience in a rate capped environment.

Over the past three decades, federal Financial Assistance Grants have fallen to just 0.53% of Commonwealth taxation revenue. This is one of the only sources of untied funding available to local governments. In a recent survey of council leaders conducted by the Australian Local Government Association (ALGA), climate change response was identified as one of the services most heavily dependent on Financial Assistance Grants. Councils also rely on Financial Assistance Grants for the renewal of local government assets.⁷ A greater share of Commonwealth taxation revenue would increase the capacity of councils to respond to the local impacts of climate change and to invest in resilience building in communities.

With limited options to independently raise their revenue base to address the growing financial demands and impacts of climate change, councils also rely on state and federal grant funding for essential climate change adaptation and mitigation work. These funding streams are ad-hoc, often hazard-specific, and frequently over-subscribed. Restrictive grant guidelines, eligibility requirements, and application processes can also be prohibitive for smaller and under-resourced councils, particularly in rural areas. For example, some Victorian councils have been unable to meet the cash co-contribution requirements for grants through the Federal Community Energy Upgrades Fund (CEUF). Councils also called for the CEUF to include a stream for feasibility studies and business cases, but funding was only made available for implementation.

Funding for prevention and mitigation of climate risks and impacts is especially limited. In Victoria, Emergency Management Victoria have indicated that there will be no further funding rounds for Risk and Resilience Grants. Councils have relied on these grants to undertake proactive climate change risk assessments of assets and infrastructure to plan for resilience upgrades. Councils have also sought grants for this work through the National Disaster Ready Fund, but are competing with other local governments, state government departments, and community groups for a limited pool of funds.

The Productivity Commission has found that the costs of natural disasters are a growing, unfunded liability for governments due to over-investment in post-disaster recovery (with 97% of disaster funding invested after an event has occurred), and under-investment in adaptation and mitigation to limit the impacts of climate change.⁸

⁶ <https://www.climatecouncil.org.au/resources/uninsurable-nation-australias-most-climate-vulnerable-places/>

⁷ <https://alga.com.au/app/uploads/Importance-of-Financial-Assistance-Grants.pdf>

⁸ <https://www.pc.gov.au/inquiries/completed/disaster-funding/report>

Under current Disaster Recovery and Funding Arrangements (DRFA), councils are funded to return assets and infrastructure to their pre-disaster state. Resilience improvements are often not funded, or only partially funded through the DRFA, with councils generally required to pay for these upgrades themselves. Infrastructure improvements for disaster resilience can be costly, and most councils do not have the resources to invest in these upgrades following disaster events. The urgency with which essential infrastructure needs to be reinstated further limits opportunities to budget for and allocate funding to build back better.

There is growing evidence that investment in betterment can prevent or reduce damages from disaster events, deliver resilience benefits for communities, and ultimately save money through avoided reconstruction costs. Since it was established in 2013, the Queensland Benefit Fund has resulted in \$397.5 million in avoided reconstruction costs from an investment of \$174 million. Of the 531 projects completed to date, 423 have subsequently been impacted by disaster events, but 79 per cent of those impacted have suffered no damage or only minor (superficial) damage.⁹

Councils need direct financial support to ensure they have the capacity to transition and support their communities to adapt to climate change. Significant climate change mitigation and adaptation progress requires long-term, flexible funding options alongside a regional approach to prioritising projects. Increasing direct funding for prevention, mitigation, and adaptation, can deliver significant social, environmental, and economic returns.

Recommendations for the Victorian Government

2. Advocate to the Federal Government to significantly increase funding available for local and regional projects with a focus on risk mitigation and adaptation through the National Disaster Ready Fund.
3. Consult with councils and practitioners working on the ground on the design of state and federal funds, and take a collaborative approach to the allocation of funding and the identification of priority projects for implementation. This should seek to avoid a process whereby councils are competing with each other (or with state departments) for grant funding.
4. Develop a dedicated funding program to support local governments to undertake asset risk assessments and improvements, with reference to future climate projections and risk modelling.
5. Adopt betterment as an eligible expense under the Disaster Recovery Funding Arrangements and establish a Betterment Fund similar to the Queensland model.

⁹ Queensland Reconstruction Authority, 2023, Queensland Betterment Funds Paper, https://www.qra.qld.gov.au/sites/default/files/2023-07/0805_betterment_funds_paper_2023_0.pdf

Victorian Greenhouse Alliances and Contacts:

Barwon South-West Climate Alliance (BSWCA)

Sue Phillips, Executive Officer, sue.phillips@bswca.org

- o City of Greater Geelong
- o Golden Plains Shire
- o Surf Coast Shire
- o Borough of Queenscliffe
- o Colac Otway Shire
- o Warrnambool City Council

Central Victorian Greenhouse Alliance (CVGA)

Annika Kearton, Chief Executive Officer, ceo@cvga.org.au

- o Ararat Rural City Council
- o Ballarat City Council
- o Buloke Shire Council
- o Central Goldfields Shire Council
- o Gannawarra Shire Council
- o Greater Bendigo City Council
- o Hepburn Shire Council
- o Loddon Shire Council
- o Macedon Ranges Shire Council
- o Mildura Rural City Council
- o Mount Alexander Shire Council
- o Pyrenees Shire Council
- o Swan Hill Rural City Council

Eastern Alliance for Greenhouse Action (EAGA)

Scott McKenry, Executive Officer, scott.mckenry@maroondah.vic.gov.au

- o City of Boroondara
- o Glen Eira City Council
- o City of Knox
- o Maroondah City Council
- o Monash City Council
- o Stonnington City Council
- o Whitehorse City Council
- o Yarra Ranges Council

Gippsland Alliance for Climate Action (GACA)

Tiffany Harrison, Coordinator, tiffany.harrison@gccn.org.au

- o Baw Baw Shire Council
- o East Gippsland Shire Council
- o Latrobe City Council
- o South Gippsland Shire Council
- o Wellington Shire Council

Goulburn Murray Climate Alliance (GMCA)

Carole Hammond, Executive Officer, eo@gmca.org.au

- o Alpine Shire Council
- o Benalla Rural City Council
- o Campaspe Shire Council



- o Greater Shepparton City Council
- o Indigo Shire Council
- o Mansfield Shire Council
- o Mitchell Shire Council
- o Moira Shire Council
- o Murrindindi Shire Council
- o Towong Shire Council
- o Strathbogie Shire Council
- o Wangaratta Rural City Council
- o Wodonga City Council
- o Alpine Resorts Victoria
- o Goulburn Broken Catchment Management Authority
- o North East Catchment Management Authority

Northern Alliance for Greenhouse Action (NAGA)

Dean Thomson, Executive Officer, dean@naga.org.au

- o Banyule City Council
- o City of Darebin
- o Hume City Council
- o Manningham City Council
- o City of Melbourne
- o Merri-bek City Council
- o Nillumbik Shire Council
- o City of Whittlesea
- o City of Yarra

South East Councils Climate Change Alliance (SECCCA)

Helen Steel, Chief Executive Officer, hsteel@seccca.org.au

- o Bass Coast Shire Council
- o Bayside City Council
- o Cardinia Shire Council
- o City of Casey
- o Greater Dandenong City Council
- o Frankston City Council
- o Mornington Peninsula Shire Council
- o City of Kingston
- o City of Port Phillip

Western Alliance for Greenhouse Action (WAGA)

Fran Macdonald, Executive Officer, franm@brimbank.vic.gov.au

- o Brimbank City Council
- o Maribyrnong City Council
- o Hobsons Bay City Council
- o Melton City Council
- o Moonee Valley City Council
- o Moorabool Shire Council
- o Wyndham City Council

This submission has been approved through the Victorian Greenhouse Alliances approval processes but has not been formally adopted by individual members. The submission does not necessarily represent the views of all members.

