INTERFACE COUNCILS

BUDGET SUBMISSION 2019-20

February 2019

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EXECUTIVE SUMMARY

Interface Councils needs significant support to cater for substantial population growth, changing demographics and the impact of historic underfunding. This need has been highlighted in the following inquiries and reports:

- *Parliamentary Inquiry into Local Economic Developing in Outer Suburban Melbourne* (2008)
- *Parliamentary Inquiry on Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne* (2012)
- *Parliamentary Inquiry into Liveability Options in the Outer Suburbs* (2012)
- *Developing Transport Infrastructure and Services for Population Growth Areas*, Victorian Auditor General's Office (VAGO) (2013)
- *One Melbourne or Two: Implications of Population Growth for Infrastructure and Services in Interface areas*, Essential Economics (2013)
- *Supporting Interface Families*, 42 Consulting (2016)
- *Human Services Gap Analysis*, 42 Consulting (2017)
- *Effectively Planning for Population Growth*, Victorian Auditor General's Office (VAGO) (2017)
- *Interface Councils Liveability Snapshot*, Interface Councils (2017)
- *Interface Councils Liveability Policy*, Interface Councils (2018)

The following priority funding request will deliver immediate benefits to local communities and the state:

1. **An increased and long-term funding commitment to the Growing Suburbs Fund that will provide certainty for a significant pipeline of priority projects:**

   An investment of $50 million in 2019/20 and a commitment to $50 million per annum in forward estimates, with index increases based on the average growth rate across the Interface Councils Region (ICR).

INTRODUCTION

The Interface Councils Region[1] (ICR) is home to over 1.5 million people, including 410 thousand families. The ten municipalities within this region continue to face significant issues associated with unprecedented population growth[2], changing demographics such as a rapidly expanding ageing population, and the impact of historic underfunding.

During the past five years, population growth in the ICR has significantly exceeded the state average, accounting for 49 percent of growth in Melbourne and 44 percent of the entire state's growth. While not all municipalities within the ICR experience the same degree of rapid population growth, they do share the pressures associated with servicing both rural and urban communities, as well as the critical need to address the lack of access that residents have to jobs, infrastructure and services**.**

Funding commitments for essential infrastructure and services have not kept pace with the needs of the region. This has created an environment where local jobs are scarce, dependence on cars is high, access to quality education is compromised and community facilities and services are deficient in comparison to inner and more established areas of Melbourne.

The ICR is home to welcoming communities and residents who are proud of where they live. Interface Councils looks forward to working with Government to provide these communities with better access to public transport, shorter travel times to reduce the hours spent in congestion (including travelling up to two hours to employment) and more accessible health and human services (including GPs), allied health and mental health services.

This submission outlines the rationale behind Interface Councils' key request.

Current funding context

Interface Councils was pleased with the State Government's fourth investment into the Growing Suburbs Fund (previously the Interface Fund) in the 2018/19 Victorian State Budget.

To date, the State Government has invested $125 million into the Growing Suburbs Fund, with a further commitment of $75 million in forward estimates for the 2018/19 budget cycle, totalling $200 million.

The group was also pleased with investments in this year's budget that will assist in strengthening the social and economic fabric of the outer suburbs. These include:

- $5,728 million (over four years) allocated to the ICR for priority infrastructure including: kindergarten and preschool facilities; schools facilities; further education facilities; hospitals and health facilities; justice facilities; roads and public transport
- A $1,829 million commitment for new and existing public transport systems, including the Cranbourne, Packenham and Sunbury Roads Upgrade Program
- Eight of the 12 new schools announced to be built are in the ICR
- A $2.2 billion investment package in the form of the Suburban Roads Upgrade, comprising the Northern Roads, South Eastern Roads and Western Roads Upgrades
- A $10.8 million investment in the Wyndham Vale and Seymour areas, including the promise of the extension of bus routes in the outer suburbs and new train services in the City of Whittlesea
- Health and mental health services. Emergency department crisis hubs in Sunshine Hospital and Frankston Hospital will assist those dealing with mental health and addiction issues
- Community facilities and sports grounds including $12 million to build the future home for the Melbourne Storm women's team in Hume City Council and $10 million to improve playing conditions at Casey Fields (and Whitten Oval) for AFLW competition as well as $15 million for the Female Friendly Facilities Fund to boost sports access for women and girls across Victoria.

[1] Interface Councils is a group of ten municipalities that form a ring around metropolitan Melbourne, comprising Cardinia Shire Council, City of Casey, Hume City Council, Melton City Council, Mitchell Shire Council, Mornington Peninsula Shire Council, Nillumbik Shire Council, City of Whittlesea, Wyndham City Council and Yarra Ranges Shire Council.

[2] Interface Councils includes the seven Growth Area Councils: Cardinia Shire Council, City of Casey, Hume City Council, Melton City Council, Mitchell Shire Council, City of Whittlesea and Wyndham City Council.

As detailed in the 2018/19 Interface Councils Budget Scorecard[3], over the current four-year budget period, it is estimated that $2,858 million is required for critical infrastructure (i.e. early childhood/kindergartens, schools, further education, health and public transport)[4] in the ICR. As such, it was positive to see Interface Councils receive $3,090 million in new allocation funding in the 2018/19 State Budget for these key investments.

Notable state funding improvements are occurring with regard to infrastructure in the ICR and communities are benefitting from these investments from State Government. However, it is important to note that the increased funding follows many years of significant under-investment which created substantial infrastructure and service gaps.

Specifically, the estimated $233 million surplus in the 2018/19 budget and the surplus of $180 million in the 2017/2018 budget compares to estimated shortfalls in previous budgets of $83 million (2016/17), $920 million (2015/16), $810 million (2014/15), $895 million (2013/14), and $955 million (2012/13). In effect, the four-year funding allocations announced in the 2018/19 budget enable Interface Councils to continue to 'close the gap' in terms of cumulative funding deficits generated over the past several years.

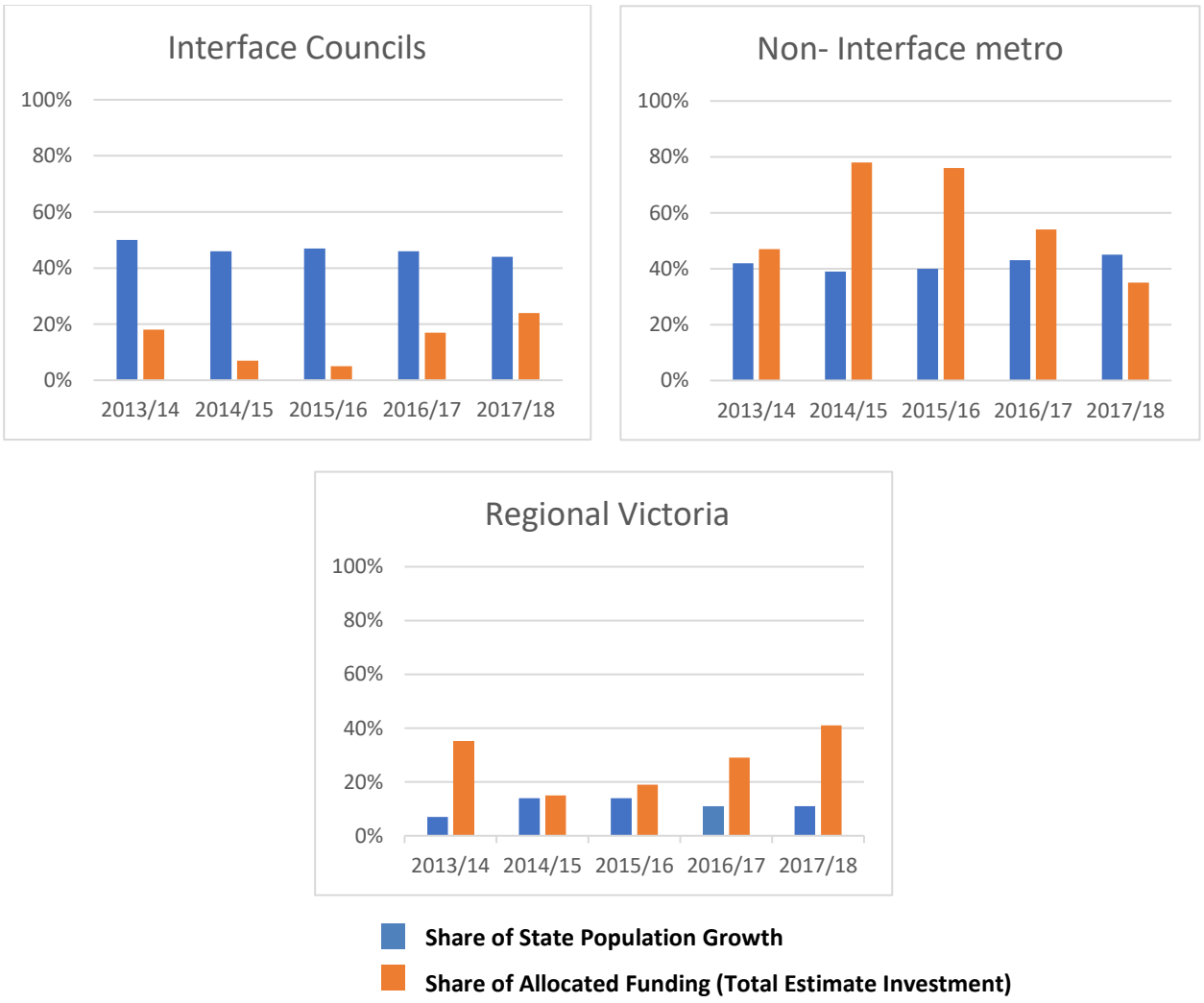
Interface Councils acknowledges the benefit of state-wide investments to the ICR, such as $120 million for the TAFE Facilities Modernisation Program across the state and $5 million for metropolitan bus service improvements. However, the trend of disproportionate investment in regard to population growth remains entrenched in Victorian State Budgets. When considering new and existing funding, despite being responsible for almost 50 per cent of the population growth over the past five years, Interface Councils received just 24 per cent of funding. This compares to non-Interface metropolitan Melbourne which accommodated 45 percent of growth and received 35 percent of funding, and regional Victoria who accommodated 11 percent yet have received 41 percent of funding over the same period.

Figure 1 demonstrates the historical nature of this trend and the highest level of State Government funding for Interface Councils in recent years.

[3] *2018/19 Interface Budget Scorecard*, Essential Economics, 2018

[4] *One Melbourne or Two?* updated report, Essential Economics, 2017.

Figure 1: Percentage Population Growth (2011-2016) and Percentage Allocated Funding (TEI), by Geographical Region, over the previous five Victorian State Budget.



Interface Councils understands the current fiscal situation for all levels of government is tight and revenue streams are under pressure with many competing investment priorities each year.

However, an analysis of property taxes (stamp duty and land tax) collected from the ICR shows Melbourne's outer suburbs are making a far greater contribution to state revenue than what they receive in funding support. Based on comparable State Revenue Office and State Budget data for the 2012/13 to 2015/16 period, the Interface Councils region contributed approximately $4.74 billion in property taxes but received only $1.37 billion, or an average of $343 million per year, in specifically allocated new state funding for key infrastructure and services (e.g. education, health, public transport, roads). As outlined in the *One Melbourne or Two Report Update* (2017), Interface Councils need $600 million per annum for critical infrastructure such as schools, roads, public transport and community infrastructure, just to bridge the gap with the rest of Melbourne by 50 per cent.

Investment in the ICR is urgently needed to improve social outcomes and build up essential infrastructure that will attract new investments and jobs to the region. Historic state underfunding combined with rate capping, the Federal Assistance Grant freeze, changes to developer contributions and limited revenue streams exemplifies the critical need for increased, timely and consistent state funding that is proportional to population distribution and revenue contributions.

Interface Councils appreciates the concerted effort of the Government to understand the concerns of the ICR and its commitment to start bridging the gap in essential infrastructure. Interface Councils emphasises the importance of the State Government continuing this commitment and providing long-term funding certainty to afford communities in ICRs an adequate level of liveability now and into the future.

Liveability

Liveability definitions are plentiful among thought leaders, professionals and experts. Sue West and Marnie Badham provide a comprehensive definition of liveability in their *Victoria Growth Areas Authority* report:

> *"Being related to the attractiveness and particular amenities a community offers. This means things like fully grown trees, well designed open spaces and walking paths, environmentally sustainable public transport and access to education, recreation and health services. Liveability describes a place where people feel safe, connected to their community, and want to participate in the local economy through investment in business. Also, important to liveability is the unique identity of a community defined by cultural development, landmarks, urban design, the developing local economy and the existing natural landscape."*[5]

When you consider this definition in the context of the ICR, communities in these areas are facing serious liveability challenges. These challenges have not only been highlighted by Interface Councils' research,[6] but have been identified and confirmed in several Parliamentary reports and notably also by the Victorian Auditor General.

The Parliamentary Inquiry on Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne (2012) found that Melbourne's outer suburban residents face a shortage of local 'knowledge industry' jobs and a decline in those industries, such as manufacturing and retail, that have traditionally provided a large proportion of local jobs.

The Victorian Auditor General's Report[7] notes that, over a long period of time, the state has failed to deliver the transport infrastructure and services needed to support rapidly growing communities.

A subsequent Victorian Auditor General's Report[8] states that "rapid growth is creating unprecedented challenges for infrastructure and service delivery, especially in the growth areas, where infrastructure and services of all types are limited and generally lag behind population settlement." This is adversely impacting accessibility to services and infrastructure, and risks the future liveability of metropolitan Melbourne, if not addressed.

Despite more recent and significant investment by this government, infrastructure and service deficits continue to impact the liveability of communities in the ICR including, in some instances, contributing to significant pockets of social isolation and disadvantage.

In 2017, Interface Councils released its Liveability Snapshot[9] which confirmed that communities living in Melbourne's outer suburbs don't enjoy the same standard of liveability as other Victorians across a significant number of indicators. Since then, Interface Councils has been working closely with policy makers to discuss solutions that would raise the liveability standards in Melbourne's outer suburbs to be more aligned with those in the rest of Victoria. Interface Councils looks forward to continuing its work with government to address the following liveability issues revealed in the Liveability Snapshot:

- More than 40 per cent of residents in the outer suburbs do not live near public transport.
- Unemployment in the outer suburbs is the highest in the state, sitting at 6.9 per cent, it is 1.1 per cent above the state average.
- Local job provision in the outer suburbs is the lowest in Victoria with a self-sufficiency rate of 62.5 per cent, which is 30 per cent less than the state average.
- Almost one in five people travel more than two hours each day for work and the number of people who travel to work by car is almost three out of four workers, again the highest in the state.
- Residents in the outer suburbs are reporting the highest levels of psychological stress and mortgage stress in the state, yet have access to the lowest levels of GPs and allied health services per 1000 per people.
- The Walk Score® for grocery shopping is 33 per cent compared to all other areas in Melbourne, which score higher than 50 per cent.

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[5] *A Strategic Framework for Creating Liveable New Communities*, Victorian Growth Areas Authority, 2008

[6] *One Melbourne or Two?* (Report Update, 2017), *Fairer Funding report* (2014), *Human Services Gap Analysis* (2017) and the annual Interface Councils Budget Scorecards (2012-2017)

[7] *Developing Transport Infrastructure and Services for Population Growth Areas*, Victorian Auditor General's Office (VAGO), 2013

[8] *Effectively Planning for Population Growth,* Victorian Auditor General's Office (VAGO), 2017

9 *Interface Councils Liveability Snapshot*, 2017

- While the outer suburbs offer the highest levels of open space in the state, their access to these parks and reserves by foot is significantly limited.
    - The Walk Score® for parks in the outer suburbs is 17 per cent, almost three times less than the Walk Score® for parks in middle Melbourne.

Healthy communities

The *Interface Councils Liveability Policy* (2018)[10] states that "unprecedented growth in the ICR has increased pressure on essential services and infrastructure. Access to pharmacies, dental services, general practitioners and allied health services remain below the rest of Melbourne and the state average. As a result, the health and wellbeing of residents is significantly impacted and will likely have long-term consequences for the State Government, local communities and the region if not addressed adequately."

Residents in the region also report higher levels of psychological distress and family violence incidents than residents living in other parts of Melbourne.

Interface Councils welcomes the opportunity to continue working with State Government to further close the gaps for essential social services and infrastructure that will have an impact on the region, to stave off the continuing divide between the ICR and the rest of Melbourne.

The opportunity

Residents of the ICR love where they live and the community that surrounds them. However, there are several indicators in the 2015 DHHS LGA profiles that demonstrate the prevalence of disadvantage and inequity in the region, particularly when compared to other parts of metropolitan Melbourne. Notably, the area has a lower index of relative socio-economic disadvantage (IRSD). Other key indicators show Interface Councils residents:

- Have access to just 0.51 jobs per labor force participant
- Experience high degrees of psychological distress, which could be due to longer commute times, higher rates of mortgage and rental stress and a lack of access to support services
- Have higher levels of poor dental health
- Have significantly lower access to public transport close to home
- Have high dependence on motor vehicles, which creates subsequent financial pressures due to daily commutes and petrol costs
- Have low levels of accessibility to allied health support services

The above indicators provide a glimpse of the challenges facing residents living in Melbourne's outer suburbs, where gaps in infrastructure, lack of local jobs and lagging service provision are lowering the state of liveability in communities.

However, Interface Councils has experienced first-hand how Victoria's policy-makers have contributed to a positive change in these communities. For example, the establishment of the Growing Suburbs Fund has improved the lives of children and families living in Melbourne's outer suburbs. There are numerous other examples of Australian programs and policies that have effectively ameliorated many of the causes and effects of community disadvantage (for examples, see: Soriano, Clark, & Wise, 2008).

Moreover, we look forward to continuing to work with government to create real, long-lasting and positive change for people living in the Interface Councils Region.

[10] *Interface Councils Liveability Policy,* 2018

KEY REQUEST: An increased and long-term funding commitment to the Growing Suburbs Fund to provide certainty for a significant pipeline of priority projects

Investment in community infrastructure via the Growing Suburbs Fund (GSF), formerly the Interface Growth Fund, in the 2015/16, 2016/17, 2017/18 and 2018/19 State Budgets was welcomed by Interface Councils and its communities.

After the annual funding was reduced from $50 million to $25 million in 2017/18, Interface Councils was pleased to see a one-off commitment to the Growing Suburbs Fund (GSF) in the 2018/2019 of $75 million.

However, a reinstatement of the $50 million per annum commitment at minimum, as well as a longer-term commitment in the form of appropriate forward estimates, is needed in order to properly address persistent liveability gaps in Melbourne's outer suburban communities. To ensure the GSF remains an effective funding tool for building urgently needed infrastructure, the fund should be indexed on inflation and the population growth rate across the Interface Councils.

The $200 million investment made to date has and will continue to boost economic development in these areas and provide infrastructure that addresses four key areas of social disadvantage experienced by communities in ICRs: fragile families, poor health outcomes, at risk youth and isolated ageing. To demonstrate the importance of the GSF, Interface Councils commissioned the Interface Benefits Report[11], which indicated that the projects deliver:

- Improved mental health outcomes;
- Improved community engagement among youth;
- Increased physical activity and improved preventative health outcomes; and
- Improved local employment outcomes through the creation of jobs.

In addition, it is important to note the opportunities and services that have and will become available for communities through these infrastructure projects. These will enhance the liveability of the ICR and, in turn, attract new business prospects, investments and jobs.

Historically, there exists a significant backlog of projects that Interface Councils still need to deliver to bridge the community infrastructure deficit that continues to exist.

For example, the annual allocations of $50 million in the 2015/16 and 2016/17 State Budgets funded more than 75 projects and exhausted all available funds. In both the 2017/18 and 2018/19 application process, more than 170 projects were submitted, with just 41 and 39 of these receiving funding respectively.

Continued investments in the GSF reflect crucial and positive steps forward in a long journey. This is further demonstrated by Interface Councils' list of unfunded infrastructure required to support the delivery of approved Precinct Structure Plans (PSPs) during the next four years, which totals more than $1 billion dollars.

In addition to the list of unfunded PSP infrastructure projects, Interface Councils has updated its list of priority community infrastructure projects. This includes both current applications and pipeline projects critical to outer suburban communities. **The list of the compilation of projects is available on request.**

Given the funding deficits for infrastructure to support approved PSPs and Interface Councils' more extensive priority projects list, it is imperative that a commitment to the GSF is maintained to assist councils with the backlog of required infrastructure by investing $50 million in the 2019/20 Budget and $50 million per annum in forward estimates. Furthermore, Interface Councils requests a commitment to index increases for the fund based on the average growth rate across the region.

The Growing Suburbs Fund is a strong and positive policy that must be expanded to assist with meeting the needs of existing and future communities. Proper levels of investment in the ICR will contribute to significantly enhanced liveability, including economic development, and avoid long-term social problems and more extensive and expensive intervention in the future.

[11] *Interface Benefits Report, 2016*