



# Local Government Funding and Fiscal Sustainability

January 2026

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## Introduction

This report has been prepared in response to the Federal Inquiry into Local Government Funding and Fiscal Sustainability, adopted on 6 November 2025, following a referral from the Minister for Emergency Management and Minister for Regional Development, Local Government and Territories, the Hon. Kristy McBain MP.

The inquiry, closing on Tuesday, 3 February 2026, will examine the financial relationship between local government and other levels of government in Australia, with a particular emphasis on funding mechanisms and fiscal sustainability.

Local Government Areas (LGAs) collaborate closely with federal and state governments for co-investment in delivering community infrastructure and services. There has been growing concerns in recent years from LGAs regarding the costs burden and funding availability for Councils.

Federal and state governments have incrementally been passing infrastructure and service delivery responsibilities to LGAs without providing the equivalent financial support. The resulting cost burden is compounded by rising costs for such projects and rate caps imposed on councils, limiting available revenue to meet these obligations.

The increasing transfer of responsibilities from federal and state governments places the City of Whittlesea and other LGAs at risk of compromising core services and long-term financial sustainability. If this trend continues, Councils may be unable to sustainably provide essential services to their communities.

## Executive Summary

This report has identified key trends and financial impacts associated with funding shortfalls arising from responsibilities assigned to the City of Whittlesea, including:

- major service areas that are experiencing reduced or inadequate funding, increasing the council cost ratio
- service areas where additional costs have been assumed by council
- grant stream reductions
- operating in a rate capped environment.

Local government's capacity to continue delivering essential services (both those expected by the community and those mandated by other tiers of government) relies on adequate support from federal and state governments. The City of Whittlesea is facing increasing pressure on service delivery due to rising community expectations and compliance obligations at a time when funding levels are insufficient and declining.

If these funding pressures are not addressed by federal and state governments, Council may have limited options other than scaling back certain service areas and/or increasing operational expenditure at the expense of capital investment. Both approaches pose risks to the current and long-term wellbeing of the City of Whittlesea's growing community and Council's operational efficiency.

## Section A – Rate Capping

The City of Whittlesea, like other Councils in Victoria, operates within a rate-capped environment. This restricts revenue growth, despite increasing cost pressures from wages, inflation, asset renewal, population growth and expanding regulatory and service expectations. Where state or federal government policy decisions impose additional responsibilities without adequate funding, Council is forced to absorb these costs within capped revenue limits, resulting in ongoing cost shifting to local government. Over time, this undermines financial sustainability, constrains service delivery and limits councils' capacity to maintain and renew critical community infrastructure.

### **Balancing Revenue and Community Impact**

Council is mindful of balancing its reliance on rate revenue with community sensitivity to rate increases. The introduction of the Victorian State Government's Fair Go Rates System (FGRS) caps annual rate increases to a limit declared by the Minister for Local Government, which is announced annually for the following financial year.

The state government's rate cap announcement of 2.75 percent will create further significant challenges for councils and local communities in the 2026-27 financial year. The rate cap to CPI has failed councils and does not keep pace with councils' actual cost growth. Victoria is currently the only Australian jurisdiction without a current local government cost index. Using Treasury forecasts of CPI growth to inform the rate cap does not work, as it is not a true reflection of the increased costs our sector faces in construction, materials, and services.

The case for transformation put forward by *The Future is Local* paper (Municipal Association of Victoria, 2025) begins with a stark reality: councils are being asked to do more, in more complex ways, with less certainty and mounting financial strain. The rate cap system as it currently operates compounds the financial pressure Victorian councils face and is central to any discussion on funding reform and the fiscal sustainability of local government.

## Section B – Leisure Infrastructure Grant Stream Reduction

Historically, state and federal government grant programs have played a crucial role in supporting Council to deliver major leisure infrastructure projects. Over recent funding cycles, there has been a substantial reduction in the availability of external grants. This section of the report outlines the decline in funding sources for key programs and the implications for future infrastructure delivery.

### Overview of Funding Program Changes (2020–2026)

The table below summarises the shift in grant availability across major programs relevant to leisure and sports infrastructure.

<b>Funding Program</b>	<b>2020-21 Available</b>	<b>2023-24 Available</b>	<b>2025/26 Program Funding Available</b>	<b>Overall Trend</b>
Local Sports Infrastructure Fund (Victorian Grant)	\$22,000,000	\$5,000,000	Not disclosed	Significant reduction in funding pool and uncertainty beyond 2025/26
Country Football and Netball Program (Victorian Grant)	\$5,000,000	\$2,500,000	Not eligible	Funding halved; new caveats on participation in rural leagues has meant projects within City of Whittlesea are ineligible
The World Game Facilities Fund (Victorian Grant)	\$20,000,000	Decommissioned	Decommissioned	Complete loss of program
Australian Cricket Infrastructure Fund (Cricket Australia)	\$4,300,000	\$5,000,000	\$5,000,000	Stable but modest; insufficient funding per application for major projects
Community Cricket Program (Victorian Grant)	\$13,500,000	Decommissioned	Decommissioned	Complete loss of program
Community Sports Infrastructure Loans Scheme (Victorian Grant)	\$100,000,000	Decommissioned	Decommissioned	Complete loss of program
Community Sports Infrastructure Fund (Victorian Grant)	\$168,000,000	Decommissioned	Decommissioned	Removal of a major source of capital funding
Growing Suburbs Fund (Victorian Grant)	\$50,000,000	\$10,000,000	Decommissioned	Removal of a major source of capital funding

## Analysis of Funding Decline

### Dramatic Reduction in Grant Funding Allocations (2020–2024)

Between 2020-21 and 2023-24, major Victorian government funding programs collectively experienced reductions of up to 80–100%.

Key impacts include:

- Local Sports Infrastructure Fund decreased from \$22 million to \$5 million (a 77% reduction), creating a highly competitive environment with limited capacity to support multiple large-scale projects.
- Growing Suburbs Fund, historically critical for growth area municipalities like the City of Whittlesea, dropped from \$50 million to \$10 million before being decommissioned.
- High-value capital support programs such as the Community Sports Infrastructure Loans Scheme (\$100 million) and the Community Sports Infrastructure Fund (\$168 million) were completely removed.
- Football, netball, and soccer-specific programs were either reduced or fully decommissioned, significantly limiting options for code-specific facility upgrades.

### Complete Loss of Multiple Sporting Codes' Funding Streams

- Soccer infrastructure funding was heavily impacted with the full decommissioning of *The World Game Facilities Fund*.
- Cricket infrastructure opportunities declined sharply with the removal of the *Community Cricket Program*, leaving only the smaller Australian Cricket Infrastructure Fund available.
- Football and netball funding through the *Country Football and Netball Program* was halved before City of Whittlesea became ineligible under the recently included 'Rurality Clause'.

### Increasing Reliance on Council Funding

- As external funding programs shrink or disappear, Council must rely more heavily on its own capital budgets to deliver leisure infrastructure. The scale of demand in growth municipalities makes this unsustainable without reinstated state or federal programs.
- In 2025, more than 9,000 adults participated in local cricket, soccer and football clubs. This participation is expected to increase as the City of Whittlesea's population grows from 257,000 to 355,00 by 2040, a 38% increase.

### **Outlook for 2025-26 and Beyond**

- Several key programs remain *unknown or completely decommissioned* heading into 2026-27.
- Only one major ongoing program—Australian Cricket Infrastructure Fund (\$5M)—remains consistently available, but with a capped maximum amount of \$40,000 funding per application, greatly limiting the types of projects it can support.
- The loss of the Growing Suburbs Fund (a primary source for growth municipalities) leaves a substantial gap in capital funding capacity for the City of Whittlesea.

### **Growing Demand for Leisure Infrastructure in the City of Whittlesea**

The reduction in grant funding coincides with a period of unprecedented demand for sporting and leisure facilities.

The City of Whittlesea is one of Victoria’s fastest-growing areas, the population is expected to grow from 257,000 in 2025 to 355,00 by 2040, a 38% increase. With continued growth in the new communities of Mernda, Wollert, Donnybrook, and Epping North. Participation rates in key sports—soccer, cricket, netball, basketball, and AFL—have outpaced existing facility capacities, leading to:

- overbooked sports fields
- high evening and weekend demand
- waiting lists for junior sport
- pressure on indoor court availability

The City of Whittlesea’s diverse population brings additional demand for culturally inclusive facilities such as futsal, volleyball, and multi-court indoor venues. Population projections indicate continued rapid growth, which will further increase infrastructure pressures. At the same time, the decommissioning of the largest funding programs reduces Council’s ability to respond to this demand and meet participation needs.

The implications for Council include:

- Reduced ability to deliver new facilities: without external funding, Council’s capital works pipeline may face delays or scaling down of projects.
- Higher cost burden on ratepayers: the absence of matching grants increases reliance on municipal budgets.
- Increased competition for remaining small funding pools, further reducing likelihood of success.
- Risk of declining participation in sports and recreation activities due to constrained facility access.

- Long-term service planning challenges, especially for multi-million-dollar pavilion, field, and aquatic upgrades.

Between 2020-21 and 2025-26 FY, the City of Whittlesea has seen a major contraction in the availability of external grants supporting leisure infrastructure. Several high-value programs have been decommissioned or significantly reduced, coinciding with a period in which the demand for new and upgraded facilities is rapidly increasing due to population growth.

This mismatch between rising community needs and diminishing funding opportunities poses a substantial strategic challenge and underscores the importance of advocating for the reinstatement or expansion of state and federal funding programs.

## Section C – Council Cost Ratio Increasing

This section covers the increasing ratio of Council’s proportion of costs compared to federal and state government, based on agreed ratios and/or historical data where available for three core council services:

- Maternal & Child Health (MCH)
- School Crossing Supervision
- Libraries

### Maternal & Child Health (MCH)

#### Overview

Maternal & Child Health (MCH) serves as a critical service for promoting health, development, wellbeing, and safety outcomes for children up to school age and their families. The service reaches almost 100% of families with children and provides an important platform for the delivery and linkages with other services, including health.

MCH is delivered through the Universal Program of 10 Key Age and Stage (KAS) visits for every child born in the City of Whittlesea, alongside mandatory reporting requirements for wellbeing concerns (Child Information Sharing Scheme and Family Violence Information Scheme).

The City of Whittlesea is experiencing high population growth with many young families moving into the municipality. It is expected newborn babies requiring home visits will increase from 3,300 in 2024 to 4,905 in 2028, while the number of children aged 1-5 years will increase from 19,197 in 2024 to 24,666 in 2028. The rising population will increase the workload of MCH nurses, including birth notifications, consultations, and services.

Additionally, families are presenting with increased complexities like mental health, family violence, etc. requiring more frequent and longer consultations, and greater information sharing requirements. However, there has been no ongoing additional funding to cover the increasing workload, which is making MCH services gradually unsustainable for LGAs. Funding for MCH services also does not adequately cover administrative costs. This results in shortfalls faced by Council for both the MCH-Universal and Enhanced-based programs beyond the agreed cost (see Table 1). Though funding partially considers the number of births in the previous year, the formula calculating the total figure is retrospective and therefore lagging in growth areas.

**Cost to council:**

Council is paying \$1.6M above its expected cost ratio of 50:50 for the MCH program, equating to a share of approximately 69% of the total cost of the program funded on matched funding.

Table 1

	<b>Intended Council Cost \$</b>	<b>%</b>	<b>Current Council Cost \$</b>	<b>%</b>	<b>Difference \$</b>
MCH – Universal program (50:50)	4.1M	50%	5.7M	69%	1.6M

*Note: figures based on FY 2024/25 actuals*

**Obligation to provide Maternal & Child Health (MCH) services:**

- The Child Wellbeing and Safety Act 2005 requires compliance for birth notifications and child safe standards.
- Victorian councils have a MOU with Department of Health (DH) (Victoria) and Municipal Association of Victoria (MAV) to provide MCH services, outlining a matched 50:50 contribution between DH and Council (expired in June 2025).
- Additionally, the Compact for Supporting Children and Families in the Early Years is in place until 2027.

## School Crossing Supervision

**Overview**

School crossing supervisors play a vital role in ensuring the safety of school children. In recent years, there has been an increase in cost due to growth of population, schools, and school crossings in the municipality. It is expected that there will be 5-7% increase in cost annually due to new schools opening in the City of Whittlesea.

Funding from the Victorian Government is currently far below the initial cost sharing model (see Table 2), with ongoing negotiations between Department of Transport Planning (DTP), School Crossings Victoria and LGAs for a revised rate.

DTP is currently funding approximately 30% based on the number of sites meeting its criterion on the number of pedestrians/vehicles per hour. Currently, there are 199 crossings in total within the City of Whittlesea, of which 143 are being partially subsidised by DTP. The rest are funded entirely by Council.

The level of future funding is uncertain. In addition, funding does not include indirect service costs such as program administrative support and management.

**Cost to council:**

Council is paying \$440,000 above the expected cost ratio of 50:50 for the School Crossing Supervision program, equating to approximately 64% of the total program cost.

Table 2

	<b>Intended Council Cost \$</b>	<b>%</b>	<b>Current Council Cost \$</b>	<b>%</b>	<b>Difference \$</b>
School crossing supervision	1.55M	50%	1.99M	64%	440,000

*Note: figures based on FY 2024/25 actuals*

**Obligation to provide school crossing supervision services:**

- The City of Whittlesea has been delivering this service since 1975 under a joint funding agreement between DTP, initially expected to be funded by at least 50 per cent from the state government.
- The 2024/25 State Budget allocating \$57.379 million towards this program over two years reiterates the Victorian Government’s commitment to meet the 50 per cent state contribution.
- Community expectations of Council providing school crossing supervisors for safety of children remains strong.
- Under the Road Management Act 2004, Council is obligated to inspect, maintain, and repair roads, including school crossings, but not necessarily provide school crossing supervisors.

## **Libraries**

**Overview**

The City of Whittlesea is part of the Yarra Plenty Regional Library (YPRL) service, which provides the community with access to lifelong learning, information, and a range of programs and activities.

YPRL currently has over 78,000 members from the City of Whittlesea, and this figure is likely to increase further with the rapid growth of population in our municipality.

Funding from the Victorian State Government does not currently cover the original 50:50 funding model (see Table 3). The State government funding has not kept pace with increasing demand for library services, inflation and rising costs related to staffing, book purchases, computer services, internet access and training for the community. Council does not receive any income or revenue in the current arrangement.

In addition, there is a lack of grant funding opportunities for upgrading existing libraries that results in increased expenditure for capital costs and emergency repair and building maintenance work.

**Cost to council:**

Council is currently incurring \$3.2M additional costs over the expected 50:50 cost shared model with the state government, equating to approximately 85% of the total program cost.

**Table 3**

	<b>Intended Council Cost \$</b>	<b>%</b>	<b>Current Council Cost \$</b>	<b>%</b>	<b>Difference \$</b>
Libraries	3.9M	50%	6.4M	82%	2.5M

*Note: calculations of City of Whittlesea portion of YPRL funding based on FY 2024/25 actuals.*

**Obligation to provide library services:**

- In the 1970s, public libraries were funded 50:50 by the state government and LGAs.
- Public libraries are operated by LGAs under a public library policy framework established by the Victorian State Government.
- Library services are measured and reported in the local government performance reporting framework.
- Though discretionary, libraries are an important and highly valued service by the community.

## Section D – Additional Cost to Council

This section outlines additional costs to council resulting from the transfer of responsibilities, the withdrawal or reduction of external grants, insufficient funding, and inadequate cost recovery/compensation due to federal and state government legislation, policy decisions, or funding shortfalls.

To support clarity and prioritisation, these impacts have been grouped into three categories based on their estimated annual financial impact to council:

### Estimated annual impact greater than \$1 million

#### Waste collection

Additional costs associated with waste collection are driven by a combination of legislative reform, funding constraints, and community expectations, including:

- The Victorian State Government’s Municipal and Industrial Waste Levy (MIWL) to incentivise waste reduction and fund waste prevention initiatives.
- Circular Economy (Waste Reduction and Recycling) Bill 2021 requires households transitioning to a four-bin system, including a purple bin for separating glass from other recycling. This has increased kerbside collection costs of this bin to Council.
- Recycling Victoria stipulates kerbside reform as part of a 10-year plan for transitioning to a circular economy.
- In 2023, Minister for Local Government issued the Local Government Services Rates and Charges good practice guidelines that discourages waste service charges that did not include all ‘waste related services’ within the guidelines of the waste charge (in addition to rates).
- In 2025/26 FY the City of Whittlesea is anticipating costs of over \$10.2 Million alone to the Victorian State Government’s Landfill Levy, this fee has increased by over \$2 million from 2024/25 FY.
- Ongoing community expectation of effective waste collection, alongside decreasing longevity in items such as e-waste, clothing, and furniture, leading to increased waste volumes.
- Additionally, illegal dumping remains a persistent and costly issue in the City of Whittlesea, ranging from large-scale commercial waste disposal to widespread residential kerbside dumping. The costs to dispose of illegally dumped rubbish and pay the waste levy disproportionately impacts peri-urban Council’s such as the City of Whittlesea.

Collectively, these factors have significantly increased operational costs while restricting Council's capacity to recover costs due to legislative and policy constraints.

### **Planning and Development Plan applications**

Under Victorian planning legislation, Councils are required to assess planning permit and development plan applications within their municipality, where an application fee is paid to Council for the assessment of application.

For certain planning permit applications specified in the Planning Scheme, the State Government, through the Minister for Planning, is the Responsible Authority and collects the associated application fees. Additionally, applicants may choose to lodge their application via the Development Facilitation Program, provided the proposal meets the program's eligibility criteria. This program offers streamlined planning pathways and facilitation services for projects that deliver investment into the Victorian economy, support jobs, and provide housing.

In both scenarios, whether managed by the Minister for Planning or through the Development Facilitation Program, Council officers undertake substantial work as a referral authority. In practice, Council treats these referrals similarly to standard planning permit applications. This includes detailed assessments, internal referrals to relevant teams, and a comprehensive review process.

It is important to note that Council does not receive application fees under either of these pathways, unlike applications lodged directly with Council, where service costs are incorporated into the permit fees.

## **Estimated annual impact between \$500,000 and \$1 million**

### **Crown and state-owned land management**

Council is expected to manage and maintain Crown and state-owned land to mitigate environmental, health, and safety risks, including:

- Long grass
- Unkempt or hazardous trees
- Weed management

These responsibilities are undertaken despite the land not being owned by Council and without adequate funding support.

### **Emergency services**

Under the Emergency Management Act 2013, LGAs are required to undertake a range of emergency management functions, including planning, prevention, response, and recovery, as well as fostering community resilience. These legislated responsibilities are accompanied by community expectations regarding Council's role in emergency preparedness, communication, coordination, and service delivery during emergency events.

Council has assumed ongoing costs associated with the maintenance of fire access tracks and firefighting water infrastructure following the withdrawal of Victorian State Government funding.

The Fire Access Roads (FARS) and Fire Infrastructure Grants (FIGS) programs previously supported:

- Construction and maintenance of fire access tracks to enable emergency response vehicles to access areas without public roads.
- Installation, upgrading, and maintenance of firefighting water tanks in areas without access to mains water supply.

The withdrawal of these programs has transferred the responsibility for maintaining this critical emergency infrastructure to Council, resulting in increased operational and maintenance costs.

Council also incurs additional costs due to the withdrawal of the Victorian State Government funding for emergency and heatwave planning programs targeting vulnerable community members. Extreme heat and heatwaves can affect health by both directly causing heart-related illness and indirectly by precipitating or exacerbating other medical conditions. These plans help Council support members of the community who are most at risk during a heatwave.

The withdrawal of emergency management related grants has increased costs for Council in emergency management.

## **Estimated impact less than \$500,000**

### **Immunisation Services**

Council incurs ongoing costs in delivering immunisation services as required under the Public Health and Wellbeing Act, including:

- Coordinating and delivering immunisation services as a core local government function.
- Providing vaccinations funded by federal and state governments in accordance with the National Immunisation Schedule.

A funding shortfall arising from the fact that LGA immunisation funding has not increased beyond CPI adjustments since 2005 creates a significant cost burden on Councils ability to continue delivering this service.

Further, cost pressures have increased due to:

- Population growth and rising demand
- ‘No Jab No Pay’ and ‘No Jab No Play’ policies
- Catch-up programs and changes to the Immunisation Schedule
- Cessation of the Victorian State Government-funded PRIME program (Program for Immunisation Monitoring and Education) for refugees and asylum seekers
- Increasing community expectations for access to immunisation sessions, education, information, and reporting

Council delivers a comprehensive immunisation program, including:

- Childhood immunisations
- School-based immunisation programs
- Targeted initiatives for vulnerable populations
- Fee-for-service workplace flu vaccination programs during flu season

Demand for Council immunisation services continue to grow due to cost-of-living pressures and the increasing gap fees charged by general practitioners.

## Conclusion

This submission outlines the many ways in which councils are being asked to do more for our communities with less funding. The revenue constraints caused by rate capping, the reduction in major grant programs and the cost of delivering essential services – from maternal and child health to libraries, waste, emergency management and community infrastructure – is increasing the financial burden on LGAs.

This is not sustainable and if it continues the City of Whittlesea alongside other LGAs will be forced to reduce services, delay infrastructure delivery, or compromise long-term financial viability. Federal and state governments must act to restore fair funding arrangements, reinstate and expand targeted grant programs, and ensure that when responsibilities are assigned to local government, the funding follows so that councils can continue to meet community needs.