



SUBMISSION FROM GLEN EIRA CITY COUNCIL

House of Representatives Standing Committee on Regional
Development, Infrastructure and Transport

Inquiry into Local Government Funding and Fiscal Sustainability

BENTLEIGH
EAST BRIGHTON
EAST CARNEGIE
CAULFIELD
ELSTERNWICK
GARDENVALE
GLEN HUNTLY
MCKINNON
MURRUMBEENA
ORMOND
ST KILDA EAST

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ACKNOWLEDGEMENT OF COUNTRY

Glen Eira City Council acknowledges the Boonwurrung/Bunurong and Wurundjeri Woi Wurrung peoples of the Eastern Kulin Nation as Traditional Owners and Custodians, and pays respect to their Elders past, present, and emerging.

We acknowledge and uphold Traditional Owner's continuing relationship to the land and waterways. Council extends its respect to all Aboriginal and Torres Strait Islander peoples.

EXECUTIVE SUMMARY

Glen Eira City Council welcomes the opportunity to contribute to the national conversation on local government funding and fiscal sustainability. Serving a diverse and growing community in Melbourne's inner south-east, we face increasing financial pressures as costs rise faster than revenue.

Despite delivering over 120 essential services—from libraries and parks to maternal health and waste collection—our ability to meet community needs and invest in infrastructure is constrained by rate capping, cost shifting from other levels of government, and complex grant mechanisms.

In the previous 2024 federal inquiry into local government funding and sustainability, Glen Eira City Council advocated for fairer funding models, greater flexibility, and stronger partnerships to support resilient and responsive local government. Our submission focused on rate cap indexation, cost shifting, grant complexities, and the need for transparency in housing and stormwater funding.

This new submission builds on that work and responds directly to the Committee's terms of reference. It draws on our newly drafted ***Financial Sustainability Strategy 2025–2029***, and offers data, case studies, and recommendations to support reform.

Glen Eira City Council is proud to serve a vibrant, resilient community. However, our financial health will continue to decline without action. That's why we are taking responsible steps now—protecting essential services, supporting those who need it most, and involving our community in every decision.

The financial sustainability of local government needs a disciplined, long-term approach to ensure we can keep delivering what matters most — guided by fairness, transparency, and a deep commitment to our community.

OUR CITY

The City of Glen Eira is located approximately 10 kilometres southeast of Melbourne's central business district, and forms part of Melbourne's inner south-east region.

The municipality covers an area of 39 square kilometres and includes the suburbs of Bentleigh, Bentleigh East, Carnegie, Caulfield, Caulfield East, Caulfield North, Caulfield South, Elsternwick, Gardenvale, Glen Huntly, McKinnon, Murrumbeena, Ormond and parts of Brighton East and St Kilda East. Adjoining municipalities include the cities of Bayside, Kingston, Monash, Port Phillip and Stonnington.

Glen Eira's population is expected to reach 176,389 by 2036. Glen Eira is a diverse community made up of people with different backgrounds, culture, family type, age and occupation.

Glen Eira City Council provides a wide range of services to its residents, including waste management, planning, building regulations, public parks, recreation facilities, libraries, and community services. It also works closely with local businesses and community organisations to promote economic development and social well-being in the area.

SUMMARY OF RECOMMENDATIONS

Glen Eira City Council is calling on the Australian Government to:

1. Advocate to the Victorian Government to introduce a rate cap indexation model that reflects both CPI and council input costs and undertake a comprehensive assessment of local government financial sustainability.
2. Increase and index federal grants.
3. Simplify and streamline grant processes to reduce administrative burden.
4. Provide multi-year, needs-based funding for mandated reforms.
5. Support local infrastructure investment through targeted capital funding.
6. Strengthen disaster recovery funding pathways to ensure timely and adequate support for recovery and resilience-building.
7. Fully fund new mandates and service transfers.
8. Address cost shifting in essential services.
9. Engage Glen Eira as a pilot partner in funding reform and service innovation, particularly on federally aligned priorities.
10. Commit to smart partnerships on genuine local priorities.

COUNCIL'S POSITION ON TERMS OF REFERENCE

1. Interactions between Governments – impact of rate Capping

Glen Eira relies on funding from both the Australian and Victorian Governments, yet this support has steadily eroded over time placing increasing pressure on councils to do more with less. Financial Assistance Grants (FAGs), once a cornerstone of local government funding, have dropped dramatically from 1 per cent of total Commonwealth tax revenue in 1996 to just 0.5 per cent in 2025–26. This decline represents a significant shift in priorities away from local communities. This year, Glen Eira will receive approximately \$5.1 million in FAGs, covering less than 4 per cent of our total operating budget. This is far from adequate to meet the growing demands for essential services, infrastructure renewal, and community programs.

Victoria's rate capping policy severely restricts councils' ability to raise revenue in line with rising costs. In 2023, while the Consumer Price Index (CPI) surged to 6 per cent, the rate cap for Victorian councils was set at just 1.75 per cent a fraction of actual inflation. For Glen Eira, this artificial constraint translated into an annual revenue shortfall of over \$2 million, and a cumulative loss of \$23 million since the introduction of the Fair Go Rates System.

These are funds that could have been invested in essential services, infrastructure renewal, and community programs. Rate capping undermines financial sustainability and limits councils' capacity to respond to growing community needs. A fairer, more flexible system is urgently needed to ensure local governments can keep pace with economic realities and deliver the services residents deserve.

Glen Eira is one of the lowest rating councils in its group. Rate capping has made it difficult to increase this. Most Victorian Councils are now either under financial strain, or their ten-year financial plans show a declining financial outlook.

Case Study:

In February 2023, Glen Eira undertook a financial sustainability study with KPMG. The study found that over FY18 to FY22, Council revenues remained stable while operational costs increased by 13 per cent. The main drivers were inflation, digital investment, cost shifting, ESG commitments, and community pressures to do more with less.

Recommendation:

That the Australian Government:

- a) Advocates to the Victorian Government for a **rate cap indexation model** that incorporates both CPI and council input costs, and undertake a comprehensive assessment of local government financial sustainability.

2. Identification of All Funding Sources – impact of tied grants

Glen Eira's funding sources include:

- Untied grants: Financial Assistance Grants (FAGs) – \$5.1 million in 2024/25.
- Tied/specific-purpose grants: Project-based programs such as the Big Housing Build, climate action, and active transport. In 2024/25, Glen Eira secured \$11.2 million for capital works and \$25 million for vital community services.
- Revenue sharing: Stamp duty, rates capping subsidies, GST-related disbursements (where applicable).
- Emergency/disaster recovery funding: Glen Eira received \$2.3 million for active transport network upgrades and \$300,000 for park upgrades following storm events.
- One-off/ad hoc funding streams: For example, \$239,155 for a dog park in Mackie Road and \$200,000 for lighting upgrades at King George Reserve.

Many grants are complex, require matched funding, and do not always align with local priorities. For instance, the requirement to roll out a separate glass recycling stream by 2027 is projected to cost Glen Eira \$4.5 million in the first year, with no guarantee of ongoing funding.

Council's own-source revenue includes:

- Rates and charges: The primary revenue source, comprising 65 per cent of annual income in FY25. However, rate capping has limited growth, and Glen Eira's rates remain among the lowest in Victoria.
- Fees and charges: Set in line with CPI and benchmarking.
- Commercial activities: Council is exploring new income streams, such as asset commercialisation and user-pays models, to diversify revenue.

Challenge:

Over-reliance on conventional revenue streams limits agility and future capacity. The current rate-capping framework restricts councils' ability to respond to rising costs and evolving responsibilities.

Recommendation:

That the Australian Government:

- a) **Increase and index federal grants.** Restore FAGs to at least 1 per cent of Commonwealth taxation revenue and index annually to reflect population growth and inflation.
- b) **Simplify and streamline grant processes** to reduce administrative burden.

- c) **Provide multi-year, needs-based funding for mandated reforms.** Where councils are required to implement state and national reforms (e.g. glass recycling rollout), funding should be long-term, predictable, and reflect the full cost of implementation. One-off grants create service risks and undermine community trust.

3. Impacts and Effectiveness – ability to fund local infrastructure

Funding arrangements, especially indexation freezing and cost shifting, have a direct impact on financial sustainability, service delivery, and infrastructure investment. Operational costs have increased by 13 per cent over FY18–22, while revenues remained stable. Inflation and construction costs have driven up project expenses, with tenders exceeding budget estimates by 10–20 per cent. Rate capping has led to a decline in operational surpluses and restricted capital works.

In addition, increased industrial and employee relations regulation and complexity has created additional financial and resourcing burdens, while heightening operational and reputational risks.

Case Study:

Population growth and rising housing targets are placing intense pressure on local infrastructure, creating a widening renewals gap as councils struggle to maintain aging assets. At the same time, open space is shrinking under higher density development, challenging liveability standards and increasing community expectations for green spaces and recreational facilities.

Financial constraints compound these pressures. Councils face a crunch between debt repayments and funding new capital works, while absorbing unfunded mandates such as glass recycling, climate action, and emergency management roles. Core services like libraries, early years programs, and immunisation are underfunded, forcing councils to cut services or redirect resources. This combination of growth, fiscal strain, and expanding responsibilities threatens long-term sustainability and service equity.

Case Study:

Parts of Glen Eira's drainage network are nearing end-of-life and were not designed to accommodate current rainfall patterns or urban runoff volumes. In recent years, several suburbs have experienced localised flooding, particularly following high-intensity storm events. Upgrades to key drainage assets are estimated to cost over \$20 million over the next decade, but current funding levels are insufficient to meet this need without deferring other capital works.

Water infrastructure needs are competing with other priorities, such as roads, facilities, and community services. Without reform to funding arrangements, Council will continue to face trade-offs that limit its ability to deliver on climate action, liveability, and asset renewal goals.

Recommendation:

That the Australian Government:

- a) **Support local infrastructure investment through targeted capital.**
Particularly for asset renewal and open space projects.
- b) **Support revenue innovation and local autonomy.** Work with councils to explore mechanisms that allow councils to diversify revenue, that would allow them to fund large infrastructure projects.
- c) **Strengthen disaster recovery funding** pathways to ensure timely and adequate funding for disaster recovery and resilience-building.

4. Previous Inquiry – impact of cost shifting and cost imposition

Glen Eira's previous submission drew on evidence from the 47th Parliament Inquiry and recent state reviews. The Victorian Legislative Council Inquiry (2024) found that infrastructure and service delivery costs are rising faster than grant funding, with cost shifting and rate capping threatening sustainability. The VAGO Audit (2025) reported that most councils can meet current obligations, but key sustainability indicators are declining. Adjusted underlying results and unrestricted cash balances are trending down, indicating long-term risks.

Cost shifting is a persistent issue. For instance, the Victorian Government's funding for maternal and child health services and school crossing supervision has not kept pace with actual costs. Glen Eira now covers 70 per cent of the cost for programs that were intended to be funded 50:50. In 2021/22, immunisation program funding covered only 38 per cent of the actual budget, resulting in a \$200,000 shortfall. Glen Eira has absorbed over \$18 million in unfunded service transfers from other levels of government. The rollout of glass recycling is projected to cost \$4.5 million in the first year alone.

Case Study:

The introduction of the new Aged Care Act is expected to place some additional cost pressures on providers, driven by strengthened regulatory oversight, increased governance obligations, expanded reporting requirements and the need to uplift workforce capability to meet revised care, safety and quality standards. Providers will be required to invest in additional training, clinical governance systems, and compliance infrastructure, as well as enhanced staffing to ensure safe care minutes are met. These changes, although aligned to improved consumer outcomes and transparency, will likely increase operational costs, particularly for Council as a stand-alone service.

Case Study:

Glen Eira's comparative financial health review, benchmarked against 13 other metropolitan councils, assessed the Council's credit health score as B– to C+, at the lower end of the comparative group. The review found relatively low levels of cash funds, adequate but below average liquidity, moderate debt levels, and critically, a low level of revenue compared to other councils.

Recommendation:

That the Australian Government:

- a) **Fund new mandates and service transfers in full.** Councils should not be forced to absorb costs or reduce services due to unfunded mandates.
- b) **Address cost shifting in essential services.** The Committee should request further investigation into the financial impacts of cost shifting, and support reforms to restore sustainable funding levels.

5. Other Relevant Matters – importance of targeted funding for credible and community-backed initiatives

Glen Eira's financial strategy is built on deep community engagement, transparency and equity. Over the past two years, Council has engaged thousands of residents through surveys, pop-ups and deliberative panels. The Community Priorities Panel has directly shaped Council's approach to service delivery, asset management and revenue generation.

Council is committed to financial sustainability and community-led decision-making. Our Financial Sustainability Strategy reflects extensive engagement, including targeted outreach and deliberative processes. This ensures our priorities are grounded in lived experience and local need.

Each year, Council adopts a set of endorsed advocacy priorities [Advocacy Priorities 2025-2026](#) to keep our focus sharp and our budget aligned. These priorities reflect local needs and guide investment toward credible, costed and community-backed projects — like climate action, active transport and inclusive infrastructure. We know that targeted investment in priority projects delivers real results: better services, improved facilities and essential infrastructure. We advocate for what matters most to Glen Eira's future—and where we should focus next.

As the level of government closest to the community, Glen Eira City Council is ready to partner with the Australian Government to deliver priority projects that improve liveability, equity and sustainability. These initiatives are endorsed, costed and aligned with our *2025–29 Council Plan*. They reflect strong community support, sound financial planning and clear alignment with broader state and federal priorities. By targeting locally endorsed projects, we ensure every investment is grounded in community need, shaped by robust engagement and designed to deliver lasting public value.

Case Study:

In 2025, Glen Eira convened a Community Priorities Panel of 42 residents, selected to reflect the diversity of our community. Panel members explored key issues in depth, reviewed expert advice and developed 35 recommendations to guide Council's future planning. These included creating versatile community hubs, prioritising micro-parks, reviewing asset maintenance, and exploring shared mobility and EV infrastructure.

These recommendations have directly shaped the strategic levers in our Financial Sustainability Strategy. They also demonstrate the value of targeting investment toward initiatives that are locally endorsed, community-informed and strategically aligned. By focusing on what our residents say matters most, we ensure that every dollar is spent where it delivers the greatest benefit — supporting wellbeing, inclusion and long-term sustainability. This place-based approach strengthens trust, improves outcomes and ensures our priorities reflect lived experience and local need.

Recommendation:

That the Australian Government:

- a) **Engage Glen Eira as a pilot partner** in funding reform and service innovation, particularly on federally aligned priorities. Council's track record in community engagement, strategic planning and transparent reporting makes us well placed to partner on new funding models.
- b) **Commit to smart partnerships on genuine local priorities.** Targeted investment will deliver real results—better services, improved facilities and essential infrastructure. Our priority projects are shovel-ready and backed by robust business cases.

CONCLUSION

Council can't do it alone. We need genuine partnerships with all levels of government to ensure Glen Eira remains a great place to live, work and thrive—not just today, but for generations to come.

When councils are properly resourced, they build connected, inclusive and empowered communities. Investing in local government is investing in Australia's social and economic fabric.

But right now, councils are at a crossroads. The current rate-capping framework, ongoing cost shifting, and declining grant support are creating a precarious financial environment. Without fair, flexible and sustainable funding, councils like Glen Eira risk being unable to deliver the services and infrastructure our communities rely on.

Glen Eira is calling for smarter funding to keep delivering what matters. We're asking for fairer rate cap indexation, stronger and simpler grants, full funding for new mandates, and better disaster recovery support. We want multi-year investment in reforms, targeted infrastructure funding, and action on cost shifting. We're ready to pilot funding reform and partner on genuine local priorities.

We welcome ongoing dialogue and collaboration with federal and state governments. Together, we can build resilient, sustainable and inclusive communities.

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