



Australian Government

OFFICIAL

Department of Infrastructure, Transport,  
Regional Development, Communications and the Arts

# Inquiry into local government sustainability

SUPPLEMENTARY SUBMISSION TO THE HOUSE OF  
REPRESENTATIVES STANDING COMMITTEE ON  
REGIONAL DEVELOPMENT, INFRASTRUCTURE AND  
TRANSPORT

December 2024

---

# Contents

|  |           |
|--|-----------|
| <b>Contents</b>  | <b>2</b>  |
| <b>Acknowledgment of Country</b>                         | <b>2</b>  |
| <b>Introduction</b>                                      | <b>3</b>  |
| <b>Local Government Workforce</b>                        | <b>5</b>  |
| Department Observations                                  | 5         |
| Innovative Sector Projects                               | 7         |
| <b>Local Government Revenue and Commonwealth Support</b> | <b>9</b>  |
| Department Observations                                  | 9         |
| Local Government Ministers' Forum (LGMF)                 | 12        |
| <b>Local Government Data</b>                             | <b>13</b> |
| Department Observations                                  | 13        |
| Departmental analysis                                    | 14        |
| <b>Grant Procedures and Guidelines</b>                   | <b>18</b> |
| Department Observations                                  | 18        |
| Grant Procedures   | 19        |
| Innovative Sector Projects                               | 22        |
| <b>First Nations Councils</b>                            | <b>24</b> |
| Department Observations                                  | 24        |
| Innovative Sector Projects                               | 25        |
| <b>Summary</b>   | <b>27</b> |

## Acknowledgment of Country

We acknowledge the Traditional Custodians of the lands where we work and live. From the desert to the high Country, connecting to our beaches and sand, through the snow, the rivers and saltwaters, in our cities, bushes and islands, we reflect, respect, and celebrate the unique and diverse communities we serve. We walk with Aboriginal and Torres Strait Islander peoples, celebrating two of the oldest continuing living cultures in the world – listening, learning, and yarning, to understand the past and work as one towards an inclusive future. We pay our respects to all Elders past and present. We are committed to creating positive change and promoting meaningful Reconciliation.

# Introduction

---

The department's supplementary submission builds on its May 2024 submission to the Inquiry (**Submission 38**), which aimed to illustrate the breadth and complexity of the work undertaken by the department to strengthen and enhance the sector. This supplementary submission provides reflections as observed by the department, including through its diverse engagement with state, territory and local governments, on the issues identified in other submissions to the Inquiry.

## Local government sustainability

In considering its perspective on the key issues raised, the department has examined the concept of what makes local government sustainable. Definitions of sustainability for local government vary, with many focusing on financial sustainability as the key marker. Local government sustainability is a complex concept which extends beyond financial considerations. While sectoral challenges balancing revenue and costs are clear, sustainability encompasses more than just monetary aspects.

The sustainability of local services, and the eco-system of resources which contribute to those services, are of equal concern to the question of local government sustainability as they directly influence the capacity of a council to operate. This inter-connection of systems is perhaps most apparent for regional, rural and remote councils which often face structural disadvantage through: lower levels of population growth, greater skills and workforce shortages; thinner markets for service and infrastructure provision; and reduced capacity for revenue raising. First Nations councils, or councils with a high proportion of First Nations people often fall within these remoteness classifications and the social and economic disadvantage experienced by First Nations people places additional challenges on these local governments in addressing these issues within their communities.

Systemic deficits may lead communities to rely on their councils for services beyond the traditional council remit, such as care and medical facilities. The ongoing responsibility of delivering such services may reduce a council's capacity to respond to other external pressures or invest strategically to secure its future resilience.

In this context, to understand and address issues of sustainability for local government we must also understand the systems on which local governments are reliant. Through its exploration of the common themes raised, this submission aims to highlight key observations that are fundamental to understanding the eco-system within and surrounding local governments.

## Key themes in the submissions

While there is significant diversity in the issues identified through submissions and evidence provided to the Inquiry, the department has identified the following key themes for which its perspective may further assist the Committee's consideration of the issues:

- local government workforce issues,
- local government revenue and Commonwealth support,
- grant guidelines and processes.

Each of these issues will be explored further in this submission and may serve to demonstrate the complexity and inter-connection of the system in which local governments operate. Where possible these connections will be highlighted and explored, particularly where causal factors reside beyond local government control. Alongside its observations, the department has identified case studies demonstrating innovative or noteworthy endeavours to address particular issues, which may be of interest to the Committee.

Many submissions also raise the changing service obligations of councils as a key issue. While the department recognises this issue, the variability in how this is realised at a local level makes national consideration difficult and the department lacks the data to provide detailed analysis.

## OFFICIAL

### Further observations

In addition to its commentary on the key themes identified, the department will also present its own observations on:

- First Nations councils, and
- The use and availability of data.

### First Nations

In addition to the challenges faced by all councils, First Nations councils have unique cultural, legislative and financial circumstances which can impact their sustainability and which may warrant further consideration by the Committee. These Issues include land development challenges including claim determination, community and economic capacity building, the provision of culturally appropriate housing and health services, and differing community expectations.

The National Agreement on Closing the Gap has 19 national socio-economic targets across areas that have an impact on life outcomes for Aboriginal and Torres Strait Islander people. Local government supports and steers the development of policies, programs and infrastructure that can focus on these priorities at the local and regional level. For example, Target 9b is the delivery of essential services that meet or exceed the relevant jurisdictional standard which include power, water, wastewater and solid waste management.

While there is considerable work to do to realise the goals of the National Agreement on Closing the Gap, initiatives established in response can showcase the benefits of co-designing place-based solutions to address complex socio-economic issues. Any consideration of local government sustainability should include the specific and nuanced requirements of First Nations councils including co-design principles which incorporate long-term perspective and traditional knowledge to inform different approaches to achieving sustainability.

### Data

Robust, high quality data is essential to develop evidence-based policy and make administrative decisions. Particularly when considering policy development at a national level, a common understanding and measurement of key metrics is crucial for supporting good decision making and addressing risk.

Nationally harmonised data about local government is difficult to find or does not exist. Local government is not a single continuous entity, rather it is multiple sectors operating within distinct legislative frameworks determined by each state and the Northern Territory. This leads to variations in the functions performed, and the reporting obligations of local councils across and within each jurisdiction. Additionally, local data capability, decisions on data management, and systems procurement, all contribute to a variation between local data regimes which present challenges in identifying and responding to sectoral issues.

While some diversity and variation in data holdings across jurisdictions is unavoidable, there are also commonalities in functions which may lend themselves to consistent reporting. The value in nationally harmonised datasets for supporting collaboration between jurisdictions on local government issues is well recognised. In response, efforts are being made to uplift data capability and harmonisation at a national level.

### Summary

Local Government sustainability is a complex concept which extends beyond financial considerations. While financial strain affects local government's ability to deliver essential services effectively, the drivers of this extend beyond revenue and expenditure. Long-term sustainability of local government will require a holistic approach to understanding and monitoring the systems on which local governments depend, and a collaborative approach across governments and stakeholders to develop and implement strategic solutions to affect systemic change.

# Local Government Workforce

---

Workforce sustainability can significantly impact the financial sustainability of organisations including those of the local government sector. Organisational capability defines a council's ability to provide place-based solutions, have a greater understanding of the community and meet their needs. The provision of a qualified and equipped workforce in the local government sector has a significant impact on the sustainability of local governments system of resources, and impacts the ability to deliver financial suitability.

## Department Observations

### Attraction and Retention

Difficulty attracting and retaining skilled staff is a challenge shared across the sector. Workforce challenges discernibly fall across a variety of spheres within local governments. Councils facing financial hardship report widespread difficulty in competing with the private sector as employers, both in recruiting staff and retaining them after investing in their training and development. For example, in their submission the Central Desert Regional Council (**Submission 9**) points to challenges such as urban drift to larger towns, wage competition, worker housing and support services as hindering recruitment activities, and similar challenges are expressed in many other submissions.

Attracting specific required skillsets such as engineers, surveyors and town planners is difficult, both in the immediate environment of competition with the private sector and in the broader national context of documented skills shortages. As evidenced in the submission by Jobs and Skills Australia (**Submission 64**), 43.6 per cent of all Urban and Regional Planners are employed in the local government sector. These roles are in shortage nation-wide in regional areas, as well as in NSW and SA more broadly. The adoption of remote working practices also has the potential to increase the competitive pressure on councils as they are no longer only competing with their neighbors but also other councils across the country, other levels of government and the private sector for some of their core skills. Conversely, the rise in remote working could also present an opportunity for councils which have historically struggled with attracting skilled worker migration, provided they possess or have the capacity to implement the technology required to support this effectively.

### Financial Implications

Continual recruitment has a significant financial impost on councils both through the process of advertising and onboarding new staff with the knowledge and skills required for specialist positions. Local governments invest significant time and resources in training workers but increased competition raises the likelihood that those workers move on to other sectors able to offer higher salaries. As a result, many councils struggle to retain long-term employees and recoup their investment in training in the shorter-term.

High staff turnover may also impact the normal efficiency of a council. The department has observed many instances where changes in council staff introduce delays and increased costs in delivering projects due to a loss of corporate knowledge. Such impacts compound the financial pressures councils face in recruitment and training and may impede the delivery of key projects, as well as developing strategic solutions to local systemic challenges.

### Services and Lifestyle

The availability of services such as housing and education can impact the workforce of local governments. If suitable housing, health, education and other essential services are not available to meet the needs of employees it can impact both attraction and retention of staff. Other factors impacting the livability of

## OFFICIAL

communities include cultural experiences, sporting and leisure infrastructure, and community well-being and quality of life, which is of particular significance for First Nations communities. While these are often external influences outside councils' control, they impact the workforce and financial sustainability of organisations.

### Place Based

Local government is inherently reflective of the community it serves. For employees to effectively address the needs and concerns of their communities, they must possess a deep understanding of the local environment and its unique characteristics. This enables them to craft policies and solutions that are tailored specifically to the community's context, ensuring that governance is not only responsive but also relevant, impactful, and culturally appropriate. Without a strong local pipeline of skills, particularly in key areas such as planning and leadership, councils' ability to develop such geographically- appropriate policies and services can be challenged with flow on effects for the communities they serve.

### Skill Availability

Skills availability and employee retention can significantly impact the ability for councils to function effectively. According to the 2022 Australian Local Government Association skills survey<sup>1</sup>, 91 per cent of councils surveyed reported experiencing skills shortages, and a similar survey of council workers conducted by the Australian Services Union (**Submission 140**) placed the figure at 80 per cent. This is particularly acute for regional, remote and First Nations councils. While all local governments experience shortages in specialist positions such as engineers and town planners, councils located outside of urban centers also experience shortages in core positions such as accountants, HR, IT, customer service officers, truck drivers and labourers.

The skills required for local governments can be unique and complex, and combined with the skills shortages in professions such as engineers, town planners, building surveyors and team leaders, councils may face little choice but to recruit people without the desired skills and experience. Deficiencies in skills and experience can affect project delivery, organisational culture and strategic planning, which impacts the capacity and financial sustainability of councils. Constant workforce pressure can lead to a focus on urgent service delivery and responding to immediate issues, rather than developing strategic solutions to systemic issues. Lack of appropriate surge capacity also hampers council's ability to respond to emergencies and natural disasters as well as other emerging issues of national importance such as the transition to Net Zero.

### Training and Education

As raised in several submissions to the Inquiry, including by groups such as the Australian Services Union and Public Skills Australia (**Submissions 140, 118**), the sector has historically been an entry point for many skilled professions through occupational learning practices, particularly in regional settings. Many councils have been key training providers for their communities, providing apprenticeships, traineeships and cadetships. This training responsibility can be resource and time intensive but also one of the most successful methods of filling vacancies and providing a pipeline of qualified and skilled workers for the future.

This role has diminished over time as financial constraints and access to vocational training and incentive programs have changed. Many providers of regional occupational learning courses have also withdrawn from key professions, most notably planning. This leaves councils without a local accreditation offering and consequently dependent upon attracting talent from metropolitan areas, often through increasingly expensive incentives. As councils have moved away from in-house training, they are also increasingly relying on labor hire or contractors, which further erodes in-house expertise.

According to Jobs and Skills Australia (**Submission 64**) the sector has a significantly higher proportion of older workers, 28.7 per cent aged over 55 years compared to 20.2 per cent nationally, which illustrates the

---

<sup>1</sup> Australian Local Government Association (ALGA), 2022 *Local Government Workforce Skills and Capability Survey*, ALGA, 2022



## OFFICIAL

difficulties in attracting younger workers and foreshadows a future worsening of workforce pressures as this group approaches retirement age.

### Project Delivery

The department has directly observed workforce capacity as a barrier to councils taking full advantage of potential grants available to them and to project delivery. While there are many impacting external factors, there is a correlation between the distance from large urban areas and employee numbers and the ability to fully utilise available funding. This is further supported through feedback received by the department during consultation on grant programs, where councils have reported that workforce challenges present barriers to the development and delivery of projects. While many of the factors which contribute to council workforce capacity challenges and wider labour market pressures are outside of the department's remit, the department has made several changes to programs to reduce administrative burden and these are explored in detail later in this submission under the Grant Procedures and Guidelines section.

### Innovative Sector Projects

#### Case Study Partnership - Aboriginal and Torres Strait Islander Town Planner Development Program

Prompted by a desire to bring First Nations perspectives into planning discussions more effectively and to recruit more Aboriginal and Torres Strait Islander people into the profession, Griffith University partnered with Tweed Shire Council and the Tweed Byron Local Aboriginal Land Council on an innovative scholarship program.

Griffith University provides a scholarship for a First Nations person to study a Bachelor of Urban Planning while the council offers a one-day-per-week paid cadetship in their planning department. The first student was recruited in 2022 and the program has been successful so far with the student having the opportunity to work in different areas within the planning team and secure additional days of paid work at the council.

The program received a Commendation and the President's Award at the 2022 NSW Awards for Planning Excellence from the Planning Institute of Australia and demonstrates how partnerships with local governments and educational institutes can assist in addressing the workforce challenges in the sector.<sup>2</sup>

#### Case Study Partnership - Commonwealth and Northern Territory Governments and the Yothu Yindi Foundation – Stage 2

The Garma Institute Partnership Commitment has committed up to \$20 million from the Aboriginals Benefit Account (ABA) towards construction of a Yolngu-owned and run tertiary and vocational education facility to provide on-Country learning for Yolngu people from early childhood education to university.

Stage 2 of the project will enable a partnership of infrastructure planning and co-investment. Its aim is to give students from Dhupuma Barker School at Gunyangaragiven pathway to continue their higher education at the Garma Institute. It will provide on-country learning to provide an opportunity to keep young people engaged in school and create a pathway to further education.

This partnership is an example of tailoring education and training in regional locations to address the skill shortage with the courses designed equip individuals with skills that are directly relevant to their regional

-----  
<sup>2</sup> <https://www.tweed.nsw.gov.au/community/community-support/people-communities/aboriginal-torres-strait-islander/town-planner-program>

**OFFICIAL**

setting. Regionally-focused programs, will develop specialized skills required for local industries and challenges.<sup>3</sup>

## **Case Study Shared Resources - Far North Queensland Regional Organisation of Councils – Regional Procurement Contracts**

The Far North Queensland Regional Organisation of Councils (FNQROC) was established in 1992 and represents 12 member Councils from Hinchinbrook to Cooktown in Far North Queensland inclusive of Hope Vale. FNQROC foster cooperation and resource sharing between Councils and effectively advocate regional positions and priorities. In doing this we also work closely with regional partners and stakeholders.

FNQROC, make recommendations and implement regional procurement opportunities where limited supply for a product and/or service exists, member councils are competing against each other for the same goods and/or services, there is the opportunity for improved service delivery and /or member Councils would benefit from the sharing of knowledge and collaboration.

The role of FNQROC includes conducting market research and gathering current contract information from individual Councils, developing procurement plan and contract documentation, initiating and undertaking the procurement process, maintaining ongoing contract administration.

This is an example of a partnership sharing resources to reduce the resources burden on individual local governments.<sup>4</sup>

-----  
<sup>3</sup> <https://www.pm.gov.au/media/tripartite-partnership-secures-garma-institute-vision-and-country-learning-yolngu>

<sup>4</sup> <https://www.fnqroc.qld.gov.au/regional-programs/Procurement>



# Local Government Revenue and Commonwealth Support

---

Local government financial sustainability may be considered as the balance of the cost of a council's current and future service delivery obligations against its ability to raise revenue to pay for them. Many local governments report they struggle to generate sufficient revenue to meet growing service delivery obligations. While in the short-term this may impinge upon their ability to deliver essential services effectively, it may also inhibit their capacity to engage with strategic opportunities for economic and social development which might otherwise generate future revenue. To understand the scale of any revenue challenges faced by councils we must explore both the cost obligations faced by councils as well as the complexity of available funding.

## Department Observations

### Service Obligations

The role of local government is defined by state and territory governments which grant councils powers within their own legislation. As has been identified by previous inquiries, this role has increased from the cliché of the three Rs of Roads, Rates and Rubbish and is now difficult to define due to the wide diversity in the service expectations made of individual councils and geographical variance in the division of local and state government service delivery. While many councils attribute such changes to cost shifting or “raising the bar”, equally councils are democratic representatives of their local communities and evolving community expectations will define many of the service obligations faced by an individual council. There is no commonly defined minimum requirement for which services local government should provide. Differences in state and territory legislation as well as local community expectation mean there is considerable variation in the services councils deliver across Australia. As such, it is difficult to assess what might be a core expectation of a council for which structural funding must be assured, compared to what is a locally determined expectation that might appropriately rely on a community's capacity for funding.

### Revenue Raising Capacity

Local government relies on a diverse system of revenue streams which must work in concert to balance the cost of its service obligations.

Local government's own-source revenue raising powers are defined in state and territory legislation but are typically limited to the recovery of costs through fees and charges, and taxes on land through rates. These revenue streams are then augmented by any state or territory support to ensure that a council can discharge its service obligations.

Issues such as state-legislated limitations on rates, fees and charges as well as the capacity or willingness of communities to support increased local taxation and the availability of support from other tiers of government will all contribute to the overall capacity of a council's revenue raising systems. The department lacks the data to assess whether the capacity of councils to raise revenue is routinely balanced against service obligations, particularly where these have grown to meet increased community expectations.

A number of councils have highlighted community reluctance to either reduce service provision or contribute more through rates, while simultaneously seeking increased support from other tiers of government to overcome these issues (**Submissions 141, 192, 256**). Such an approach may only serve to further entrench structural deficits. Holistic consideration of the balancing of service obligations and council revenue is essential for the sector's ongoing sustainability.

## OFFICIAL

### Increase to Financial Assistant Grant (FA Grant)

The FA Grant is provided under the Local Government (Financial Assistance) Act 1995 and consideration of any changes to its quantum or distribution are a matter for the Australian Government. To assist the Committee, the department provides the below observations in its capacity as the administrator of the FA Grant program, but they should not be viewed as advocating for or against any particular position, nor as representative of Australian Government policy.

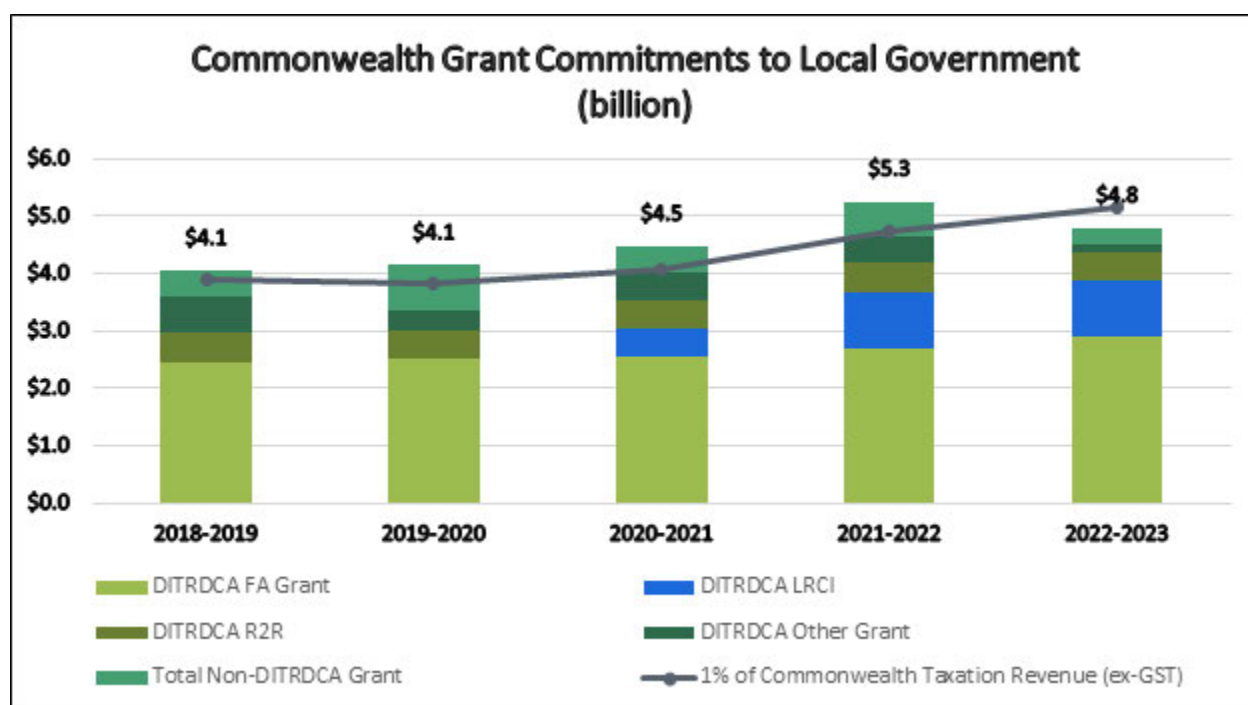
#### Quantum

As councils work to meet the challenges of balancing the increasing demand and cost for services with appetite or capacity for increasing rates, the sector through its state and federal representative bodies (**Submissions 86, 95, 97, 181, 186, 250, 257**), is advocating for the quantum of the FA Grant to be increased. Submissions to the inquiry have sought to demonstrate what local governments could achieve with such increased funding, however the department has not been able to identify any analysis in submissions on how this would resolve structural deficiencies in local government revenue, or why responsibility for doing so should rest with the Commonwealth.

The call for an increase of FA Grant to 1% of Commonwealth Taxation Receipts (CTR) appears tied to historic precedent. However there has been considerable change in the way local government is funded since the FA Grant was last equal to approximately 1% of CTR in 1986 such as the transfer of Goods and Services Tax receipts to the states and territories, as well as significant increases in Commonwealth funding to local governments through the introduction of other investment programs such as Roads to Recovery.

It should be noted that overall Commonwealth support to the local government sector has remained approximately equal to 1% of CTR over time, reflecting the balance of priorities for successive governments.

**Figure 1 Commonwealth commitments to local government from 2018-19 to 2022-23**



\*DITRDCA Other Grant includes investment programs.

The objective of the FA Grant is to provide financial assistance to the states and territories for the purposes of improving the financial capacity of local government. Responsibility for ensuring the appropriate funding of local government services remains with the states and territories. The baseline costs of local governments and

## OFFICIAL

the capacity of local, state and territory governments to meet those costs, should be included in any consideration of Commonwealth assistance as a solution to address shortfalls in local government funding.

Notwithstanding the above, it is difficult for the department to assess whether increases to FA Grant funding would succeed in securing the sustainability of local government. The sector has raised cost shifting and rate capping/pegging as key challenges to its financial sustainability. The Local Government Association of Queensland's Cost Shifting Report 2024 and Local Government New South Wales' Cost Shifting Report 2023 claim that cost shifting onto local governments per annum ranges between \$300 million to \$1 billion respectively. While the department cannot attest to the validity of these claims, such issues highlight the ability of the states to act unilaterally within the space of their local government legislation. Increases to FA Grant funding may be ineffective in improving local government sustainability if they are subsequently absorbed by changes to a council's ability to raise rates or by the transfer of additional service obligations.

### Distribution

While the sector is largely unified in its call for increases to the quantum of the FA Grant, there is less consensus regarding how the FA Grant is distributed. For example, many councils from regional and rural areas have raised the issue of horizontal fiscal equalisation within the FA Grant program and the negative effects the current minimum grant requirements have on achieving that goal. (**Submissions 13, 17, 46, 52, 59**).

Distribution of the FA Grant follows a two-stage process, first the Australian Government divides the total FA Grant pool amongst the states and territories (inter-state) then the states and territories divide their allocations between the local governments within their jurisdictions (intra-state).

The inter-state distribution follows a fixed formula with the total funding pool divided between jurisdictions based on their populations and historically agreed share of the road component. This allocation is provided to the states and territories for onward distribution to local government bodies.

For the intra-state distribution to individual councils, each state and the Northern Territory, through their local government grant commissions, recommends a bespoke distribution based upon an assessment of the relative strength of individual councils within each jurisdiction.

The *Local Government (Financial Assistance) Act 1995* outlines the principles for the intra-state distribution of funds including that distribution is made as far as possible on a full horizontal equalisation basis while also providing for a minimum grant amount on a per-capita basis. Within these principles, state and territory governments are ultimately responsible for how FA Grant funds are distributed within their jurisdictions and have broad discretion to set their own allocation criteria, above the minimum grant amount.

The minimum grant amount (30% of the per-capita general-purpose allocation) ensures that all eligible local governing bodies, regardless of their size or wealth, receive an allocation of Commonwealth financial support.

In 2022-23 100 councils, representing about 50% of Australia's population, received only the minimum grant which is 7.6% of the overall funding pool. This demonstrates both a correlation between population and fiscal strength for councils, but also that the horizontal equalisation of FA Grant redistributes funding away from these more populous councils. As such, while the minimum grant reduces the overall quantum of funds available for horizontal equalisation, it serves to balance fiscal concerns with social equity.

The current distribution of the FA Grant can lead to disparity between the inter-state support to councils. It may be that a relatively strong council in one jurisdiction would be assessed as much weaker compared to those in another jurisdiction. In this scenario, councils with identical fiscal attributes but in different jurisdictions may receive a significantly different percentage of their per-capita entitlement. Similarly, the largest single determiner of a state or territory's FA Grant allocation is its population. As more-populous councils tend to be fiscally stronger, the fiscally weaker councils in states with concentrated population centres may benefit from a significantly larger redistributed funding pool than those in other jurisdictions.

**OFFICIAL**

## Local Government Ministers' Forum (LGMF)

The Minister for Regional Development, Local Government and Territories, the Hon Kristy McBain MP, chairs the LGMF, where the Australian Local Government Association (ALGA) joins state, territory and Commonwealth ministers for local government to discuss the challenges facing councils. The department provides secretariat support for the forum and the supporting Local Government Senior Officials Meeting (LGSOM) which includes representatives from the state, territory and Commonwealth departments responsible for local government policy.

Over the last 12 months there has been substantial work undertaken to formalise the direction and operation of the LGMF and LGSOM. In April 2024, ministers formalised the forum's terms of reference and operating guidelines. The changes were made with the aim of better supporting ministers to identify strategic priorities and engage in cross jurisdictional work designed to improve the operation of the sector. Through this work, ministers agreed a forward work plan focused on supporting the financial sustainability of local government. Work progressed that is relevant to issues raised with the committee includes a sustainability data project which is detailed in the data section of this submission.

# Local Government Data

---

All levels of government rely on robust, high quality data to make evidence-based policy and administrative decisions. Typically, government data products draw on social metrics to provide an understanding of the community-based outcomes governments seek to achieve; and administrative metrics through which governments manage services and functions to ensure their efficient operation and effective expenditure of public money.

Local government is unique in that it generates and analyses data to manage its internal operation, but also contributes to state and territory data so that it may in-turn be managed as part of its state or territory's administration. As the Commonwealth holds no constitutional role in the management of local government, it does not participate in this administrative data regime and is dependent upon the data published by local, state and territory governments to inform its decisions on local government related policy.

State and territory data regimes are individually tailored to the unique requirements of managing local government within each jurisdiction. Equally, the data capabilities of individual councils vary significantly which further contributes to a variation in baseline information and compounds differences in reporting. Any data provided externally by states and territories is a product of their unique data environments and may not support direct comparison with other jurisdictions' data. This poses challenges for developing national policy which might hope to provide targeted benefit within a particular cohort of the overall sector.

The department considers it important to explore the limiting factor this has on supporting policy intervention, which it has not seen addressed through submissions to the Inquiry. Notwithstanding this issue, the department has also recently undertaken significant analysis of available data and presents its initial analysis findings for the Committee's consideration.

## Department Observations

### Each local council is unique

Local government is not a homogenous entity, rather it is multiple cohorts of individual councils that operate within distinct legislative frameworks determined by each state and the Northern Territory. Some jurisdictions further differentiate between urban, regional and rural councils in terms of responsibilities, with some councils (in thin markets) acting as a provider of last resort for essential services such as aged care, childcare, regional air strips, and even funeral services. This leads to a diversity of functions and reporting obligations of local councils between and within jurisdictions.

There is also considerable diversity in data requirements between individual councils influenced by their geographies, population densities and local economies. These variations shape local data management decisions but also make like for like comparisons difficult.

### Technology presents opportunity and cost

Given the challenges above, nationally harmonised data about local government is difficult to find or does not exist; however, collectively the sector generates more data now than it ever has. This data generation, coupled with continuously developing capability for tailored data analysis presents a significant opportunity for the sector to better explore, understand and respond to emerging challenges. Indeed, the systemic issues facing the sector may only be addressed through careful exploration and understanding of the increasingly comprehensive suite of data available.

Commonwealth, state and territory governments are aware of the significant potential within the sector's data holdings to inform policy makers nationally and have commissioned work through the LGMF to explore

## OFFICIAL

the viability of a nationally consistent dataset for informing interjurisdictional engagement about the financial sustainability of local government. Each state and territory collects and manages its own individual datasets in recognition of the unique characteristics of local government within its jurisdiction; however, there is no national dataset to support inter-governmental collaboration on policy development. Due to the diversity of local governments in Australia and their democratic nature there is unlikely to be a single metric that can determine a council's sustainability or even a consistent list of service obligations. However, opportunities to leverage data to work towards a better understanding of the range of services provided, reasonable costs, remoteness cost premiums, assets, liabilities and revenue capacity would significantly benefit engagement between jurisdictions and between ministers when considering the merits of any national policy intervention.

On behalf of the LGMF, in 2024 the Queensland Government led a cross-jurisdictional project to explore the available spectrum of local government financial sustainability data, identify commonalities and explore options and considerations for such a nationally consistent dataset. It is intended that further opportunities for jurisdictions from this project will be discussed through LGMF in 2025.

Alongside the capacity for enhanced national data, advances in data collection and analysis may also present opportunities for local councils to optimise service delivery and community impact and thus enhance their sustainability. Many sources of data-intelligence are now available to councils from the collection of real time asset usage and condition data through smart devices and infrastructure; to detailed data-science products such as the mapping of urban mobility. Combined with the latest generation of service tools such as asset management systems, such data provides opportunities for councils to identify optimal management plans and inform strategic approaches to maximise the return on capital investment and maintenance programs.

While the availability of such datasets and platforms offers an unprecedented opportunity to develop the capability of local government, considerations to the cost and efficacy of their adoption remain. Commonalities in service delivery obligations present opportunities for collaboration in the procurement and deployment of data platforms. Such platforms are at their most effective when data assets can be shared and combined, requiring consistency in data cataloguing and design. Such design is not without cost which may be unsustainable if repeated in deployments across each of Australia's local governments individually.

For some councils, the cost of investment in the IT systems which collect and manage data can present an insurmountable barrier to entry. Councils' cashflows may dictate their ability to access privately managed datasets to better influence social policy or procure administrative systems to better manage their own data and enhance service capabilities. The adoption of such capability will likely only be achieved if the economies of scale available to the sector are realised, both to reduce the cost of procurement and enhance the benefit to sectoral decision making. Such realisation will require at least cohort-based collaboration but may require broader consideration and support from other tiers of government.

## Departmental analysis

Despite the challenges cited above, the department does explore available datasets to inform evidence-based decision making. Drawing from information provided through the states and territories as well as that gathered by the Australian Bureau of Statistics (ABS), the department has been conducting data analysis to better understand the overall financial sustainability of the local government sector. While this analysis may provide some insight to the sector nationally, its limitations should also be recognised as the department may lack the data to explore conclusions below the macro level.

### Sector Revenue vs Expenditure

Historically, the data available to the department from the ABS and the state and territory grants commissions has been largely limited to the state and territory level. Based on this data, the 2021-22 National Local Government report identified excess revenue capacity of \$11 billion within the sector nationally. Additionally, when looking at net-debt, only councils in South Australia had a negative position as at 30 June 2022, while all the other states and the Northern Territory each had a net surplus.



**OFFICIAL**

**Table 1 Local government liabilities and net worth and debt in 2021–22**

| Liabilities<br>in<br>millions<br>of dollars                    | NSW            | Vic            | Qld            | WA            | SA            | Tas           | NT           | Total          |
|--|----------------|----------------|----------------|---------------|---------------|---------------|--------------|----------------|
| Currency<br>and<br>deposits                                    | 62             | 521            | 28             | 43            | 122           | 20            | 0            | 796            |
| Advances   | 0              | 111            | 0              | 0             | 236           | 8             | 2            | 356            |
| Other<br>loans<br>and<br>placeme<br>nts                        | 3,508          | 1,094          | 6,363          | 557           | 445           | 272           | 15           | 12,253         |
| Debt<br>securities   | 0              | 0              | 0              | 0             | 0             | 0             | 0            | 0              |
| Provision<br>s for<br>defined<br>benefit<br>superann<br>uation | 0              | 0              | 0              | 0             | 0             | 0             | 0            | 0              |
| Other<br>liabilities   | 3,668          | 2,625          | 4,230          | 966           | 672           | 233           | 193          | 12,586         |
| <b>Total<br/>liabilities</b>                                   | <b>7,238</b>   | <b>4,351</b>   | <b>10,620</b>  | <b>1,566</b>  | <b>1,475</b>  | <b>532</b>    | <b>210</b>   | <b>25,992</b>  |
| <b>Net<br/>financial<br/>worth†</b>                            | <b>203,735</b> | <b>131,009</b> | <b>136,703</b> | <b>47,847</b> | <b>27,699</b> | <b>13,657</b> | <b>3,227</b> | <b>563,877</b> |
| <b>Net<br/>debt*</b>   | <b>11,390</b>  | <b>4,432</b>   | <b>5,156</b>   | <b>2,822</b>  | <b>-855</b>   | <b>1,845</b>  | <b>180</b>   | <b>24,969</b>  |

Notes: These figures may not add to totals due to rounding.

† Net financial worth is the difference between total assets and total liabilities.

\* Net debt comprises memorandum items for comparison only. They do not derive from the above calculations. Net debt is the sum of selected financial liabilities, deposits held, advances received, government securities, loans, and other borrowing, less the sum of selected financial assets, cash and deposits, advances paid, and investments, loans and placements. Net debt is a common measure of the strength of a government's financial position.

Source: Australian Bureau of Statistics, Government Finance Statistics, Australia, 2021–22, ABS cat. Number 5512.0.

While this data indicates that from a macro level the sector overall appears sustainable, submissions to this Inquiry and individual council financial data have identified that many councils fail to generate sufficient revenue to meet their service obligations. While the department lacks the data to fully assess the causality of this disparity, the surplus suggests there is capacity within the current funding system to effect greater horizontal fiscal equalisation.



**OFFICIAL**

**Cohort Variation in Revenue vs Expenditure**

The department analysed local government financial data in order to understand councils' financial positions in terms of remoteness, population, and other differentiating factors in addition to jurisdiction.

Analysis indicates the following:

- Councils with a population less than 10,000 people are less likely to return a surplus than larger councils.
- In 2021-22, 56% of councils generated revenues that exceeded expenses. Of these councils, those in major cities (25% of all councils) produced 94% of the surplus revenue.
- Councils in major cities are most likely to experience revenues that exceed expenses. In 2021-22, almost 70% of all major city councils returned a surplus.

**Table 2 Surplus analysis by remoteness**

| Majority Remoteness Area | Total (Aggregate) Surplus, 2021-22 | Proportion of councils with positive surplus in 2021-22 | Average Level of Surplus, 2021-22 | Total (Aggregate) Per Capita Surplus | Average Per Capita Surplus, 2021-22 | Total Population |
|--------------------------|------------------------------------|---|-----------------------------------|--------------------------------------|-------------------------------------|------------------|
| Major City               | \$1,094,061,000                    | 69%   | \$8,044,566                       | \$59                                 | \$189                               | 18,556,652       |
| Inner Regional           | -\$50,588,000                      | 49%   | -\$380,360                        | -\$12                                | -\$67                               | 4,397,788        |
| Outer Regional           | \$31,047,000                       | 55%   | \$221,764                         | \$16                                 | -\$222                              | 1,885,673        |
| Remote                   | \$43,219,000                       | 55%   | \$720,317                         | \$172                                | \$82                                | 251,344          |
| Very Remote              | -\$39,643,000                      | 54%   | -\$582,985                        | -\$235                               | -\$422                              | 168,685          |

Source: Australian Bureau of Statistics

**Table 3 Surplus analysis by population**

| Population Range | Total Surplus in 2021-22 | Proportion positive surplus in 2021-22 | Average Surplus in 2021-22 |
|------------------|--------------------------|--|----------------------------|
| 0-500            | -\$4,024,000             | 56%                                    | -\$167,667                 |
| 500-1,000        | -\$13,990,000            | 33%                                    | -\$423,939                 |
| 1,000-3,000      | -\$13,471,000            | 52%                                    | -\$182,041                 |
| 3,000-10,000     | -\$55,755,000            | 50%                                    | -\$541,311                 |
| 10,000-20,000    | \$7,867,000              | 52%                                    | \$104,893                  |
| 20,000-50,000    | \$922,096,000            | 69%                                    | \$9,605,167                |
| 50,000-150,000   | \$226,695,000            | 64%                                    | \$2,906,346                |
| 150,000+         | \$8,678,000              | 67%                                    | \$160,704                  |

Source: Australian Bureau of Statistics

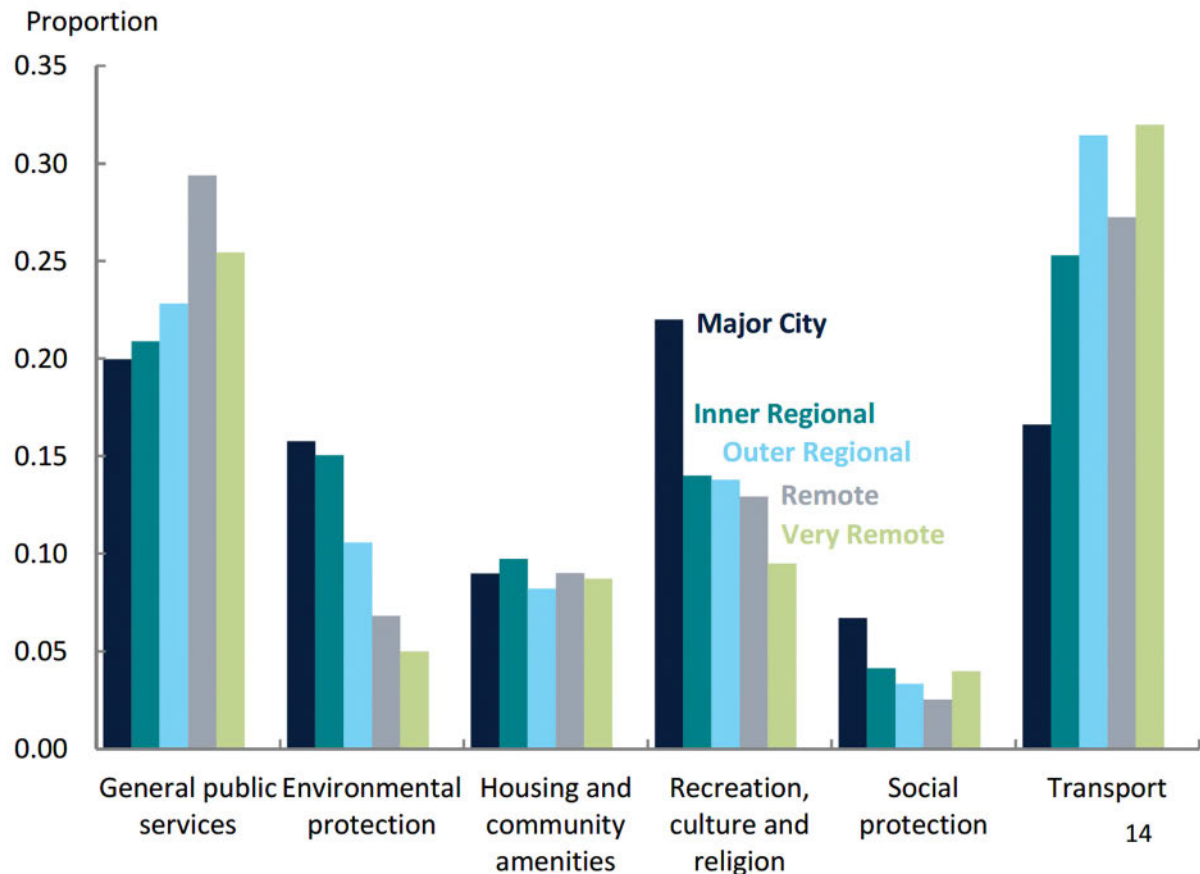
OFFICIAL

Cohort Expenditure

The department’s analysis also indicates the following trends with regard to expenditure across cohorts:

- Spending on housing and community amenities is proportionally similar across remoteness categories, at just under 10% of total expenditure.
- On average, remote councils spend significantly more per capita than major city councils in delivering services.
- Growth in transport spending increased most strongly for remote and very remote councils between 2017-18 and 2021-22.

Figure 2 Average annual spending proportions for councils, by remoteness level



Source: : Australian Bureau of Statistics.

# Grant Procedures and Guidelines

---

## Department Observations

### Competitive Grant Programs

In the 2022-23 financial year, approximately 80% of the total Commonwealth funding committed to local government was provided through non-competitive programs, including the FA Grant and Roads to Recovery. Where provided through the department, such non-competitive, allocation-based funding is designed to provide support to local government and assist with service delivery obligations across a spectrum of operational and strategic priorities.

Competitive grants differ, in that their objective is typically not to deliver funding for councils in general, but to support recipients, including other not-for-profit entities, to deliver the Government's place-based policy priorities through targeted and time-limited funding.

The department has observed through regular engagement with local government and in submissions to this inquiry, that councils cite the complexity of grant and investment program requirements as a barrier to entry (**Submissions 157, 182, 190, 203, 268**). The department has also received regular feedback that councils with a lower revenue base might struggle to meet the cost of developing a project application, and will likely be in competition with councils and/or state government agencies able to employ dedicated teams of application writers. While the department works to ameliorate such issues, requirements for competitive grant funding are an essential part of ensuring the appropriate expenditure of Commonwealth funding and delivery of programs that are efficient, effective, economical and ethical. The challenges of meeting such requirements should not be conflated with issues of local government sustainability, as these competitive programs are not designed for this purpose.

There is a perceived disparity between regional and metropolitan councils in their ability to successfully engage with grant and investment funding processes. The analysis of competitive grant funding in the department's initial submission suggests that regional councils are well represented among recipients of grant funding. However, it is important to note that metropolitan councils are more likely to benefit from grants as a listed party of a state government's grant application. State governments sponsoring grant applications on behalf of metropolitan councils may make a direct comparison of these numbers ineffective, and also compound the perceived disadvantage of regional councils in accessing funding.

The department works together with a range of stakeholders to plan, design and administer grant and investment programs. These key stakeholders, including local governments, are best-placed to provide valuable insights into how to best design and administer our programs to ensure the requirements of the program align with the needs of the community. This collaboration provides the department with the opportunity to establish key expectations and ensure any concerns can be addressed in design to avoid issues arising during implementation. While every effort is made to simplify processes the department must nevertheless ensure that public funds are spent in lawful and accountable ways including through the application of the Commonwealth Grant Rules and Guidelines key principles of:

- I. robust planning and design;
- II. collaboration and partnership;
- III. proportionality;
- IV. an outcomes orientation;
- V. merit-based processes;
- VI. achieving value with relevant money;

## OFFICIAL

- VII. consistency with grant guidelines and established processes
- VIII. governance and accountability; and
- IX. probity and transparency

## Workforce Capacity

Workforce capacity constraints in the sector also play a significant role in councils' ability to engage with competitive grants. As noted previously, councils with a stronger financial position may have the ability to employ dedicated grant managers, which may strengthen their ability to win grant funding. Comparatively, not all local governments are able to employ grant managers, which may be a result of either employment market conditions or financial considerations. This makes it unclear as to whether adjustments to competitive grant requirements would assist councils experiencing workforce capacity disadvantage to engage with, and deliver Government programs.

## Grant Procedures

Grant procedures must balance administrative efficiency with the accountability requirements prescribed in legislation and the principles of the Commonwealth Grant Rules and Guidelines. Whilst consultation throughout the lifecycle can support more streamlined reporting processes, the governance and administration of grants must be undertaken in accordance with the *Commonwealth Grants Policy Framework*, which operates under the *Public Governance, Performance and Accountability Act 2013 (Cth)*. Proposed changes to grant procedures must maintain appropriate governance structures and clear accountability for all parties involved.

The survey of local governments presented in the Regional Australia Institute submission (**Submission 285**) found over 50% respondents thought grants were either "usually" or "always" too complicated or burdensome. Reviewing other submissions to the Inquiry shows some councils report a difficulty in meeting the requirements for merit-based funding in three main areas:

1. **Capacity:** While councils may be eligible for funding under a program, councils without adequate resourcing find themselves unable to draft an application which competitively addresses the eligibility criteria.
2. **Co-contributions:** Co-contributions limit council ability to apply for grants; leading to suboptimal funding structures which compound the issues of lesser resourced councils.
3. **Accountability:** Accountability requirements contained in many grant procedures can be a challenge for councils including administrative burden and time constraints associated with reporting and application processes.

In light of these concerns, and with due regard for the Government's accountability guidelines, consultation has provided the department with opportunities to improve the efficiency of administrative procedures as part of current and past funding programs. When the Australian Government announced significant changes to the targeted infrastructure program and its constituent streams, Roads to Recovery, Blackspot and the new Safer Local Roads and Infrastructure Program (SLRIP), the department took the opportunity to consult with the local government sector, as well as other eligible entities such as state and territory governments and not for profit groups, to review program guidelines.

Based on the feedback from local government stakeholders a number of changes were made to improve the programs and reduce their administrative burden. For example, in the Black Spot Program stakeholder feedback indicated that the short delivery timeline of 1 year caused a number of unforeseen challenges to councils. This included difficulty in completing projects which rely on third party infrastructure owners within 12 months as well as some projects costing more than was necessary due to the local market capacity driving up prices. As a result, the program guidelines have now been updated with project delivery timeframes extended from 1 year to 2-3 years to address these concerns. The maximum Commonwealth contribution was



## OFFICIAL

also increased from \$2 million to \$3 million and the thresholds for serious incidents was reduced to allow more projects to qualify and further improve road safety.

Reporting requirements for the SLRIP have been changed from monthly to quarterly in response to feedback from councils who were struggling with a significant burden of reporting obligations, which will help to improve program engagement without compromising the accountability of program design. This example highlights the importance of stakeholder engagement in the local government sector, illustrating how the department's engagement has informed the development of program procedures that are fit for purpose, appropriately balance risk and offer administrative efficiency.

## Co-Contributions

Requirements for co-contributions for grant funding vary across programs and, while they are often raised as a cause of concern (Submissions 39, 67, 75, 97 128), these provisions have several policy advantages.

For large grant programs, co-contribution requirements help to ensure that the proposals received are of high priority to the proponent. Co-contributions also mean proponents share project delivery risks, which encourages financially responsible and timely project delivery.

The department is cognisant that the capacity of local governments, or other grant proponents, to provide financial contributions to projects is highly variable. New programs are taking this into account through tiered co-funding options such as those found in the Growing Regions and Thriving Suburbs programs where the Commonwealth will provide between 50% and 90% of funding, depending on the classification of the applicant.

Table 4 Growing Regions Program Co-Funding Guidelines

| Co-funding group | Project circumstance   | Total Commonwealth Government funding towards eligible project costs |
|------------------|--|--|
| <b>Group 1</b>   | Projects run by First Nations Community Controlled Organisations (as defined in Section 16 Glossary)<br>or<br>Projects located in 'very remote' locations per the Australian Bureau of Statistics' Remoteness Structure as detailed in the <a href="#">mapping tool</a>                                    | Up to 90 per cent of eligible project costs                          |
| <b>Group 2</b>   | Projects located in 'remote' locations per the Australian Bureau of Statistics' Remoteness Structure as detailed in the <a href="#">mapping tool</a><br>or<br>Projects run by 'low rate-based' councils, determined using the ratio of Financial Assistance Grant to Net Rate Income listed in Appendix E. | Up to 70 per cent of eligible project costs                          |
| <b>Group 3</b>   | All remaining projects.  | Up to 50 per cent of eligible project costs                          |

**OFFICIAL**

**Table 5 Thriving Suburbs Program Co-Funding Guidelines**

| Co-funding group | Project circumstance  | Total Australian Government funding towards eligible project costs | Methodology used and evidence required to support the request for co-funding  |
|------------------|---|--|---|
| <b>Group 1</b>   | Projects run by <b>First Nations Community Controlled Organisations.</b>  | Up to 90%  | Meet organisational definition <b>as defined in glossary</b> within program guidelines.   |
| <b>Group 2</b>   | Projects run by <b>27 identified 'low rate-based' councils</b> , determined using the ratio of Financial Assistance Grant to Net Rate Income. | Up to 70%  | <b>Council is one of 27 councils listed in Appendix E</b> of the guidelines.<br>Low rate-based councils determined based on <b>Financial Assistance Grant to Rate Income ratio</b> . The Financial Assistance Grant to Rate Income ratio is used as a proxy for a council's ability to generate their own source of revenue – <b>a higher ratio indicates a higher reliance</b> on Financial Assistance Grant. The ratio was calculated for each council eligible for the program (those located within the GCCSAs). <b>The top 20% of LGAs most reliant on Financial Assistance Grants i.e. ratio of above 9.4% were identified as low rated-based councils.</b> Noting that the ratio was calculated <b>based on the total FA Grant allocation rather than the per capita allocation.</b> |
| <b>Group 3</b>   | All remaining projects.   | Up to 50 per cent of eligible project costs                        | Application demonstrates <b>eligibility for up to 50% Commonwealth co-funding.</b>  |

## Grant Funding Structure

The majority of Commonwealth funding commitments supplement the financial capacity of local governments to carry out operational functions, while the remaining proportion of funding derives from targeted grant opportunities designed to achieve specific policy objectives of the Australian Government. Funding provided by Commonwealth grants and investment programs can be organised into the following terms according to their characteristics:

- 1) **Untied Funding** – funding which is provided with no conditions or reporting requirements.
- 2) **Semi-untied Funding** – funding which allows proponents to direct spending towards local priorities, and funding which may incur light-touch reporting requirements.

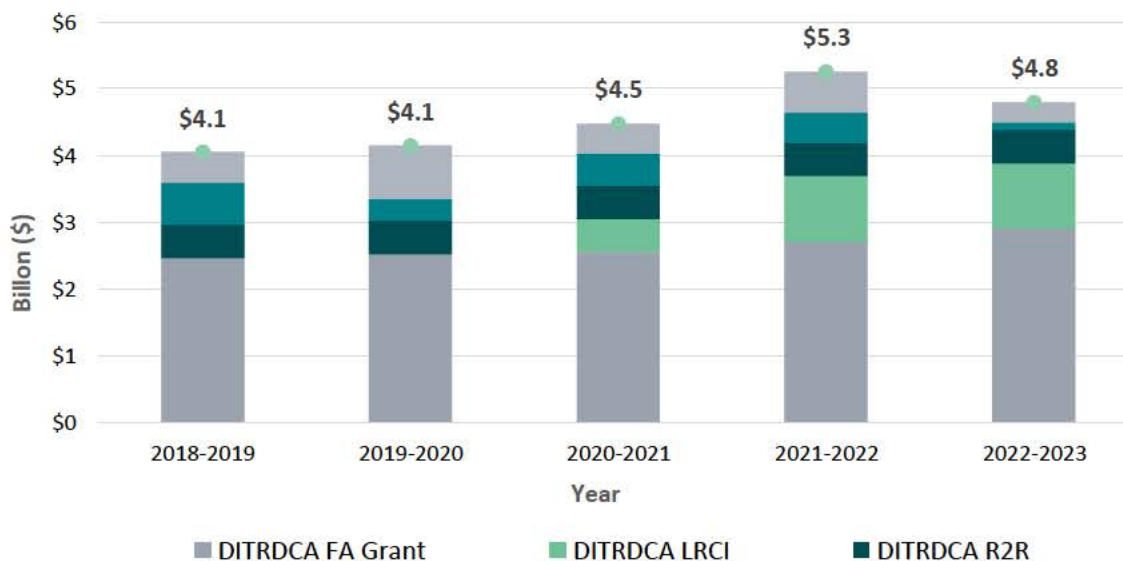


## OFFICIAL

- 3) **Merit Based** – funding which is provided following an independent or officials’ assessment, or ministerial decision, and is disbursed in accordance with a specified merit criterion. Such funding may also incur certain reporting and accountability requirements.

Referring to the department’s initial submission, of the \$22 billion in Commonwealth funding committed to local government in the period between 2018-19 to 2022-23, 94% of commitments was provided through untied and semi-untied grant programs, including Financial Assistance Grants and Roads to Recovery, while the remaining 6% of commitments derived from competitive, merit-based processes. The current structure of Commonwealth grant funding is delivered through primarily untied, and semi-untied funding which maintains less intensive administrative obligations when compared to merit-based funding opportunities.

**Figure 3 Commonwealth Commitments to Local Governments**



Source: Department of Infrastructure, Transport, Regional Development, Communications and the Arts. Grant Connect, [www.grants.gov.au](http://www.grants.gov.au)

## Innovative Sector Projects

### Case Study Partnership - RDA Support for Local Government Grant Applications

Regional Development Australia (RDA) is a national network of 50 committees across Australia’s capital cities and regions, including the Indian Ocean Territories, Norfolk Island and Jervis Bay Territory. The RDA Charter empowers committees to support regional stakeholders, including local government and the not-for-profit-sector, to seek grant opportunities that advance strategic regional priorities.

RDA committees across the country have supported councils in accessing grant funding. Over the 2022-23 period, RDA Yorke and Mid North (RDAYMN) assisted councils to develop 4 business cases, 4 grant applications for new or improved community infrastructure, and delivered 4 Community Infrastructure Projects. In 2023 RDAYMN assisted multiple councils to engage with, and advance rounds within Commonwealth funding programs such as the Growing Regions and regional Precincts and Partnerships programs.

RDAYMN have also provided support to a number of Council and community organisations to deliver proposals for Community Infrastructure development, including:

1. Point Pearce Aboriginal Council – An application to fund shade structure construction under a South Australian government grant program, and



**OFFICIAL**

2. Barunga West Council – Economic modelling to support a prospective grant application for expansion and additional infrastructure construction at the Port Broughton Bowling Club.

The case studies provided demonstrate how RDA committees can facilitate the development of grant applications for councils looking to access funding through merit-based programs.

RDA committees are an important resource which councils can with to develop grant applications and support local economic development. Local governments are encouraged to collaborate with RDA committees to engage local expertise and, improve capacity and capability. When accounting for capacity, resourcing and engagement, this partnership illustrates the opportunities available for RDA committees to play a role in engaging local governments with the Government's funding opportunities.

# First Nations Councils

---

First Nations local governments are underrepresented in submissions to the Inquiry however the recurring themes born out in submissions are often amplified in local government areas with significant First Nations populations. These can often be geographically isolated communities and have unique cultural, legislated and financial circumstances including land tenure complexities due to the determination of Native Title and a patchwork of land tenure models, small to no rate base and unique infrastructure to manage and maintain. Any consideration of local government sustainability should include the specific and nuanced requirements of First Nations councils both to ensure they are appropriately supported but also to draw from the experience of First Nations councils in working systemically to address complex socio-economic challenges.

## Department Observations

### Workforce Attraction and Retention

First Nations councils share workforce attraction and retention challenges with many councils in regional or remote areas. First Nations councils are also impacted in the context of local government sustainability by connection to Country. Not only are these communities isolated but the notion of leaving to study with the intention to return as a skilled contributor to community can be culturally challenging one.

*The Commonwealth Closing the Gap 2023 Annual Report* shows measures have been undertaken to ensure mainstream services and First Nations specific supports are fit-for-purpose, culturally appropriate and effective in supporting educational attainment, economic participation and economic development. While many councils in remote parts of the country, particularly in the Northern Territory, Queensland and Western Australia, have high levels of First Nations Representation both as elected members and as council employees this can be impacted by local education opportunities and capacity for mentoring.

### Revenue Raising and Funding

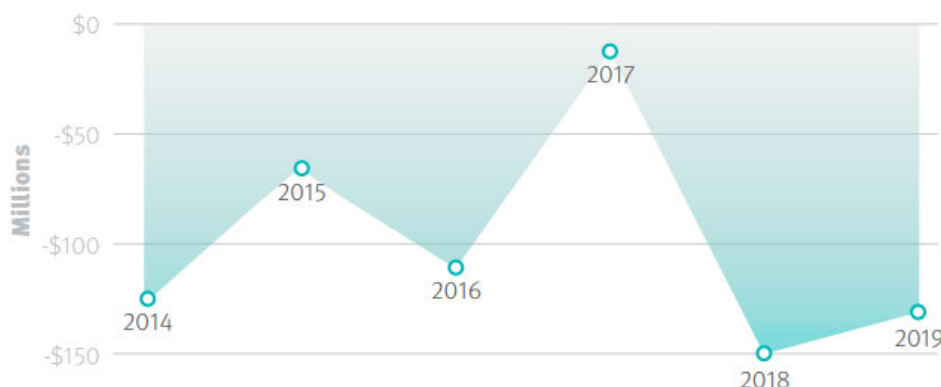
Due to land tenure, ownership of infrastructure and legislative exemptions many First Nations councils have a very limited rate base or own source revenue opportunities and receive a majority of their funding through the FA Grant and state or territory government grants or funding. The limitations on the ability to raise revenue capacity combined with the demand for services impacts the financial sustainability of First Nations councils.

In its 2021 review of the FA Grant allocations, the Queensland Government Grants Commission concluded that Councils with a population of less than 20,000 do not have the capacity to derive sufficient revenue to meet their cost base. As council size decreases, costs and revenue per capita diverge. This gap widens for councils with population below 1,000. Of the 16 indigenous councils in Queensland none have a population above 5000 people and 12 have populations less than 2000.

These councils rely almost entirely on state and commonwealth grants to function and in some cases due to land tenure collect no residential rates at all. This presents problems with traditional metrics of financial sustainability which focus on surplus and deficit ratios leading to these communities perpetually being labelled "high-risk" or "unsustainable" without reflecting the council's unique circumstances, rate base and ability to increase rates.

## OFFICIAL

**Figure 4 Historical Operating Deficits for all (Queensland) Councils with a Population Less than 20,000 People**



Source: Queensland Government Grants Commission

## Closing the Gap Target 9B – Essential Community Infrastructure.

In 2019, the Australian Government acknowledged the need to shift to a partnership between governments and First Nations people creating ownership, responsibility and accountability for First Nations people to drive progress for current and future generations.

Closing the Gap Target 9b is for the delivery of essential services that meet or exceed the relevant jurisdictional standard which includes water and waste infrastructure. The delivery of this target is complex with many essential services falling under local government responsibility of services and the delivery impacted by the constitutional landscape, unique infrastructure challenges and engagement and partnerships between all levels of government and First Nation communities. An increase of representation of First Nations People in council employment aligns with the Closing the Gap self-determination priority reforms.

Local government employees foster a place-based approach to policies and services to meet the communities needs this can be further expanded to consider Country as a very specific type of place and expand of the concept of place-based policy as Country-based policy.

## Innovative Sector Projects

### Case Study Partnership - Fitzroy Crossing Bridge Project

After historic floods caused significant damage to the Fitzroy River Bridge in January 2023, government, industry and community came together to design and build a new bridge in record time, and with multiple successful outcomes for the community. Fitzroy Crossing is in the shire of Derby-West Kimberley, a remote local government area in Western Australia (WA) with a sparse population dispersed over a large geographical area. Fitzroy Crossing township itself has a population of approximately 1200 with a further 2000 First Nations' people living in up to 50 communities in the Fitzroy Valley.

The township and its extended community face the same sustainability challenges as other remote communities, including specific issues associated with Closing the Gap targets for First Nations' communities.

By the end of January, a partnership was developed between Main Roads WA, (Western Australia), along with design engineers and contractors to form the Fitzroy Bridge Alliance and begin planning the reconstruction. The ambitious aim was to design and construct a replacement before the next wet season; one which would withstand future extreme weather events and flooding. The reconstruction was jointly funded by the Australian and Western Australia (WA) Governments through the Disaster Recovery Funding Arrangements (DRFA).

## OFFICIAL

### Streamlining processes

The speed of the bridge rebuild was unprecedented in Australia and was made possible due to the collaboration with key suppliers and contractors to ensure components such as bridge beams, bearings and concrete were made available at the time they were required and installed in an efficient, but safe manner.

The state government also undertook a fast-tracked procurement, which saw contracts awarded in around eight weeks, compared to the usual 9 months.

### Capacity building

The project also focused on building the capacity of the local community to maximise employment and business opportunities, the Alliance worked closely with local training providers, local government and other response agencies to achieve this.

More than 240 locals were employed on the project, a quarter of total construction hours were attributed to First Nations people and 26 First Nations-owned businesses won contracts associated with the project.

### Flow on effects

The Fitzroy Crossing Bridge project demonstrates how targeted and collaborative investment in communities can have multiple positive impacts. The project delivered a new, improved bridge, fostered partnerships, built local skills and capacity and reconnected the community, which reportedly observed a significant reduction in crime and antisocial behavior during the period.

Main Roads WA continues to liaise with other state government agencies to identify ongoing opportunities for locals who have developed skills and business capacity as a result of the bridge build.<sup>56</sup>

### Art's role in disaster recovery

Consecutive to the bridge reconstruction, another type of bridge was being formed in response to the floods. Local artist, Bernadette Trench-Theideman, who had recently finished a residency in a remote region of Brazil where flooding had impacted residents similarly, initiated a documentary project with local Bunuba-Walmajarri woman, Natalie Davey.

The artists aimed to effect essential healing and build resilience by connecting people from both communities who had experienced disaster. The project has facilitated multiple connections between residents of both communities including between local First Nations leaders and their Brazilian equivalents, and between children of both places who have created and shared art and stories. The project highlights the importance of community welfare in disaster management and recovery, and demonstrates art's potential to build community capacity.<sup>7</sup>

## Case Study Funding Program - Queensland Indigenous Council Funding Programs

The Queensland Government undertook a review of the funding arrangements for Indigenous Councils in 2020 and developed a new funding allocation methodology that it claims considers the main factors impacting service delivery costs in Indigenous local government areas (population, remoteness and dispersion and revenue raising potential), reduces administration burdens and provides a transparent and equitable basis for funding allocations.

-----  
<sup>5</sup> [New Fitzroy River Bridge | Main Roads Western Australia](#)

<sup>6</sup> [288 days in Fitzroy - The story of the new Fitzroy River Bridge \(youtube.com\)](#)

<sup>7</sup> [Documentary helps two remote communities, in Brazil and WA, find strength after natural disasters - ABC News](#)

## OFFICIAL

Following the review, the Queensland Government allocated Torres Strait Island Regional Council an additional \$5 million in funding for the 2023-24 financial year. The council described the funding as both necessary and welcome and it enabled them to maintain financial stability and liquidity for one more year.<sup>8</sup>

## Summary

---

Local Government sustainability is a complex concept which extends beyond financial considerations. While revenue challenges in the sector are clear, it is essential to recognise that sustainability encompasses more than just monetary aspects.

Local governments operate within and depend upon a complex system of resources, many of which lie outside of the sector's direct control. Workforce capacity, revenue raising ability and grant processes are all factors impacting the financial sustainability of councils.

Skills shortages within the sector hinder the ability of all tiers of government to deliver programs of national importance with some councils struggling to use their allocated grant funds, or to apply for grants due to capacity constraints. These are complex issues which cannot be solved by simply increasing Commonwealth program funding as addressing council capacity is outside the scope of these tied funding streams which are designed to achieve specific Commonwealth policy objectives and in many cases are open to other entities outside the local government sector.

While many in the sector have called for an increase in untied funding to address local government financial sustainability, this is unlikely to be effective in such a complex environment. Evidence suggests significant inequity within the local government sector, with total revenue exceeding costs nationally, while geographical disparity prevents some councils from funding baseline services. Combined with external influences on revenue and service obligation, providing more untied funding without also addressing any underlying structural challenges within the current system risks entrenching existing issues rather than resolving them. Ongoing work to better understand the relative financial sustainability of the sector through the collection and analysis of common data will provide an evidence base on which the Australian Government, in partnership with the states and territories, could better consider the suitability of the existing support for the sector.

First nations training, employment and mentoring opportunities to enable Country-based policy and services provide opportunities to increase the financial sustainability of First Nations communities and councils, and improve economic and social outcomes. There is potential to develop local government's capacity to work with and alongside Traditional Owners, as well as to attract, develop and recruit First Nation's talent to local government roles to ensure representation and build greater culture and community into councils.

While financial strain affects local government's ability to deliver essential services effectively and to engage in long term strategic work, solutions for sustainability must take a holistic approach which addresses the structural components of capacity, own source revenue, external funding and service obligations.

---

<sup>8</sup> [2023-24 Indigenous Councils Funding Program | Local government](#)