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Enquiries: EA to CEO & Mayor
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Committee Secretary
House of Representatives Standing Committee on
Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
CANBERRA ACT 2600

Sent via email: RDIT (REPS) RDIT.reps@aph.gov.au

Dear Committee


**RE: Submission to the House of Representatives Standing Committee
City of Wodonga**

On behalf of the City of Wodonga, we present this submission attached in response to the Inquiry into Local Government Financial Sustainability, as outlined in the Terms of Reference.

Local government sits at the frontline of public service delivery, with more direct, face-to-face interaction with community members than any other level of government. This proximity brings significant value in responsiveness and trust, but it also places councils under increasing financial pressure as community expectations continue to grow.

Councils are expected to deliver a broad and expanding range of essential services, often responding first to emerging social, economic and environmental challenges, while operating within constrained and inflexible revenue frameworks. The cumulative effect is a widening gap between the services communities rely upon and the financial capacity available to sustain them over the long term, posing a fundamental challenge to the ongoing financial sustainability of local government.

The City of Wodonga acknowledges the complexities surrounding local government financial sustainability and is committed to working collaboratively with the Standing Committee to provide information on these challenges.

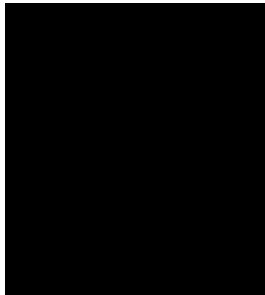


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We thank the Inquiry for the opportunity to contribute to this vital discussion on local government financial sustainability and we would be pleased to provide further information or clarification and would welcome being a witness at any public hearing.

Yours sincerely



Matt Hyde
Chief Executive Officer



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Submission to the House of Representatives Standing Committee Inquiry into the Financial Relationship Between Local Government and Other Levels of Government

City of Wodonga

Introduction

The City of Wodonga welcomes the opportunity to further contribute to the House of Representatives Standing Committee 2025 inquiry into the financial relationship between local government and other levels of government, with a particular emphasis on funding mechanisms and fiscal sustainability, along with specific reference to all funding sources.

This submission seeks to support the Committee's objective of gaining a deeper understanding of how current intergovernmental funding arrangements affect local government's capacity to deliver services and invest in local infrastructure. It draws on the City of Wodonga's experience to highlight structural challenges within existing funding frameworks and to identify practical opportunities to improve fiscal sustainability, service delivery and infrastructure outcomes for local communities.

1. Intergovernmental funding arrangements and fiscal sustainability

Local government plays an increasingly significant role in delivering services and managing public assets, yet funding arrangements have not evolved to reflect this reality.

Key challenges include:

A. Rate capping and revenue constraints

In Victoria, like some other states, rate capping imposes an artificial ceiling on local government's primary own-source revenue, while inflationary pressures - particularly those relating to construction, infrastructure and service delivery - continue to outpace the capped rate increases.

- The CPI index used by the Essential Services Commission is based on a consumer basket of goods, rather than an infrastructure- and service-delivery-focused basket that more accurately reflects council cost drivers.
- Applications for a higher rate cap are resource-intensive, time-consuming and provide no certainty of approval.



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B. Timing and structure of grants

- The timing of Financial Assistance Grants can inflate and disguise councils' underlying financial position, contributing to suboptimal decision-making and the perception that councils are more financially secure than they are in practice.
- Ongoing operating grants are often uncertain, inconsistently indexed or not indexed at all (for example, public library funding), which undermines long-term financial and workforce planning.
- Some grants require increases in service levels or changes to service priorities without any consideration of the costs of these changes and allocation of funds to complete this change. Sometimes this funding comes through at the last minute but can't be guaranteed and service value management can occur in the interim.

C. Cost shifting and unfunded responsibilities

- Funding contributions from state and federal governments have not increased in line with rising costs or the expansion of functions increasingly undertaken by local government, including where councils step in to address service gaps arising from market failure or withdrawal by other levels of government.
- Statutory fees and charges, such as those associated with FOI requests, are not commensurate with regulatory expectations or compliance requirements.

D. Equity and transparency of funding distribution

- Political priorities can result in inequitable distribution of funding across jurisdictions, rather than funding being allocated based on need, growth pressures or asset responsibility.

E. Asset management and whole-of-life funding gaps

- Local government now manages an estimated 33 per cent of public assets, yet funding models do not adequately account for asset depreciation, renewal and long-term maintenance.
- Capital grants typically fund construction only and do not address whole-of-life operating and renewal costs.



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- Limited grant funding is available for planning and design, increasing long-term cost and risk.

1. Funding can offset Developer Contributions

- Local government can act as the banker in growth corridors with the timing of funding from developers through DCP contributions or PSP contributions coming in over a length of time. Given this time and the associated cost escalations and the cost of servicing loans are a regular changing factor and the approval process for contribution plans requires significant investment and time before approval is received these significant infrastructure items are generally underfunded.
- If supplementary funding is received from government the process offsets the developer contribution in that Local Government is then required to discount this in the rates for the developer which distributes the benefit for commercial gain rather the community gain.

The cumulative effect of these issues is that, over time, expenditure growth exceeds income growth, forcing councils to reduce service levels based on financial sustainability constraints rather than community need. To illustrate this challenge, the City of Wodonga commissioned an independent Financial Sustainability Review in 2023, which is available to the Committee as supporting evidence.

2. Funding arrangements as a barrier to infrastructure and service delivery

The inquiry's focus on identifying barriers to infrastructure and service delivery is strongly supported by the City of Wodonga's experience.

Key barriers include:

- Funding structures that continue to reflect the historic role of local government in delivering roads and basic services, rather than the contemporary expectations placed on councils.
- Growth pressures that require significant upfront investment in assets for new and expanding communities, without commensurate or timely funding support from other levels of government.
- Value-management pressures that can compromise design quality, asset longevity and long-term value for money in order to meet funding constraints.



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- Increasing community expectations for higher-quality facilities and expanded services in areas not traditionally funded as core local government responsibilities.

3. Workforce sustainability within current funding frameworks

Workforce challenges are closely linked to funding arrangements and fiscal sustainability.

The City of Wodonga experiences:

- Difficulty attracting and retaining skilled staff in a competitive labour market, exacerbated by housing availability and relocation costs.
- Limited capacity to offer competitive remuneration due to constrained revenue and uncertain funding streams.
- Reduced ability to invest in strategic workforce planning, succession planning and internal capability development.
- Increasing operational pressures on managers and executives, limiting capacity for long-term planning and reform.
- Position reductions driven by financial constraints, coinciding with the retirement of experienced staff and reduced opportunities for skills transfer and development.

These workforce pressures have direct implications for service continuity, infrastructure delivery and organisational resilience.

4. Opportunities to strengthen intergovernmental funding relationships

To improve fiscal sustainability and enable local government to meet service and infrastructure expectations, the City of Wodonga suggests:

A. More realistic and coordinated funding frameworks

- Reforming rate capping arrangements to better reflect actual cost drivers, including the use of representative baskets of goods relevant to local government operations.
- Establishing planned and predictable funding cycles across all levels of government.



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B. A fairer share of national and state revenue

- Increasing the proportion of federal and state budgets allocated to local government in recognition of its expanding responsibilities and asset base.

C. Funding alignment with regulatory and service expectations

- Where additional regulation, compliance or service responsibilities are imposed, funding should be provided concurrently.
- Shared governance frameworks, templates and software should be developed at the state level to reduce duplication and compliance costs.

D. Whole-of-life infrastructure funding

- Funding models should address planning, construction, operation, maintenance and renewal to ensure infrastructure sustainability over the long term.

5. Emergency management, disaster recovery and community resilience funding

Local governments play a critical frontline role in emergency management, disaster response, recovery and long-term community resilience. However, current intergovernmental funding arrangements do not adequately reflect either the scale or the continuity of this role.

Key issues include:

A. Increasing frequency and severity of events

Climate-related emergencies such as floods, storms, heatwaves and bushfires are occurring with greater frequency and intensity, significantly increasing demands on local government resources, infrastructure and staff capacity.

B. Misalignment between responsibilities and funding

While emergency response and recovery are often led operationally at the local level, funding arrangements are largely reactive, fragmented and episodic. Funding is typically made available after an event, rather than being structured to support preparedness, mitigation and resilience-building activities that reduce long-term costs and impacts.



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C. **Upfront and unfunded costs to councils**

Councils routinely incur substantial upfront costs during emergency response and early recovery phases, including staff deployment, asset repair, waste management, community support and coordination activities. These costs are not always fully reimbursed, placing additional pressure on already constrained operating budgets.

D. **Infrastructure resilience and asset vulnerability**

Local government manages a significant proportion of public infrastructure that is directly exposed to natural hazards. Existing funding programs do not adequately support the strengthening, adaptation or relocation of vulnerable assets to improve resilience and reduce future damage and service disruption.

E. **Administrative complexity and uncertainty**

Disaster funding programs often involve complex eligibility criteria, multiple reporting requirements and long reimbursement timeframes. This creates administrative burden, delays recovery and contributes to financial uncertainty for councils.

F. **Workforce impacts**

Emergency and recovery demands place additional strain on local government workforces, requiring specialist skills, extended working hours and redeployment of staff from core service areas. Funding arrangements rarely account for the cumulative workforce impacts of repeated emergency events.



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Opportunities for improvement

The City of Wodonga encourages the Committee to consider the following opportunities to strengthen emergency management, recovery and resilience funding arrangements:

- Establishing **more consistent and predictable funding streams** that support preparedness, mitigation and resilience, not solely post-event recovery.
- Ensuring **full and timely cost recovery** for local governments for emergency response and recovery activities undertaken on behalf of other levels of government.
- Supporting **resilience-focused infrastructure investment**, including funding for adaptation and risk reduction measures that lower long-term recovery costs.
- Simplifying disaster funding programs and reporting requirements to reduce administrative burden and improve speed of recovery.
- Recognising emergency management as an ongoing local government function and funding it accordingly within intergovernmental financial frameworks

Conclusion

The City of Wodonga supports the Committee's focus on understanding the financial relationship between local government and other levels of government. Without reform to funding mechanisms and a clearer alignment between responsibilities and resources, councils will continue to face structural barriers to fiscal sustainability, workforce stability and effective service and infrastructure delivery.

We welcome the opportunity to provide further information or appear before the Committee to expand on the matters raised in this submission.