



City of Mount Gambier

Office of the Mayor

22 May 2024

Mr Luke Gosling OAM MP
Chair Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
Canberra ACT 2600

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Dear Mr Gosling, OAM MP

RE: INQUIRY INTO LOCAL GOVERNMENT SUSTAINABILITY

The City of Mount Gambier is pleased to make a submission to the Standing Committee on Regional Development, Infrastructure and Transport National Inquiry into Local Government Sustainability (“the Inquiry”), and thanks the Inquiry for the opportunity.

Background – Council resolutions to give authority to make a Submission

At its meeting in April, Council resolved to make a Submission to the Inquiry, noting that the original due date for submissions was 3 May 2024.

19.2 STANDING COMMITTEE ON REGIONAL DEVELOPMENT, INFRASTRUCTURE AND TRANSPORT NATIONAL INQUIRY INTO LOCAL GOVERNMENT SUSTAINABILITY

RESOLUTION 2024/83

Moved: Cr Max Bruins

Seconded: Cr Frank Morello

- 1. That Council Report No. AR24/24637 titled ‘Standing Committee on Regional Development, Infrastructure and Transport National Inquiry into Local Government Sustainability’ as presented on 16 April 2024 be noted.*
- 2. Council determines that it does wish a submission to be prepared on the basis of the outline provided within this report.*
- 3. If Council determines that it does wish a submission to be prepared, Council notes that the submission will be made by the Administration before the deadline of 3 May 2024, and a final copy of the submission will be reported to the May Council meeting for the purposes of noting.*

CARRIED

Once the time for submissions was extended to 31 May, Council was able to consider a draft submission and adopted that submission without changes during the May meeting.

19.2 STANDING COMMITTEE ON REGIONAL DEVELOPMENT, INFRASTRUCTURE AND TRANSPORT NATIONAL INQUIRY INTO LOCAL GOVERNMENT SUSTAINABILITY – DRAFT SUBMISSION

RESOLUTION 2024/112

Moved: Cr Frank Morello

Seconded: Cr Max Bruins

- 1. That Council Report No. AR24/24/30011 titled ‘Standing Committee on Regional Development, Infrastructure and Transport National Inquiry into Local Government Sustainability – Draft Submission’ as presented on 21 May 2024 be noted.*
- 2. Council approves the submission as attached to this report, with the CEO authorised to make changes to the submission arising from feedback given at the meeting, and to make minor typographic corrections that do not materially impact the intention of the submission.*

CARRIED

A word about the City of Mount Gambier, population and growing for the future

The City of Mount Gambier is South Australia’s largest regional city outside of the Adelaide Metropolitan or peri-urban area. With a population of around 27,749, the City is also a service centre to residents of other nearby local government areas, including those living across the Limestone Coast and cross border communities in Victoria. The City therefore provides access to services (delivered across levels of government and private industry) to a catchment of around 130,000 people, who use Mount Gambier for health, education, retail, access to transport, cultural facilities, and significant local employment options, and in doing so, utilise Council’s many assets and services.

The City of Mount Gambier is currently planning for the long term future of our city. We are engaging with our community to consider what we value, what makes us who we are, and what are the key opportunities and challenges that need to be addressed to ensure an outstanding quality of life for residents, a welcoming and open environment for businesses, and a place that people love to visit.

That process has included broad community engagement, a series of in-depth stakeholder roundtables, and soon, a community panel (citizen’s jury) to assist Council to determine a vision for 2035 that speaks to the aspirations of our people. Key themes which are emerging include considered population targets, preserving and enhancing our unique environment, being inclusive, welcoming, safe and supportive, embracing vibrancy and creativity, designing a well planned, interconnected, thriving and resilient city.

The following infographics provide a snapshot for our City and surrounding areas arising from our “Mount Gambier 2035” community visioning work, and particularly considers population growth.

Mount Gambier's Population



27,749

ABS Estimated Resident Population 2022

This is a 7.2% growth in population since 2011.

Based on Census Data.

2035

30,799

Utilising Plan SA's medium rate of growth of 0.82% per annum. Assumes growth is evenly distributed over 20 years.



32,146

Plan SA Projection to 2041

This is a 16.3% growth in population over the next 20 years.

Greater Mount Gambier Population



36,600

Source: Plan SA
Greater Mount Gambier (including DC Grant and part of Wattle Range).

Greater Mount Gambier population in 2021



40,758

Population Projection to 2035
Utilising Plan SA's Medium rate of growth of 0.82% per annum.

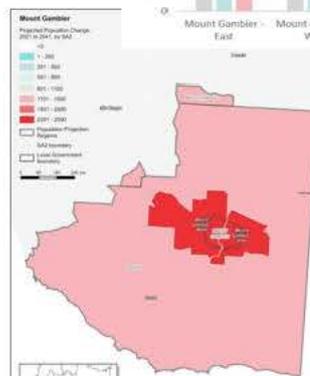
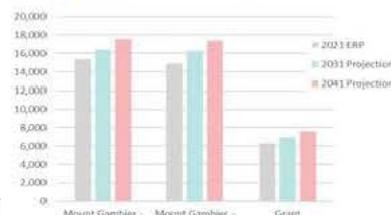
Greater Mount Gambier (including DC Grant and part of Wattle Range).



42,662

Population Projection to 2035
Utilising Plan SA's High rate of growth of 1.2% per annum.

Greater Mount Gambier (including DC Grant and part of Wattle Range).



135,000

Includes Limestone Coast LGAs and cross-border community members.

Current estimate of surrounding population that access Mount Gambier for essential infrastructure, services, business, employment and education.



Regional Movers Index

(Source: Regional Australia Institute)

- Up until September 2022, Mount Gambier had been reporting growth in its share of regional migration.
- The Regional Movers Index September 2023 Quarter Report highlighted that Mount Gambier had since been overtaken by the popularity of more remote regional growth areas, boosted by good regional job prospects and the likelihood of better house prices and availability.



Highest Growth in Regional SA

(Source: Plan SA)

Mount Gambier (East and West) SA2s are projected to increase by over 4,500 people. Port Lincoln has the second highest growth with an increase of 2,357, and Whyalla and Moonta complete the top 5.

Mount Gambier is projected to continue to be a top contributor to population growth in Regional SA.

MOUNT GAMBIER
2035

The Regional Australia Institute has recently observed that the estimated resident population of regional Australia, as at June 2023, was 9.78 million, and that regional population has grown 6.18% since 2018. Regions now make up nearly 37% of the whole population of Australia. (RAI Newsletter "Why Population Shouldn't be a Dirty Word April 2024). Regional Australia's population makes a significant contribution to the overall economic and social success of the country and local government provides the scaffold to support that success.

Bearing the future in mind, it is Council's view that the sustainability of our Council, and the local government sector generally, is critical to the success, health and wellbeing of community members.

Sustainability of Local Government – Assets

Key Point: Council has significant asset obligations, with aged infrastructure and increasing costs for maintenance and renewal and depreciation impacts

The City of Mount Gambier has an asset base of \$400m (as per the 2022/2023 financial statements). Council does not hold assets for their own sake – our asset base is ultimately about delivering community outcomes. It includes:

- buildings that provide locations for community and sporting groups
- roads to move people and freight through our City and into our region
- stormwater infrastructure that prevents flooding and supports water security and quality
- footpaths, shared paths and cycle ways that encourage active movement
- playgrounds that support a love of play and development of age appropriate motor skills
- waste facilities for waste transfer, reuse and landfill to protect environmental assets, reuse valuable resources and dispose of community and business waste
- sporting and recreation grounds that encourage organised sport participation and casual use to improve health and wellbeing
- fleet that allows our team to undertake their work
- collections that encourage learning and support for creativity

Our ageing and costly infrastructure underscores the urgent need for dedicated funding. A recent report by the Department of Infrastructure and Transport (DIT) SA, titled "*Local Government Finances: Financial Performance and Position 2021-22*", reveals significant under investment in asset maintenance, with capital expenditure on renewal and replacement of assets (\$433 million in 2021-22) consistently trailing behind depreciation costs (\$610 million in 2021-22). This discrepancy reveals a troubling under investment for enhanced funding and improved financial strategies to ensure the sustainability of facilities critical to community well-being. The City of Mount Gambier's Adopted Long Term Financial Plan renewal cost (on average \$6.4m per year) is also significantly trailing behind the average depreciation cost (\$11.5m).

Council has recently undertaken a major revaluation and condition assessment of its asset base. While there is more work to do, it has demonstrated that Council needs to invest \$2.5m on average across the 10 years of the draft LTFP in asset renewal (compared to the previously adopted LTFP). In addition to capital investment, Council's depreciation is expected to be in the region of \$2.4m higher per annum across the 10 years of the LTFP.

With a rating base of \$25m per annum (based on 2023/2024 excluding Limestone Coast Regional Landscape Board Levy), it is evident the focus which is required for Council's asset obligations.

Sustainability of Local Government – Roads and other critical infrastructure

Key Point: Increasing road funding grants such as Roads to Recovery and Special Local Roads, with certainty of funding amounts and timing to ensure the maintenance of road networks within Council's responsibility, and within the region, as key economic assets and for community safety

Key Point: Retaining and increasing infrastructure grants subprograms (such as Black Spot, Local Roads and Community Infrastructure (LRCI) Program) as they assist in supporting safety, reliance and maintenance outcomes, or where subprograms are terminated, replacing them with programs that assist local government to continue this work on supporting stronger and safer communities

Road funding for local government is a significant issue. As your Inquiry would be well aware, there is a human toll for poorly maintained roads and for road user behaviours. The RAA called in February 2023 ("New infrastructure projects are a must, but so is road maintenance") for additional road funding to support an estimated \$1bn backlog in road maintenance in SA. As the RAA's further research ("Back to the 90s – SA's worst year for cyclists, pedestrians, motorcyclists in 25 years") released in early 2024 highlighted, their analysis of SA crash data has revealed 2023 was the worst year for vulnerable road user deaths in 25 years with a total of 117 lives lost on South Australian roads last year. Fifty of those were vulnerable road users (cyclists, pedestrians, motorcyclists), which the RAA reports is 61% higher than the five-year average (2018-2022) of 31.

ALGA noted in its 2021 National State of the Assets report that 8 per cent of sealed local government roads are in poor condition, function and capacity. Research by the Grattan Institute, in their recent (2023) report "Potholes and pitfalls: how to fix local roads" indicates that local roads require an investment of \$1bn per year to ensure that councils can appropriately maintain them.

If the Federal Government increased funding by way of additional Financial Assistance Grants (\$600m per year) and Roads to Recovery (\$400m per year), it would assist all councils, including the City of Mount Gambier, to address disrepair and to provide a local road network that provides safety for general road users, and also supports the economic outcomes derived by freight and other business use. As the LGA SA pointed out in May 2023 ("South Australian councils call for a fair share in funding this Federal budget"), in South Australia, "we have 7% of Australia's population and 11% of its local roads but receive just 5.5% of the federal government's local road funding under Financial Assistance Grants".

Council notes that since the Grattan Report, the Federal Government announced increases to a number of road infrastructure programs. The funding increases will be phased in over five years to eventually double Roads to Recovery from \$500 million to \$1 billion per year, increase Black Spot funding by \$40 million per year and merge the existing Heavy Vehicle Safety and Productivity Program (HVSPP) and Bridges Renewal Program (BRP) to create a new Safer Local Roads and Infrastructure Program (SLRIP).

Council would however request that certainty around the funding to be allocated be provided in order to assist with planning for road (and other asset) investment over the life of Council's Long Term Financial Plan, as there is (at the time of this submission) no clarity about how increases such as that to Roads to Recovery will be applied.

The City of Mount Gambier has a road network spanning 232.5 km with an asset value of \$114,957,000. Council invested Roads to Recovery Funding and Local Roads and Community Infrastructure funding into a number of road improvement projects.

They are:

A. Roads to Recovery (R2R) Funding (Amount received):

1. Kennedy Avenue, between St Andrews Drive and Bishop Road (\$350,000)
2. Keegan Drive, Between Hay Drive and Potters Point (\$73,023)
3. Fairlane drive, in a southerly direction from Jubilee Hwy for a distance of 220m (\$186,263)
4. Elizabeth Street, from Helen Street to Commercial Street West (\$147,504)
5. Slow Point at Ramsey Avenue. (\$7,210)
6. Percy Street between, Penola Road intersection to Mitchell St Intersection (\$124,154)
7. Francis Street, From Jubilee Highway intersection to Wyatt St (\$108,789)
8. Commercial Street West, From Elizabeth Street Intersection to 203m west up to Wehl Street intersection (\$188,062)
9. Stone Ave, From Holder St intersection to 244m length up to Lake Tce East intersection (\$189,375)
10. Strangways Street, From Lake Tce East intersection to 174m length north up to Tallara Ave intersection. (\$131,683)
11. Grantville Place, From Holder St intersection to 130m length up to Boucaut St Intersection (\$108,613)
12. Wireless Road East, Between the Kennedy Ave and Attamura Road intersection. (\$409,825)

B. Local Roads and Community Infrastructure (LRCI) Funding (Amount Received)

1. Commercial Street West- from Elizabeth Street to Gray Street (\$166,244)
2. Shepherdson Road/Wehl Street intersection (\$21,778)
3. Calula Drive, including cul-de-sac and Bodey Circuit intersections (\$188,071)
4. O'Leary Road and Callula Drive Intersection (\$37,554)
5. Pine Hall Avenue and Suttontown Road intersection (\$103,745)

These important grant funds do make a difference to the capacity of this Council to address essential road infrastructure for the safety of our community. Council is appreciative of this funding and notes also that the three year extension of local road funding for SA Councils through the Supplementary Local Roads fund, announced in the 2023/24 Federal Budget is a positive initiative in addition to the announcement about eventual doubling of Roads to Recovery Program funding. Council requests that further extensions and expansion of this and other road focussed funding is considered by the Federal Government.

Sustainability of Local Government – the nature of grants and other revenues

Key Point: Fair increases and the restoration of Financial Assistance Grants to at least 1 percent of Commonwealth Taxation Revenue as per the agreed position of the Australian Local Government Association (ALGA) would be of immediate and material benefit to the long term sustainability of local government

Key Point: Consider the provision of support for maintenance of key infrastructure and assets including grant programs that are specifically for renewal and maintenance rather than new infrastructure

Key Point: Grant structures could be improved by removing or reducing the burden of matching funding/co-contribution for important community infrastructure, reducing the pressure on borrowings, and by considering the application of applying some grants on a formula-based model. This would assist in reducing the burden of grant writing and adjusting to shifting program guidelines and intentions

The "Local Government Finances: Financial Performance and Position 2021-22" report highlights that local governments face a high level of capital expenditure on new and upgraded assets, amounting to \$458 million in 2021-22, compared to \$150 million received specifically for these purposes. This gap emphasizes the need for sustainable funding strategies that ensure crucial infrastructure improvements without overburdening ratepayers.

In the case of our Council, the current level of grants received are significantly less than our need for infrastructure spending. Council is advocating for grants focused on asset renewal rather than, or in addition to grants, for new construction, which aligns with our commitment to sustainable development and resource efficiency. This strategic approach is essential to manage the financial challenges highlighted in the LGA sector, where capital expenditure on new/upgraded assets often overshadows that for renewing existing assets.

The City of Mount Gambier supports the ALGA and LGA SA position for fair increases and the restoration of Financial Assistance Grants to at least 1 percent of Commonwealth Taxation Revenue would be of immediate and material benefit to the long term sustainability of local government. The value of Financial Assistance Grants as a percentage of Commonwealth taxation revenue has reportedly declined from 1 per cent in 1996 to around 0.5% in 2023. These grants which are untied, support local government to deliver not only assets, but also council services for community groups, older people, children and youth.

The City of Mount Gambier has received \$14.1m in Financial Assistance Grants funding over the past 3 years (2020/2021-2022/2023). That represents 12.49% percent of Council's operating revenue. Any increase of these grant funds, should the Financial Assistance Grants be returned to 1% of Federal taxation revenues, would have a major impact on the financial sustainability of our Council, and on supporting our work for and on behalf of our residents.

Council has been very appreciative of Federal grants that have supported us to deliver "once in a generation" infrastructure. The most recent example was a Building Better Regions grant of \$15m to contribute to the Wulanda Recreation and Convention Centre. This project was also supported by State Government funding of \$10m and \$375,000 from our neighbouring council, the District Council of Grant. The remainder of the \$62.5m construction cost has been funded by Council with cash and borrowings.

This amazing asset provides significant benefit to our community in terms of wellbeing, connection and economic outcomes. However, it is also fair to say that, having borrowed to ensure this project was delivered, Council's capacity to provide joint funding for other projects has been reduced for a number of years. Reducing the co-contribution requirements for funding would significantly lessen the financial strain on our budget, allowing us to direct funds to crucial projects that improve community infrastructure and enhance public space utilisation. This adjustment supports a sustainable financial strategy, as suggested by various analyses of financial liabilities and asset management.

Finally, we note that various grant programs do change over time. We note that the Albanese Government "Growing Regions" program which along with other grant programs have different criteria and different selection processes. Council of course understands that such funding will flex and change, however, for an organisation the size of the City of Mount Gambier, the capacity to apply for grants across all grant streams can be somewhat constrained. For smaller local government areas, that issue must be even more profound. The capacity to attract important funding for local government should not be dependent on the calibre of grant writing with each council. Council notes ALGA's submission to the Infrastructure Investment Program Strategic Review from July 2023, which similarly

notes that not all councils will have the resourcing to apply for various grants, and that administration of some programs can be labour and resource intensive.

Sustainability for Local Government – Waste and Circular Economy

Key Point: Support for development of the circular economy, reuse and recapture of resources, and waste management asset assistance

In 2023, City of Mount Gambier adopted the “Waste and Resource Recovery Strategy 2023-2030”. The strategy, which was developed to meet the requirements of the State Government’s *South Australia Waste Strategy 2020-2025*, articulates a vision and target for our waste and resources recovery operations.

It also outlines objectives and high level priority actions which provide a framework for achievable local solutions to enhance service delivery, manage costs and drive innovation in resource recovery. Council is responsible for delivering services for the management of waste on behalf of the community in the City of Mount Gambier as required by the Local Government Act 1999. The services Council provide include:

- Kerbside collection of general waste, food organics and garden organics (FOGO), and recycling.
- Waste Transfer Station.
- ReUse Market.
- Caroline Landfill.

An example of the level of investment required in our waste services has been the current construction of a new cell at our Caroline Landfill site. This cell cost was originally estimated at \$1.2m with a final construction price of around \$3.7m.

Delivering these services requires significant financial and human resources. Council recognises the importance of implementing sustainable waste management initiatives aimed at reducing environmental impacts and increasing resource efficiency for the benefit of the community and the environment.

Sustainability for Local Government – Workforce

Key point: The capacity of local government to attract and retain critical staff or contractor capabilities for delivery of major projects and asset maintenance and renewal, as well as ongoing operations is profoundly important, and made more complicated in a regional setting and in the face of cost escalations for infrastructure projects.

The local government sector is a major employer across Australia. Research undertaken by ALGA highlights that local government is a “diverse, multi-disciplinary and multi-skilled workforce of nearly 200,000 people in almost 400 occupations”¹.

The City of Mount Gambier has a workforce of around 145-150 FTE. Recent skill shortages have been evident in a number of technical areas. These have ranged from town planners, building surveyors, environmental health officers, finance and accounting staff, through to truck drivers, waste and cleaning personnel.

As with other local government areas, Council is responding to these shortages in a variety of ways. We have arrangements in place with neighbouring councils to share staff, or to “borrow” staff capacity at times of shortages. We also have in place a modest trainee program, and are working on other

¹ ALGA 2022 Local Government Workforce Skills and Capability Survey, pg 16

“growing our own” solutions, such as apprenticeships and partnering with universities in a cadet planner/para-planner program.

We are further investing in our current staff to provide them with study supports to enable them to achieve particular accreditations, with a prime example being our building surveyors.

The challenges of workforce are not only related to skills shortages, but also the capacity to attract suitable employees to local government and to the regions. This can frequently result in delays in recruitment. Further underlying factors such as the capacity for employees to obtain housing, and a range of viable job prospects for partners, are anecdotally conveyed to us when applicants are considering a move to work with us.

Council notes that there is significant research which has been undertaken to consider the issue of workforce. This has included the work of the Northern and Yorke Local Government Association with Torrens University, highlighting the serious challenges that local government will face in meeting current and future workforce needs.

Turning now to the availability of contractors, Council has increasingly been faced with difficulties in engaging contractors for the delivery of Council's capital works program and major projects. We have observed a significant upswing in terms of costs for capital works, which has been compounded (in our experience) by COVID19, which put pressure on supply chains. In addition, the significant (and welcomed) government investment in infrastructure grants and other programs such as those to support housing development, have led to demand sometimes beyond the capacity of the private sector to deliver. Anecdotally, we have seen an increase of between 10% and 30% on supply for materials and services, which further compounds issues of financial sustainability for local government. As a regional city, there can at times be a limited range of suppliers for such services, which adds further complexity as choice can be constrained, as we have found particularly for construction and maintenance works that we receive 1-2 quotes from local suppliers.

In summary

The City of Mount Gambier thanks the Inquiry for the opportunity to make a submission on the financial sustainability of local government. We have demonstrated that we as a Council, and indeed as a local government sector, are effective, capable and reliable partners for the delivery of outcomes which are of importance to our communities and can progress the agendas of all levels of government.

We emphasize however, that financial sustainability is one of our most significant risks, as we strive to deliver the core services our community expects, and given how often we are required to deliver against state and federal government priorities with little sustainable funding to do so.

Yours sincerely



**Lynette MARTIN OAM
MAYOR**