

28 June 2024



Administration
Centre

Committee Secretary
Parliament of Victoria
Economy and Infrastructure Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002
Via Email: localgovernmentfundinginquiry@parliament.vic.gov.au

Dear Committee

Re: Inquiry into Local Government Funding and Services

Thank you for the opportunity to make a submission to the Economy and Infrastructure Committee in relation to Local Government Funding and Services.

Hindmarsh Shire Council, located halfway between Melbourne and Adelaide, is the third largest local government area in the Wimmera Southern Mallee (after West Wimmera and Buloke), comprising 7,500 sq kilometres, and has the second smallest population. At the 2021 Census of Population and Housing, Hindmarsh had a population of 5,698. The four main towns in Hindmarsh are Dimboola, Jeparit, Nhill, and Rainbow.

Hindmarsh Shire Council provides over 100 services to the community, including community services, waste management, recreation facilities, libraries, planning, building, and public parks. Council works closely with community organisations and businesses to deliver and promote social wellbeing and economic development.

Hindmarsh Shire encompasses a diverse agricultural landscape, with broadacre farms growing Barley, Wheat, Canola, Chickpeas, Lentils and Beans to name a few grains and legumes that feed not only Australia but the world. Agriculture is one of the largest employers within Hindmarsh, both directly and indirectly, and contributes significantly to the community both economically and socially.

As a small rural Council, Hindmarsh Shire Council faces many sustainability challenges.

Staffing

Hindmarsh Shire has 116 employees working across a broad range of departments. 84% of employees live within Hindmarsh Shire; 15% live in

Neighbouring Councils (West Wimmera, Yarriambiack, or Horsham) and 1% live further afield in Victoria (Northern Grampians). Local employment is key to supporting the many small businesses located within Hindmarsh and neighbouring Councils.

Council is one of the main employers in Hindmarsh with many opportunities for young people and professionals to gain experience in various aspects of Local Government. Ensuring employment for young people and professionals is key to retaining community members who value living in rural areas and the benefits this brings to families.

Employment within Council also supports key industry and health services by providing opportunities for partners to obtain employment in rural settings and providing cross-sector opportunities for skilled workers to progress their careers in regional contexts.

While being one of the largest employers within the municipality, Council still struggles to attract professionals like engineers, planners, accountants etc. due to its remote location. As a result, Council heavily relies on costly consultants and contractors for professional advice, that is predominately legislated, which eventually impacts the financial bottom line. Additionally, the public sector experiences higher-than average employee turnover (17%) than private and not-for-profit sectors. It is our experience that the increasing demands on our employees due to the impact of legislative changes and funding shortages for resources, and additional staff responsibilities contributes significantly to our organisational staff turnover.

Revenue

Rate capping has limited Council's ability to increase rates beyond the cap set by the State Government, consistently being lower than CPI, resulting in prudent budgeting, reduced service levels, and Council being unable to meet the maintenance and renewal requirements of our ageing infrastructure.

Council's rates revenue is small, being \$7.67 million in 2023/2024 (approximately 40% of Council's annual revenue), excluding waste charges. Other revenue sources are limited with user fees and charges - \$1.4 million (predominately caravan park revenue which is offset by running expenses). Hindmarsh is heavily reliant on grants, including the Financial Assistance Grants, to deliver services and maintain necessary infrastructure required by the community.

Grants often require a contribution from Council (1:1, 2:1 or 3:1) and finding this contribution is becoming extremely difficult for Council due to low rate revenue, resulting in grant applications not being submitted for much needed infrastructure projects.

Securing a rate cap variation proves challenging and demands significant investment to prepare the required justification and submission. There is also community perception and backlash that needs to be considered as this can have ongoing impacts on the effectiveness of Council operations. Due to the high level of socio-economic disadvantage, Council also needs to balance the ability for residents to pay higher rates with any potential economic benefit. Twenty-eight percent (28%) of residential properties within the Shire have been approved under the Rates Concession Program – our community is not able to absorb additional rates.

There are few opportunities for Council to increase revenue through local or discretionary solutions, as additional fees and charges (including for use of facilities, services and town centre parking) are inhibitors to inclusion and accessibility for our financially vulnerable community.

Ageing Infrastructure

Council has a significant number of infrastructure assets nearing or at end of life, including four swimming pools that require significant investment in the short term to remain operational.

20% of the approximately 199 buildings and structures within Hindmarsh are in average to poor state. Council recently resolved to invite public submissions on the sale of the Dimboola Senior Citizens Centre and Gerang Hall due to limited usage and Council not having the required finances to continually maintain and bring the buildings up to safe standards for community use.

For future proofing, any new building assets are built as multipurpose facilities. The recent completion of the Rainbow Female Friendly Changerooms also provides amenities to the Rainbow Caravan Park during peak periods; the Nhill Tennis Clubrooms completed with LRCI funding now also provides a club room for the local Karen Community who utilise the recently installed Cane Ball Court (also funded through LRCI).

Council's road network is the equivalent of driving from Nhill to Darwin, with less than 2 residents per kilometre of road network, but without the commensurate financial resources to maintain, renew, and upgrade. Despite our best efforts, maintaining vital infrastructure (including the significant road network) remains a constant struggle impacted by climate changes and increased heavy vehicle usage.

The following table provides the required minimal renewal budget for each asset category but does not consider maintenance, expansion, and upgrade requirements.

Asset Category	Minimum Required Renewal Budget
Roads	\$2,621,000
Kerb	\$237,000
Bridges & Weirs	\$57,370
Culverts	\$51,632
Buildings	\$322,276
Pathways (Footpaths, Walking Tracks)	\$154,700
Storm Water Pipes	\$64,920
Storm Water Pits	\$19,328
Swimming Pool Structures	\$153,585
Park Infrastructure	\$22,286
Playground Equipment	\$47,258
Transfer Stations	\$78,600
Total Average Required Renewal Budget	\$3,829,955

The previous Country Roads and Bridges Program, where Council received \$1m annually, enabled Council to undertake necessary road and bridge infrastructure renewal, expansion and upgrades that are no longer possible due to the cancellation of this funding.

Underfunded renewals will eventually lead to a situation where there will be more assets in unserviceable condition which eventually reduces the level of service provided to the community. Without excessive funding opportunities from other tiers of government, it will practically be impossible for small rural shires like Hindmarsh to catch up on the renewal gap. This issue is further exacerbated by changes in weather patterns and use of assets.

Community Expectations

As the closest level of government to the community we deliver a broad range of services. Community members expect access to services and infrastructure that allow them to live in their chosen location. While they do not expect the same level of services and infrastructure as larger centres, ensuring services and infrastructure that meets the needs of the community is essential. Council advocates to both State and Federal Government for all initiatives that respond to regional poverty and disadvantage and is committed to being part of the solution.

Collaboration

Small Councils collaborate well with their neighbouring Councils in several ways including joint procurement activities for specialised areas including Municipal Building Services and Road Sealing.

Shared services are also established for key areas including emergency management.

Hindmarsh Shire is a participant in the Rural Council's Transformation Program, teaming up with Horsham Rural City Council and Loddon Shire to implement shared financial systems that allow for business continuity during times of leave or when we are unable to recruit qualified staff.

Future Demand

The estimated economic output of the Shire was \$721.5 million (2022), predominately from agriculture. Agriculture forms the economic backbone of our region, with broadacre farming being a significant employer across the Shire. The transportation of food and fodder both locally and interstate requires well-maintained infrastructure including roads.

Changes to farming practices and increasing truck mass will place further pressure on Council's resources and infrastructure. Legal axle loads for trucks are steadily increasing, and the shift towards cropping away from grazing has resulted in a significant increase in the tonnage of goods carted off-farm, with a corresponding effect on the road pavement. Council roads are often the only links for transport from paddock to grain receival centres.

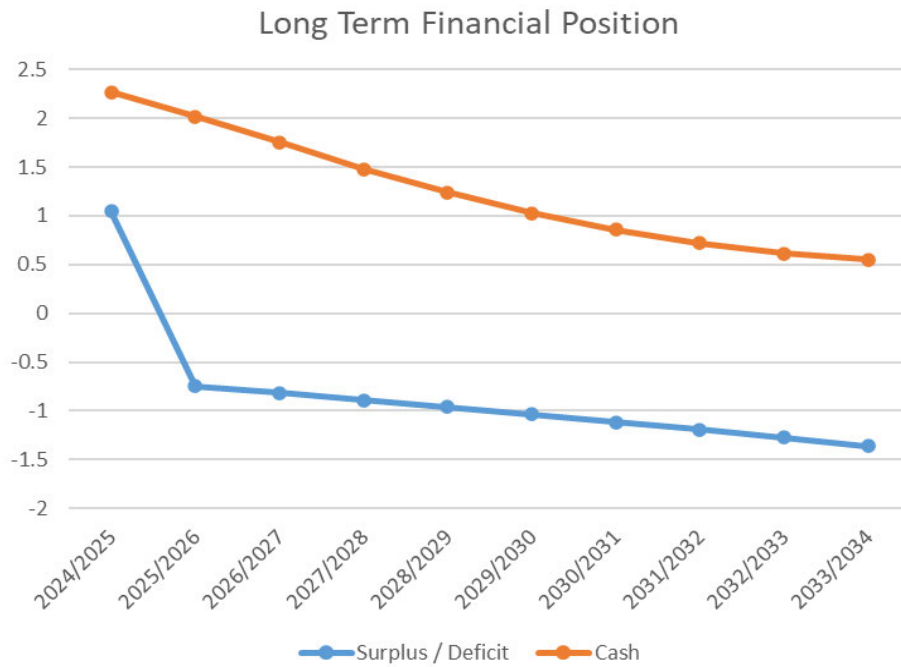
Increased sizes of farming machinery means agricultural businesses are continuously seeking expansion of current road and bridges infrastructure within the municipality. With the current level of funding where Council is struggling to fund asset renewal, asset expansion often takes lower priority. This eventually impacts the agricultural productivity of the nation.

Council's future budget for our capital works program will need to account for the compounding impacts on these key agricultural routes as the below CPI increases in major grants and the rate cap will not support the increase in costs.

Long Term Financial Impacts

Council costs are increasing above CPI with cost shifting from government (such as libraries, school crossing supervision, early years, emergency management) requiring Council to deliver services without adequate funding and resources. This augments the existing service and infrastructure maintenance shortfall as existing resources are spread over additional programs. Often compliance or reporting requirements that result from changes in legislation are absorbed by current staff, adding to their already full roles.

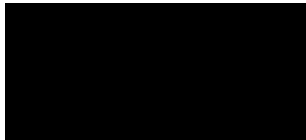
Council's long term financial plan paints a grim picture of the future for Hindmarsh with continual deficits and diminishing cash.



Council often provides essential services and serves as a resource to other key Federal, State and Social Services that do not have a presence in our region. A sufficiently funded local government is best placed to deliver on strategic, social, and infrastructure priorities of the State and Federal Government through our connection and embeddedness in the community.

It is important that there are adequate funding mechanisms from both Federal and State Government to ensure that local governments, particularly those in rural areas with small rate bases and significant infrastructure assets, can deliver vital services effectively for their communities and ensure those who cannot afford the cost of living in metro areas have capacity to live in rural areas without being further disadvantaged with high rates and charges and reduced services.

Yours sincerely



Monica Revell
Chief Executive Officer