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Dear Committee Secretary

City of Palmerston Submission – Inquiry into Local Government Sustainability

Thank you for your email dated 22 March 2024 regarding the Inquiry into local government sustainability. I write to you and the Committee on behalf of the City of Palmerston, Northern Territory.

Firstly, we would like to acknowledge and agree with the Committee's Chairperson statement made in your media release being "Local governments are critical to the delivery of our nation's infrastructure and it's high time that the Committee hear directly from the sector about their financial sustainability for the first time in two decades." We thank the Government and this Committee for the work it will undertake to ensure that we have a strong local government sector to service our communities.

The role of Local Government is fundamental in representing and promoting community outcomes. Representatives come from a range of backgrounds and experience. Resources are limited but impact on community well-being can be significant.

The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport has advised that they will inquire into and report on local government matters, with a particular focus on:

- The financial sustainability and funding of local government
- The changing infrastructure and service delivery obligations of local government
- Any structural impediments to security for local government workers and infrastructure and service delivery
- Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices.
- The role of the Australian Government in addressing issues raised in relation to the above
- Other relevant issues.

This submission has been developed with these and other relevant matters in mind and is a summary of issues affecting the Local Government sector in Australia, Northern Territory and Palmerston. The City of Palmerston would welcome the opportunity to meet with the Committee to further expand and explore the multitude of challenges and opportunities.

City of Palmerston is the Northern Territory's youngest city and has experienced strong growth over a short period of time. Palmerston was first built in 1980 and is about 20 kilometres southeast of the Northern Territory's capital, Darwin. It became its own municipality in 1985 before being declared a city in 2000. The city has a population of over 40,000 people in 2023 living in 18 suburbs and just over 14,000 residential properties. Thirteen per cent of the Palmerston community are Aboriginal and / or Torres Strait Islander peoples. City of Palmerston has a younger median age then that of the Northern Territory, a high family and youth population.

In 2018, City of Palmerston collaborated with the community to draft City of Palmerston's Community Plan, a blueprint that sets our course for the next decade. Our shared vision, '*A Place for People*', underscores our commitment to leveraging our strengths to ensure the people and community of Palmerston flourish for generations to come. We strive to cultivate a welcoming, vibrant, and family-friendly city where diversity is celebrated, and unity thrives. In Palmerston, we want everyone to feel a sense of belonging and safety, where everyone is valued.

City of Palmerston manages assets with a fair value of over \$750 million on behalf of our community, whilst balancing national and local challenges such as the continuing rising costs throughout all industries, labour market constraints, and general cost of living for our community. These challenges necessitate careful consideration to minimise the impact on our community while upholding service excellence, delivering infrastructure needs, and advancing Palmerston as *A Place for People*.

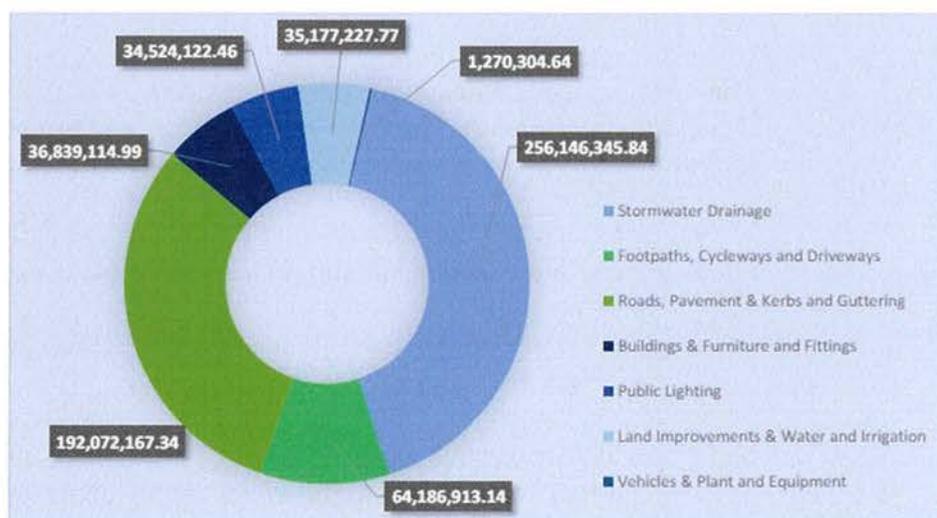


Figure 3 Assets portfolio and value summary

The Australian Local Government Association (ALGA) President Councillor Linda Scott has stated “Councils are constantly being asked to do more – by their communities and state and territory governments – but aren’t being funded to deliver on these responsibilities.”

“ALGA’s research shows that over the past decade local government expenditure per capita has flatlined, while spending by other governments has continued to rise,” (March 2024).

City of Palmerston supports ALGA’s position on restoring and increasing Financial Assistance Grants as outlined below in ALGA’s position:

Core federal funding to local government has been in relative decline since the mid-1980s. The ability of many councils to continue providing necessary services and infrastructure was further impacted when the indexation of Financial Assistance Grants was frozen in the 2014-15 Federal Budget, before being reinstated three years later in 2017-18. ALGA’s 2021 National State of the Assets report indicates that around 10 percent of the infrastructure owned and managed by Australian councils is in poor condition and requires intervention.

Financial Assistance Grants are particularly valuable for local government, as the funding is untied, meaning it can be spent where it is most needed. This can include building new infrastructure, delivering new programs that meet community needs, as well as maintaining local pools, libraries, sporting grounds and roads. Untied funding provided to councils also enables them to invest in their workforces, through bringing on new staff or upskilling or retraining existing employees, helping address Australia’s workforce capacity challenges.

The value of Financial Assistance Grants provided to local government has declined over the past three decades from around 1 percent of Commonwealth taxation revenue, to around 0.53 percent.

An increase in this national grant system should be implemented to assist the local government sector to deliver key services for our communities.

In 2006, ALGA commissioned PriceWaterhouseCoopers (PWC) to examine the broader issue of the long-term financial sustainability of local government given the challenges faced by many councils in providing a growing range of services including some that extend beyond their traditional role.

PWC found that there was an estimated shortfall of \$14.5 billion in infrastructure renewal work.

In addition, the National State of the Assets report 2018 revealed that \$30 billion is required to renew and replace ageing infrastructure.

The issues raised in the reports are still relevant today and are a growing challenge for Councils and their communities.

These challenges have been further exacerbated by weather events such as severe storms, cyclones and flooding, resulting in significant damage to essential community infrastructure and based on funding support resulting years before assets are returned to expected community levels.

The Committee is requested to investigate ways to further assist in funding the gap and ensuring financial sustainable and service delivery.

“The NT has a rich and complex history and the oldest living culture. There is over one hundred Aboriginal languages and dialects spoken in the NT and approximately 30% of the population are Aboriginal. The level of social disadvantage is significant and compounded by the reality that almost 77% of the Aboriginal population live in remote areas where services and infrastructure are limited or non-existent” (Local Government 2030 A Strategy For A Strong, Responsive, Well-Governed Local Government Sector).

The Northern Territory sector consists of 17 Councils over an area of 1.3 million square kilometres. The 17 Councils include five municipals, three shires and nine regional councils. The 2024 population forecast for Northern Territory is 257,000 and is forecast to grow to 293,000 by 2041. The size scale and demographics of our communities presents unique challenges and costs pressures. Most funding for Councils in the Northern Territory comprises grants and partnerships with the Australian and Northern Territory Governments.

Changes are needed if sustainability is to be achieved.

Information collated by the Local Government Association of Northern Territory (LGANT) shows that local government employs around 3,000 people in the Northern Territory and are the largest employer of Indigenous people in remote and regional areas. Local government manages assets valued at \$2.57 billion with expenditure of over \$505 million annually. Eighty eight percent (88%) of elected members are Indigenous, with regional council responsible for a vast majority of locally delivered services. Municipal councils are home to the largest populations in the NT with over 70% living in urban or peri urban areas. Despite regional differences between urban and regional NT, local government is a significant contributor to the Northern Territory economy both through economic output and employment.

In May 2012 and then in 2013, the Local Government Unit commissioned Deloitte to perform a review of the financial sustainability of councils, through a comprehensive analysis of council's financial plans, approved budgets, and financial statements. The Reports identified many of the financial challenges facing the sector in the Northern territory to ensure sustainability long term. Despite the age of the reports many of the challenges remain unchanged and need direct action.

The viability of local government councils across the NT is vulnerable to changes in Australian and Northern Territory Government funding policy. Longer term secure partnerships are required to allow better planning and value for money delivery of services and programs.

Local government is a major employer but faces challenges in recruiting, retaining, and developing staff. Local growth and wellbeing are supported by developing a skilled and committed local workforce. Workers in local government are directly investing in their community. Issues around cost of living, housing, staff facilities and competition for skills from the private sector and other levels of government, especially in regional areas. Reducing staff turnover reduces costs and improves service delivery. This improves councils' relationship with stakeholders that helps make council a more attractive employer which adds to the cycle of retention.

Around nine in ten Australian councils are now experiencing skill shortages – an increase of 30% from just four years ago – and two thirds of councils have had local projects impacted or delayed as a result (ALGA Sept 2022). Recruitment and retention of staff remains a significant challenge for the City of Palmerston in 2023/2024. To fill these critical vacancies, the City of Palmerston has been engaging Recruitment agencies to leverage their expertise and extensive networks to identify and attract qualified candidates. Council is also actively marketing its job openings through various channels, such as online job boards, social media platforms and local newspapers.

To support operations, we have backfilled many of the vacant roles through short term arrangements while ongoing recruitment is undertaken. To backfill the current vacancies (the current vacancy rate is 24.6%), for the March 2024 quarter we averaged 12 short-term resources, resulting in an actual vacancy rate of 10.25%. These flexible backfill arrangements have been utilised by Council for over 12 months and include putting existing staff on higher duties, using agency staff and casuals. Like other organisations nationally, we continue to experience challenges with recruitment and retention, and this support has ensured we are able to continue to deliver our services to the community and maintain our focus on the wellbeing of our staff.

As of 31 March 2024, our staff comprised people from over 18 different nationalities demonstrating a culturally diverse workforce reflective of our community. Employees, excluding labour hire comprise 56 females and 34 males and the average age of a staff member is 41.15 years. The average length of service with City of Palmerston has increased and is 2.92 years in comparison to 2.86 years last quarter, with 16 staff completing eight (8) plus years of service.

Funding support by the Australian Government to attract staff to regional areas is required in order to attract, retain, and develop a strong workforce to deliver the vast variety of services delivered by councils.

In addition to the ongoing efforts to address staffing challenges, the City of Palmerston is leveraging the ongoing Enterprise Agreement negotiations as a strategic opportunity to further enhance its ability to attract and retain top talent. The current Agreement is set to expire in April 2024 and negotiations have commenced.

City of Palmerston supports ALGA's position that investing in local government jobs makes sense, and will help expand employment opportunities for all Australians, including the most disadvantaged.

Council acknowledges that these issues are not unique to the local government sector and Palmerston. They are also affecting other sectors of the economy, especially in regional areas away from our major capital cities.

This is a critical issue, with the potential to impact essential service delivery to communities. Government support is required in early careers training and development programs to allow the sector to grow its own to fill hard to fill jobs.

City of Palmerston continues to grow, presenting many opportunities and challenges. This growth will see new residential areas being developed and the need for the continued development and renewal of community infrastructure to ensure the lifestyle and well-being of our community. Council acknowledges that the growth does deliver more income, but it also delivers more essential infrastructure to be managed as well as the need for more social infrastructure to be developed. The Northern Territory does not have significant developer contribution plans for the delivery of essential social infrastructure and the community relies on Council to deliver such infrastructure. City of Palmerston must find funding within its limited revenue or activity seek partnerships with Governments resulting in uncertainty in delivery and timing for the community of the projects. Longer term commitments are required from Government to allow Council to adequately plan for the delivery for the community. By way of example Council has a residential suburb (Zuccoli) under development through the Northern Territory Government with significant population and higher density affordable housing, but no provisions have been made for any social infrastructure for this community of interest.

City of Palmerston is seeking to build a Community Hub comprising of a variety of need social infrastructure including but not limited to community hall, library, community garden, dog park, skate park, pump track, playgrounds, and garden of reflection. In 2021 Council secured a Community Purpose site from the Northern Territory Government in Zuccoli. Council has commenced staged works including significant head works, delivery of a Dog Park and is intending to deliver a pump track and /or skate park in 2024/2025. The Zuccoli Community Hub will service a community of interest of over 10,000 people. Council recognises the abundance of opportunities and benefits that will arise from the implementation of this new Zuccoli Community Hub. This initiative will demonstrate the Northern Territory Government's commitment to forging robust partnerships and endorsing

endeavour's that promote community health and wellbeing. City of Palmerston has been actively seeking funding partnerships with the Australian Government to deliver this \$30 million community project including a submission to the now defunct Building Better Regions Funding (BBRF) where the BBRF was ceased prior to final consideration of the project. Government have referred City of Palmerston to the new funding rounds which to date have yet to be released. Funding certainty and timing would allow council to move this project forward. Delays are resulting in escalating construction costs.

In addition, given the age of our community many of our assets are now aging and requiring renewal. Council is planning to invest in the order of \$110 million over the next 10 years into asset replacement and renewal. Despite this significant investment Council predicts a short fall of around \$34.9 million for asset renewal and replacement over the 10-year period.

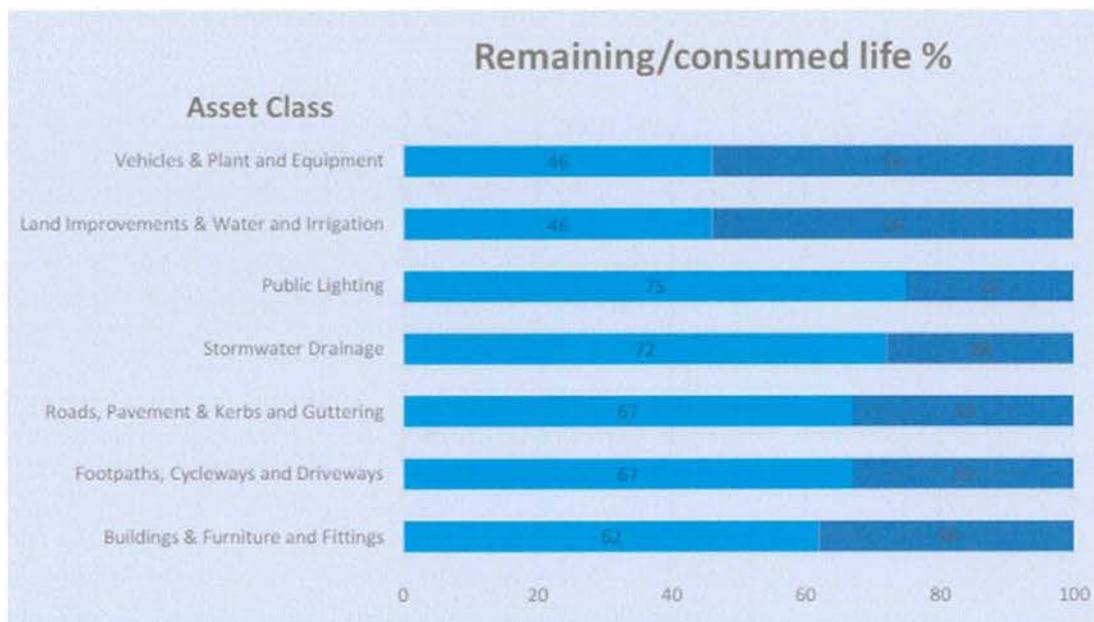


Figure 4 Remaining vs Consumed asset life

The key findings from City of Palmerston's Asset Management Plans are that the current level of expenditure (Operating and Capital) and the planned works over the 10-year planning period meet the foreseen requirements for the ten years however it does not address the long-term funding requirements for the full suite of assets as they fall due for intervention.

The Australian Government needs to maintain and increase the Financial Assistance Grants and Roads to Recovery Programs to ensure that essential community infrastructure can be maintained and renewed. The increases need to consider the significant escalations in construction costs being experienced locally and nationally.

Local Government is a distinct and essential sphere of government; however, it is often undervalued and has been left behind other counterparts in the Territory and Australian Governments. The roles of Mayors, Deputy Mayors and Councillors is often viewed as part-time, however this is not the case for most Mayors across the Northern Territory, with significant contributions from Deputy Mayors and Councillors.

The allowances of members of local government should be reflective of their roles and responsibilities in providing for their community.

Local Government is the most community-based form of government. It has a direct impact in terms of wellbeing and concrete services that support liveability. It is often the provider of last resort for essential services. The City of Palmerston, to address this social and cost of living challenges being faced by its community provides a number of its services for free to ensure community well-being. By way of example Council provides free entry to its aquatic facility named SWELL (Swimming, Wellness, Events, Leisure and Lifestyle). In removing the small entry fee Council has opened the facility up to more users seeing a tripling in attendance. The offset is a healthy and more active community. The benefit to Governments is that studies show more active communities reduce national health costs, however there is no financial support by Government for operating these free programs.

Despite the diversity of our communities, and as such Councils across Australia, we are all sharing several similar challenges and risks including financial sustainability and funding of infrastructure renewal.

It is critical that the Australian, State and Territory Governments develop and improve partnership funding models that ensure the sustainability of the sector for the well-being of Australian communities.

City of Palmerston acknowledges the significant task in front of the Committee to identify and address the wide range of issues, but we applaud the Government and the Committee for taking the challenge and recognise that the solutions will need to be developed overtime with further consultation to ensure we address the needs appropriately.

Should you have any queries or concerns please contact me on [REDACTED] or [REDACTED] 5 [REDACTED].

Yours sincerely

[REDACTED]

Luccio Cercarelli
Chief Executive Officer