

East Arnhem Regional Council

Inquiry on the

Development of

Northern Australia

Joint Select Committee on Northern Australia

2014

*East Arnhem Regional Council thanks Maria Carkagis from Funding Power
for her considerable assistance in preparing this submission*

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The East Arnhem Regional Council welcomes the opportunity to respond to the Joint Select Committee on Northern Australia as we represent some of the most remote, isolated and disadvantaged communities in Australia. The East Arnhem Regional Council (EARC) submission focuses on the **impediments to growth** in the northern Australia region that are specific to Council operations within our Local Government Area (LGA).

Invitation

We believe that there is no substitute for on-site engagement to obtain a true understanding of the challenges and issues facing remote, isolated and disadvantaged communities. Accordingly, we would invite members of the Committee to visit some of our communities such as Galiwin'ku, Umbakumba and Milingimbi to see both the positive steps being undertaken and also some of their particular challenges in providing services in extremely remote communities. If the Committee members would like to take up this offer, we would invite you to contact our Chief Executive Officer, Mr. John Japp (Mob: 0458039348) to make the necessary arrangements. We believe that a visit would provide valuable context for your Committee's review.

East Arnhem Regional Council (EARC) snapshot

Area: 33,295 km² Population 10,590

There are nine (9) communities requiring services with populations from 150 to 2,124. Five of the nine communities are located on islands exacerbating the remoteness and service delivery challenges.

The population reflects an average 91.2% indigenous population (87% when mining towns outside of the LGA are included) and contains 7 / 20 Northern Territory Growth areas identified by the Northern Territory government and 6 / 15 Northern Territory Remote Service Delivery (RSD) sites nominated by the Commonwealth Government.

Lack of Financial stability

Councils identified as financially vulnerable, of which East Arnhem Regional Council is one, are generally agreed to have a set of shared factors which include but are not limited to:-

- aged infrastructure, plant and equipment – many times in duplicate, inherited through amalgamation processes – that are inadequate to maintain expanded assets;
- a poor capacity to raise revenue from traditional methods such as a rates base while the revenue received (up to 80% through grants) is insufficient to cover core costs and

require an onerous level of reporting that taxes the management ability of the administration (See Appendix);

- the cost of service delivery to small, remote, and isolated communities is disproportionately high to the revenue achievable in return.

With rates generating less than 5% of total revenue, EARC needs to rely on grant monies from the Territory and Commonwealth Governments.¹ The conditions attached thereto limits the ability of Council to be as responsive to community needs as the Council would like. As grants must be audited and acquitted, the full value of the grant dollars is not available to Council. Of Council's 36 Core programs, only five of these were operating with a surplus in 2011 – the remaining 31 all operated with deficits. This reflects "cross-subsidisation" utilising limited discretionary Council funds for many programs that are essentially Territory or Commonwealth initiatives. Cost shifting has been an issue raised by the Australian Local Government Association for many years and is still identified within its top ten priorities.

Furthermore, grant monies are not guaranteed under the same conditions over extended periods of time, placing severe limits on the forward planning that Council is able to confidently undertake.

The unique characteristic of the EARC in governing nine Indigenous communities comprising a large number of traditional clans, requires a higher level of complex engagement and consultation with constituent groups in the community. This has resulted in the duplication of the operational service centres provided across a number of small communities. This has, however, shown the strategic importance over time and has been recognised and adapted in the current Northern Territory Local Government Act reforms through Local Authorities.

There is a limited income (rates) base for the LGA – Council does not administer the two high-income, high population centres within the LGA – Alyangula and Nhulunbuy – both of which were established and are maintained as a condition of mining leases. The administration of these centres would place Council in a more financially secure position, significantly increasing the potential income from rateable properties and the ability to better service the needs of all the LGA population.^{2 3}

2009 – 2011 saw a \$5 million decrease (24%) in Council assets and equity – primarily in cash, property, plant and equipment. The cash balance proportion is now 55% of assets – a significant drop on the 86% at amalgamation. Further, cash balances – outside of unexpended grants – now indicates that Council is not generating sufficient

¹ Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp 116

² Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp 104

³ Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp 11

revenue to cover incurred costs. Untied income while increasing by 10% since 2009, is still low at 34% and the increase has not compensated for the 17% fall in grant income. Increases in user fees and charges of just over 90% since 2009 relates to changes in the way that funds are distributed to Council – what was previously distributed as grants is primarily now disbursed on a fee for service basis.⁴ Operating surpluses in Agency and Commercial operations of Council have been used to offset the cost of delivery in some of the deficit-returning programs. Renewals backlog and roads maintenance will continue to negatively impact on the operations of EARC unless there can be a restructuring of the distribution methodology under government grants.

Council continues to pursue other activities that will minimise the reliance on grants income. However, significant gaps in forward planning remain due to a lack of funding for purchases when needed and the inability to plan long term given the tied nature and short term funding commitments and competing priorities across the region.⁵

Devolution of functions and activities

In remote communities, local government is often the only level of government physically represented in the community or, even if other levels of government are present, local government is often seen as the local community hub with long term staff. As such, it is certainly attractive for other levels of government to use local government to deliver services. The funding provided, however does not always match the service required to be provided. Examples include Centrelink services, postal services and Housing Management and Maintenance management. EARC and in general Local Governments in remote communities deliver a broader range of services than other local governments but the major challenge is that the funding models from other levels of government do not always cover the expenditure required to deliver these services in a remote community. Council must often deliver these services because there is a lack of alternative suppliers. Increasingly, EARC, and other Indigenous Councils, have to cease providing these additional services because they are not fully funded and as a result, our communities are either not receiving the services required or have to accept lower standards than in mainstream Councils. The effect of this issue is that remote local governments have become distracted from their core local government services. They are expected to provide more and more services but many Councils are responding to this funding shortfall by going back to providing only core local government services. While this is improving the council's financial bottom line, there can be a significant impact on the local community and their aspirations.

⁴ Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp 119-126

⁵ Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp 141

The devolution of State and Commonwealth government's responsibilities to local government has extended the roles of local councils and placed significant pressure on their financial resources and human capital capabilities. Programs that local councils deliver on behalf of state and commonwealth agencies are often limited term and with the necessity to re-apply for each delivery period. This results in onerous and costly application and reporting both in terms of time and financial costs. It also raises community expectations that council will deliver the program indefinitely which is exacerbated by a lack of knowledge and understanding of program funding by the general community.

State and commonwealth governments also seek to empower local communities to take control of their own destinies, with funding being directed to assisting the development of local capacity and capability and to engender social capital. While this is widely accepted in more regular models of community, the reality for EARC and like communities is that the financial and human costs of such engagement outweigh the program funding offered in many cases.

The reports of numerous inquiries in to the viability of councils highlight suggestions that a high percentage have no viable financial independence beyond a continued reliance on government grants. What these studies suggest is that the persistence of these structures undermines the capacities of people in rural and regional Australia to effectively manage and administer their future. The disparity is most obvious in remote (often Indigenous) communities and the East Arnhem Regional Council fits squarely in the midst of this assessment.⁶

Rising Costs of Governance

Like all local governments, remote Councils such as EARC face increasing governance obligations. Many of these obligations are suitable and appropriate to larger organisations operating in mainstream environments. However, obligations under the various legislative frameworks do not differentiate between remote and isolated communities and their Councils with more well resourced Councils. This is a desirable and important governance obligation, particularly given the remote location of many of EARC's communities. However, it adds to the administrative burden of EARC. For those Councils with their own source revenue, this can be relatively easy to absorb but for those remote Councils reliant on external funding sources, the cumulative impact of additional governance requirements adds a financial burden.

Recent changes to statutory requirements, Local Government reforms and a greater focus on improved governance have generally been positive but come at an increased

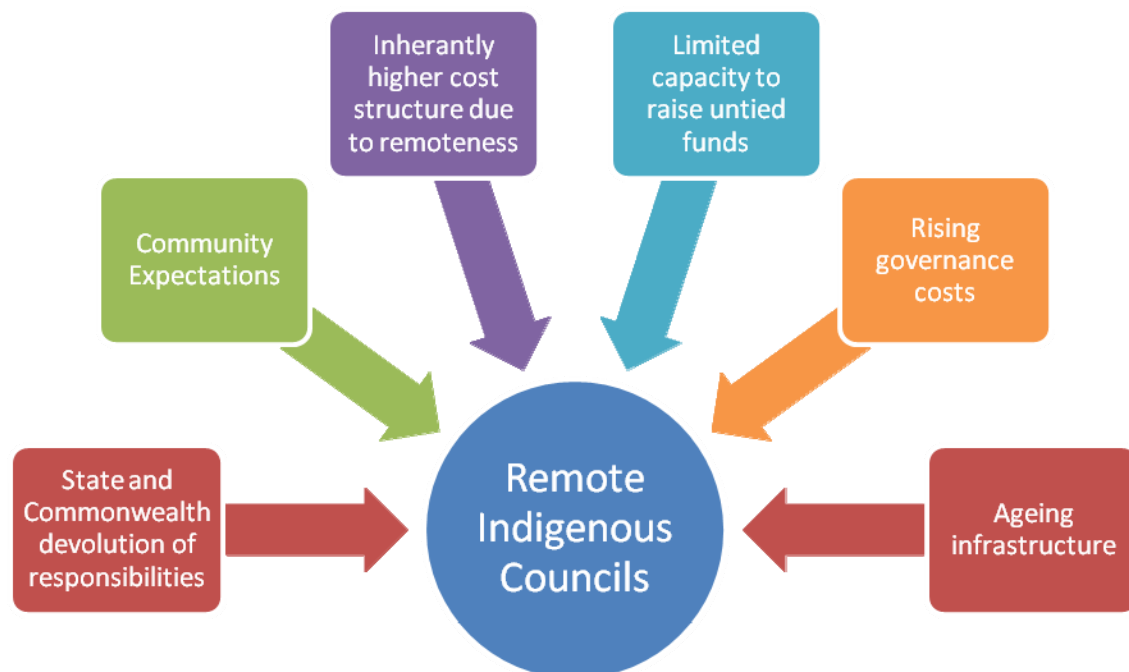
⁶ Challenges and Directions for Australia's Urban and Regional Future - Report # 1 - Identifying the Key Issues, Australian Research Council Research Network in Spatially Integrated Social Science (ARCRNSISS), (2007) pp 225-227

cost. Examples where governance costs have increased as a result of new or increased obligations include:-

- Privacy legislation
- Risk management
- Asset management plans
- Community engagement
- Long term financial plans
- WH&S
- Right to information

There is no additional funding for these extra requirements and while each of them on their own is not significant in terms of funding impact, the cumulative effect on remote and isolated Indigenous communities and Council is substantial.

The pressure that EARC is under in terms of financial viability with its nine (9) remote and isolated communities is very similar to all other remote Indigenous Councils and can be described below.



Community Expectations and Need

EARC provides services to some of the most disadvantaged communities not only in the Northern Territory but in Australia as a whole. The need for support and services to our communities is quite significant. Because we are usually the sole public face of government in our remote communities, our residents look to us for solutions even

though the issue may not be a traditional local government function. This has meant that as well as core local government services, there is always pressure on councils to provide additional services or to auspice other organisations to provide those services.

Council is continually approached for "in kind" assistance by Federal, State Government agencies, Non Government Organisations (NGO) and other organisations which Council must fund. Examples such as free accommodation in Guest Houses, free use of staff accommodation, free use of halls, office space, peppercorn rents and many more. The usual argument put forward in these cases is that they are supplying a community service.

Distribution of wealth

At the time of the 2011 Census, the East Arnhem Regional (at that time Shire) Council is a region of comparative disadvantage, measured by the ABS Socio-Economic Indexes for Areas (SEIFA) which measures people's access to material and social resources, and their ability to participate in society. East Arnhem Shire (sic) scores a 1 Decile (worst) ranking in all four of the indicators - Relative Socio-economic Advantage and Disadvantage, Relative Socio-economic Disadvantage, Index of Economic Resources and Index of Education and Occupation – and scores:

- 2nd most disadvantaged in the Northern Territory and 8th across the Nation for the Index of Relative Socio-economic Advantage and Disadvantage
- The most disadvantaged in the Northern Territory in the Index of Economic Resources and 2nd most disadvantaged in the Northern Territory in Index of Relative Socio-economic Disadvantage and 6th across the Nation for both these indexes.
- In the Index of Education and Occupation the East Arnhem Shire Council is ranked 3rd most disadvantaged in the Northern Territory and 20th across the Nation.

This geographic ranking is representative of a whole population rather than singular statistics that focus on income / expenditure.⁷ This SEIFA ranking reflects local knowledge that identifies EARC populations as:

- many households with low income and few households with high incomes
- low educational attainment across the community with many people with no qualifications, and with low numbers of people in non-professional, non-managerial roles in the community
- a large number of dwellings needing multiple bedrooms to house families/groups in the community

⁷ ABS downloaded doc 12/02/2014:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/2033.0.55.0012011?OpenDocument> 2033.0.55.001 Iga population distributions

- high levels of unemployment and single parent families receiving benefits

Based on 2010 estimations, only 7% of the resident population of 10,590 earns a wage or salary despite more than 66% of this population being of working age⁸. While only 1.6% of the resident population is employed in the mining sector, the high income levels of individuals working with these enterprises, and in the government sector, artificially inflates average income and taxation statistics, creating a false view of community wealth.

(Current ABS Estimates of Personal Income for Small Areas, (released Oct 2013) shows average income in the mining towns of Alyangula (Groote Eylandt) to be \$75,484 (growth of 4.8% from 2005-6) and Nhulunbuy as \$64,839 (growth of 2.4% from 2005-6)⁹ demonstrating the disparity.) There is a significant FIFO population in these communities that results in very little benefit to the EARC local communities—the bulk of disposable income is not expended within the LGA, meaning that inflated wage /salary figures have a double negative impact on the broader community

Despite this, recent trend research by the Australian Bureau of Statistics (ABS) does not identify either of the mining towns in the EARC area as boom towns¹⁰ which infers that the two mining lease operators are not planning any significant operational growth in the immediate future.

Employment within the Council area is primarily in local and state/commonwealth government employment (or in government sponsored employment) equating to more than 50% of employed persons. The next most significant employment sectors are retail (6.5%) and construction (5.7%).¹¹

Of the balance of the population, another 706 persons earned an income from their own unincorporated business, investment, superannuation or other income. More than 50% of businesses in the LGA are non-employing businesses and create an income for the owner alone.¹² Tax concessions provide little impact on the broader community when the majority of persons resident within the LGA are low-income earners.

The cost of accessing goods and services varies greatly during the year and is an added impost especially to low-income earners – the majority of which are in isolated communities without access to competitive suppliers. Most of the Council's road network is in poor condition, and impassable in the wet season, meaning that isolated

⁸ ABS downloaded doc 12/02/2014: <http://www.abs.gov.au/AUSSTATS/abs@nrf/Latestproducts/LGA71300Economy12007-2011?opendocument&tabname=Summary&prodno=LGA71300&issue=2007-2011> Table 2

⁹ ABS downloaded doc 12/02/2014: <http://www.abs.gov.au/AUSSTATS/abs@nrf/Lookup/6524.0.55.002Main+Features12005-06%20to%202010-11#Anchor11>

¹⁰ 4102.0 - Australian Social Trends, April 2013 – Towns of the Mining Boom, ABS,

<http://www.abs.gov.au/AUSSTATS/abs@nrf/Lookup/4102.0Main+Features10April+2013#p3>

¹¹ ABS downloaded doc 12/02/2014: <http://www.abs.gov.au/AUSSTATS/abs@nrf/Latestproducts/LGA71300Economy12007-2011?opendocument&tabname=Summary&prodno=LGA71300&issue=2007-2011> Table 3

¹² ABS downloaded doc 12/02/2014: <http://www.abs.gov.au/AUSSTATS/abs@nrf/Latestproducts/LGA71300Economy12007-2011?opendocument&tabname=Summary&prodno=LGA71300&issue=2007-2011> Table 1

communities have no way to offset seasonally adjusted charges for goods and services.

20% (1,190 people) of the workforce age-eligible pool of 6,081 people receive the Newstart Allowance – 76% of whom have been on income support in excess of one year. This indicates that there are few opportunities for these people to move into employment – for whatever reason. 409 people were in receipt of a Parenting Payment (Single) and 239 received a Youth Allowance. Figures for Pensions are not available.¹³

Training

Historically, the lowest rates for workforce participation in Australia have been measured in the regional areas of the Northern Territory and East Arnhem Regional Council area is no exception.

It is among the Indigenous populations that declining educational levels is most marked. School dropout rates for rural students exceed those of urban students across Australia and can be upwards of 75% in rural schools with high Indigenous student numbers. Lowest mean matriculation rates are noticeable for the Northern Territory. On the human capital index for university qualifications and participation index Regional Northern Territory records the lowest score.¹⁴

EARC actively supports and encourages indigenous community members to act on employment opportunities and is currently developing a Cadetship program for High School students in Boarding Schools. Significant training and generous Study Leave are offered as part of the employment contract to all 342+ employees where 69% are Indigenous. This percentage is primarily at semi-skilled levels with very few in junior and middle management positions and none in senior management positions. Council utilises Employee Development Plans to provide opportunity for up-skilling within the organisation. However, the limited skilled employment base, the poor access to suitable local training, and the cultural reluctance of regional indigenous community members to travel for further education, has resulted in the majority of Council's employees to be in non-management positions.

Reflective of the isolation of communities and the generally small pool of qualified job applicants, there is a need for high levels of supervisory- and top-level management of EARC functions within the communities – higher than for many other mainstream Shire Councils. The most significant is a limited access to personnel with strong

¹³ ABS downloaded doc 12/02/2014: <http://www.abs.gov.au/AUSSTATS/abs@nrf.nsf/Latestproducts/LGA71300Economy12007-2011?opendocument&tabname=Summary&prodno=LGA71300&issue=2007-2011> Table 2

¹⁴ Challenges and Directions for Australia's Urban and Regional Future - Report # 1 - Identifying the Key Issues, Australian Research Council Research Network in Spatially Integrated Social Science (ARCRNSISS), (2007) pp 114, 121-122

financial and asset management skills. This skill set is the one identified as critical to good decision making and the management of Council assets.¹⁵

Charles Darwin University has a campus in Nhulunbuy, and purports to offer outreach services. While the university has three mobile training units (truck mounted classrooms), the reality for the bulk of the populations within the EARC area, is that it is impractical, if not impossible, to attend training on-campus. In the remote locations it is not even possible to access the mobile units due to accessibility issues.

Therefore, opportunities for the EARC population to get the skills and training to move from base level jobs into management jobs is almost non-existent within their cultural community settings.

In order to offer suitable training facilities and access to trainers, a model needs to be developed that takes the training to the people in remote and island communities. Locally based trainers would have the opportunity to live in the community and gain the confidence and trust of the poorly educated population, providing an impetus to participation and course completion. The locally based trainer not only acts in the training role but also as a mentor and role model until they can be replaced by a local community member through succession planning.

Age distribution – higher than average under the age of 20 years plus higher than average over the age of 50 years – creates unique training challenges and opportunities.

Challenges –

- older community members (predominantly indigenous) are not coherent with modern management methods;
- Significant gap in age groupings with a smaller percentage of the population in the average working-age group (25-64) means that there is a shortage of community members to engage in training and employment.

Opportunity –

- large number of young community members being schooled under contemporary practices provides for a potential future trained workforce
- small numbers of people currently available for training programs provides an opportunity to present situation-appropriate training in small class sizes that should enhance positive learning outcomes.

Lack of community consultation

There is a greater need in remote communities – particularly for those where access is limited, to have the opportunity to implement local solutions to local issues. This is

¹⁵ Deloitte Review of Councils' Financial Sustainability for Department of Housing, Local Government and Regional Services (2012) pp

critical in indigenous communities to ensure that cultural traditions are respected and responses appropriate for the community in question.

Indigenous communities in the EARC region experience a level of young people engaging in socially challenging behaviours that is significantly higher than that experienced in many other communities.

Council needs to have access to the resources that can develop site specific responses that engage the broader community in addressing such concerns. There are public safety and order issues, as well as broader social aspects that might need to be considered in the development of a response to issues that arise.

With the current funding available to Council, there is little scope to develop a response strategy and engage staff to allow this approach to be delivered. The current Commonwealth program in addressing school attendance issues is a case in point. A recent article *Closing the Gap: we know what works, so why don't we do it?* (Eva Cox, Professorial Fellow Jumbunna IHL UTS. February, 2014) highlights that *"the poor outcomes could be a result of flaws in how officials devise and deliver programs and funding"* (p.1). In the context of school attendance the author goes on to indicate the Indigenous educator Paul Sara who lifted attendance at Cherbourg school in Queensland from 62% to 94%. Sara is quoted as saying *"the underlying causes of truancy usually related to the school rather than the child or their family"* and he goes on to state *"You've got to look at why kids have rejected school in the first place"*. Recent meetings and visits by a Government Minister to our communities and resulting actions would reflect that it was *"related"* to the child and family as opposed to Sara indicating that the question should be *"why kids have rejected school"*. This one brief example highlights the continued failings of governments to truly engage with the communities and in particular the Council as they are the *"voice of the people"* within our communities.

As indicated previously our communities look to the Council as the *"face"* of Government, either Commonwealth, Territory or Local. The EARC Councillors are Indigenous and elected by their Indigenous residents and should be trusted in delivering and managing culturally appropriate programs developed through consultation and partnership specific for their communities. This is well documented but has consistently been given only lip service by both Territory, State and Commonwealth Governments and this needs to change significantly if the intention is truly to *"close the gap"* on Indigenous disadvantage. EARC is in the best position to assist the senior two tiers of Government in achieving positive outcomes in our region and EARC must be allowed to work in true partnership to achieve this.

Recommendations

1. Development of a community-specific and community approved training model that allows on-the-ground delivery in remote /island communities delivered by EARC Council as they understand their people.
Consideration to include the establishment of a Training Officer position to be based within the EARC region that would have responsibility for training Community members in an appropriate Train the Trainer model to eventually result in a number of suitably trained remote Trainers.
This model to include sufficient funding to allow basic training facilities to be developed and networked across the EARC region so that supported training delivery can occur particularly in the Vocational, Education and Training (VET) sector as a viable alternative to school based education programs.
2. Enhancing Council's current employment and training of indigenous people providing municipal and administration services. This includes increased capacity to address barriers including numeracy/literacy levels, language, existing capacity and experience.
There needs to be support for Council to extend existing indigenous and non-indigenous staff into management positions.
3. An increase in the level of untied grant revenue that is able to be used at Council's discretion – particularly when implementing local responses to local needs.
Options for multi-year funding agreements, five (5) to ten (10) years, need to be developed to enable Council to positively impact on future planning and the recruitment and retention of staff.
Recognition of the need for restructuring of the distribution methodology under Government grant funding processes and projects.
4. Commonwealth recognition of the poor capacity for EARC and other Indigenous Council's in being able to raise own source revenue which reflects the very high levels of disadvantage within its communities.
With this recognition provide political, moral and financial support for EARC to identify and develop lateral approaches, within prescribed limits, to raising own source revenue not just within its communities but externally. This includes the considerable increase in rates charges as recommended within the Deloitte Report. Bearing in mind that the Territory Government represents 92% of the rate payers within the LGA. The inclusion of the mining towns of Nhulunbuy and Alyangula within the LGA as a means of increasing revenue raising and reducing the 92% dependency on rates being paid by the Territory Government.
5. Funding assistance to develop a broad range of Local Laws (By-laws) that meet specific needs of our communities particularly in the areas of cultural needs and

norms. These Local Laws will have a major impact in assisting Territory and Commonwealth Government initiatives as they will be developed by EARC in culturally appropriate ways.

This funding can be delivered in a way that develops “Model” Local Laws that can be adjusted and adapted by all discrete Indigenous Councils and not just EARC alone. Again EARC is in a position to act as a “lead” agency in this development.

6. Taxation concessions related to the remote and isolated environment of our nine (9) communities will assist EARC and the communities as a whole. A significant area will be the attraction and retention of imported staff with the necessary skills needed for our communities. EARC, and all Councils for that matter, must compete for skilled labour with many industries and in particular the mining industries that work in similar environments. In this case serious consideration by the Commonwealth Government in reviewing personal taxation levels and associated concessions would have a positive impact on Council’s ability to attract and retain well experienced and skilled staff.

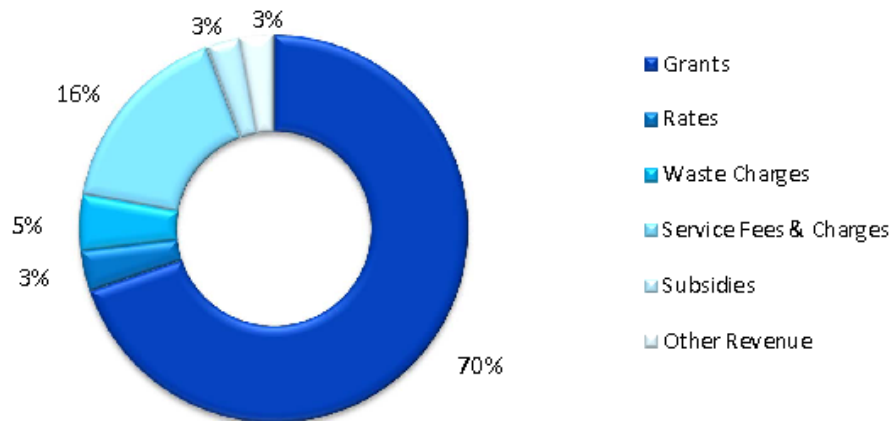
APPENDIX

East Arnhem Regional Council Budget 2013/2014 FY Pie Charts Revenue and Expenditure

East Arnhem Regional Council Budget 2013/2014 FY

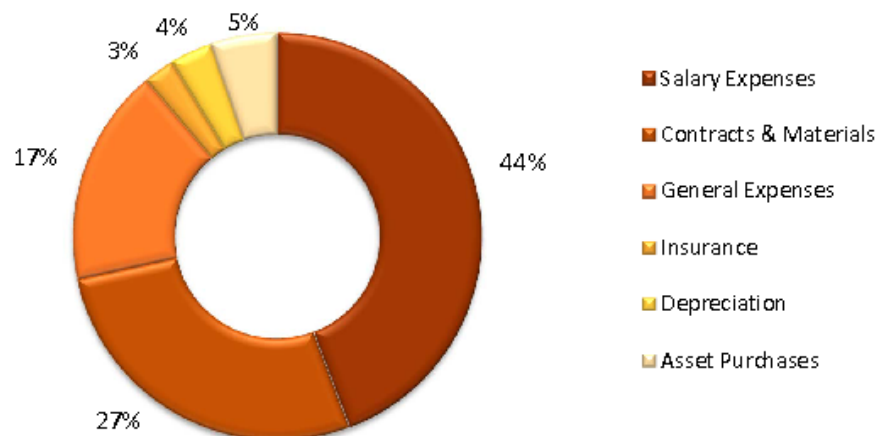
Appendix

Revenue



	Grants	Rates	Waste	Fees	Subsidies	Other	Total
\$ millions	24.726	1.200	1.671	5.842	1.000	1.005	35.444

Expenditure



	Salary	Contracts	General	Ins	Dep'n	Assets	Total
\$ millions	18.050	11.166	7.054	1.008	1.383	2.149	40.810