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21 May 2024

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House of Representatives Standing Committee on Regional Development, Infrastructure
and Transport
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House of Representatives Standing Committee into local government sustainability

Break O'Day Council Submission

The Break O'Day Council would like to thank the Federal government for establishing the House of Representatives Standing committee into local government sustainability an issue that strikes to the core of the infrastructure and services which our communities need and enjoy. We have taken the opportunity to review the submission developed by the Local Government Association of Tasmania (LGAT) and we would like to acknowledge the use of this submission as the basis for the submission which we have provided. The LGAT submission captures the situation which Tasmanian local government experiences, we have explored in greater detail the labour market challenges being experienced by the sector.

The role of councils has changed significantly over recent decades, changing from a relatively uncomplicated and simple 'services to property' model to providing a broader range of 'services to people' in addition to delivering services to properties. Local government is under continuous pressure to do more with less resources; provide contemporary best practice across foundational areas like asset management, and at the same time addressing emerging challenges, like health and wellbeing and climate change.

In a local government sense, sustainability inevitably is mainly focussed on financial sustainability which is always measured within the framework of the Australian Accounting Standards to determine whether a council is sustainable. Yet, neither the

Federal or the Tasmanian Government measure their own financial performance or sustainability by this set of 'rules' particularly when it comes to asset management.

In rural/remote locations, councils are seen as the only place to go to get something fixed or dealt with and community members don't care whether it is something that relates to the role of local government – they just expect you to do it. City councils are blessed with a wide range of not-for-profits providing a wide range of services and activities. State Government departments are centralised in the major cities also offering a form of access in relation to their activities. Irrespective of the community having a clear understanding of the role of local government, it will not matter when an issue/matter affects a community as they look to their local council in regional areas to fix it.

A recent report commissioned by the Australian Local Government Association (ALGA)¹ shows local government is an efficient provider of government services when compared to other spheres of government. It is also key to building productivity in the wider economy, for example through:

- Waste management – increasing the waste recovery rate by 5 per cent increases Australia's GDP by an estimated \$1 billion². Councils support this by facilitating garbage, recycling, and organics collection services.
- Responding to climate change – councils help via emissions reduction, engagement / advocacy, collaboration, and adaptation where every dollar spent on resilience building and preparedness can save at least \$2 in recovery costs³.

At the same time, by international standards, investment in Australian local government is small, forcing councils to operate with very modest resources.

Put simply, councils are doing more with less in an already efficient and effective manner.

The ALGA report also identified several constraints to the productivity and role of local government, most notably cost pressures impacting financial sustainability. These cost pressures include cost shifting, declining and ad-hoc grants and management of an increasing number of depreciating assets that support communities and the economy.

¹ Research for Submission to Local Government Productivity Inquiry: <https://alga.com.au/app/uploads/Final-Report-SGS-Research-Aug-2022.pdf>

² Ibid 53.

³ Ibid 63.

The state and federal governments compound this through their funding approaches and revenue distribution that continuously challenge local government's financial sustainability. Councils are constantly enticed into accepting grants for large capital projects such as a new aquatic facility that carry long-term operational costs and asset management commitments that are not backed by sustainable funding sources.

Tasmanian councils have a very basic infrastructure charging system that forces councils to rely on rates, to meet growth management needs. Relying on general revenue forces councils to use ratepayer funds to choose between the needs of existing contributing ratepayers and developer needs. Tasmania is at a disadvantage relative to mainland states. Infrastructure charges are a sustainable growth-linked demand charge that supports development and council financial sustainability – a fundamental tool that Tasmanian Councils do not have.

Councils are accused of not being financial sustainable yet Tasmanian councils are hamstrung by systems and approaches largely beyond our control. These serious holes in the current system that constantly work against financial sustainability on a day-to-day basis must be properly addressed.

Despite this challenging funding environment, communities rely on Councils to get things done for them. Councils understand local economies in ways that state and federal governments frequently do not and are uniquely placed to leverage local synergies with the private sector and community organisations.

So, while councils are often best positioned to deliver many public services with their local knowledge and understanding, they are not funded sufficiently to do so.

This fact has been acknowledged by the current Federal Government, who made an election commitment to provide 'fair increases' to Financial Assistance Grants, recognising the key role Federal Financial Assistance Grants play in supporting a sustainable local government sector. This is long overdue, as over the past 30 years Financial Assistance Grants have slipped from 1% percent of Commonwealth taxation revenue, to just over 0.5%, an effective halving of this important source of revenue across a period where the demands on councils have increased significantly. This decline has been most strongly felt in regional, rural and remote councils, where Financial Assistance Grants often make up a much higher component of their annual operating revenue.

It is critical that this inquiry recommends that this untied and non-competitive funding be restored to at least 1% of Commonwealth taxation revenue. This reform alone would provide the long-term certainty councils need to plan for their community's future and the flexibility to prioritise their spend on safer, more productive and more liveable communities.

Importantly, untied Financial Assistance Grants represent the largest pool of local government grant funding in Tasmania. This makes them of critical important to Tasmanian councils. However, the current national distribution methodology for Financial Assistance Grants does not recognise the unique nature of many of the challenges Tasmanian councils face.

The general purpose component of Financial Assistance Grants is distributed between the states and territories according to population. In 2024 Tasmania councils will receive 2.2% of the funding pool. This is despite the *Local Government (Financial Assistance) Act 1995* noting Financial Assistance Grants are provided for the purposes of improving “the capacity of local governing bodies to provide their residents with an equitable level of services” and also the National principles for the allocation of Financial Assistance Grants having horizontal equalisation as a core tenement for the distribution of the general purpose component to councils by state grants commissions in each jurisdiction.

Contrast this with the distribution methodology for the Goods and Services Tax (GST), which is also underpinned by the principle of horizontal fiscal equalisation. For the 2024/25 financial year Tasmania is estimated to receive 3.9% of available GST revenue and the Commonwealth Grants Commission noted:

Overall, with below-average capacity to raise revenue and above-average costs of delivering services, Tasmania receives a per person GST distribution above the national average.⁴

The Commonwealth Grants Commission has recognised Tasmania's relative need is greater than on just a per capita basis, yet this is what our councils receive in general purpose Financial Assistance Grants?

It is important that each council is able to function at a standard not lower than the average standard of council in other States and Territories. The current distribution of the general purpose component of Financial Assistance Grants to each state on a population basis does not achieve this outcome.

⁴ Commonwealth Grants Commission 2024 Tasmanian Snapshot:
<https://www.cgc.gov.au/publications/state-snapshots/tasmania#gst-distribution-in-202425>

Workforce shortages and skills capability gaps are not specific to the Local Government sector and are affecting various organisations and industries across the country. It is a national situation.

The capability gap and workforce shortages in Australia refers to the mismatch between the skills and expertise required by employers and those possessed by the available workforce. This is a national problem as industries across the country are struggling to find workers with the necessary skills and experience to meet their needs. This has led to a shortage of skilled workers, which has in turn resulted in increased competition for talent and higher wages for workers with in-demand skills. The capability gap is particularly noticeable in industries such as technology, healthcare, and construction, where there is a high demand for workers with specialised skills.

In Australia, local government faces a difficult challenge regarding workforce and skills shortages. These shortages are multifaceted and arise from a combination of demographic shifts, changing job requirements, and evolving societal expectations.

One significant factor contributing to workforce shortages in local government is the aging workforce. As older employees retire, there's a substantial loss of institutional knowledge and experience, creating gaps that are difficult to fill. Moreover, the recruitment pool for certain specialised roles, such as town planning, environmental health, project management or engineering, is limited, exacerbating the problem. This situation is particularly pronounced in regional areas, where attracting and retaining skilled workers is more challenging due to factors like limited career advancement opportunities and access to amenities.

Compounding this issue is the mismatch between the skills demanded by local government roles and those possessed by potential candidates. As technology advances and administrative processes become more sophisticated, there's a growing need for workers proficient in digital literacy, data analysis, and project management. However, the education and training systems often struggle to keep pace with these evolving demands, resulting in a shortage of workers with the requisite skills.

Furthermore, there's a perception gap regarding careers in local government. Many young professionals may not consider these roles due to misconceptions about the nature of the work or a preference for careers in the private sector. Addressing this requires proactive efforts to raise awareness about the diverse range of opportunities available within local government and to promote the sector as an attractive and rewarding career choice.

Another dimension of the workforce challenge is the need for diversity and inclusion. Local governments must reflect the communities they serve, yet there may be barriers preventing certain demographic groups, such as Indigenous Australians or people with disabilities, from participating in the workforce. Overcoming these barriers requires targeted initiatives to

promote inclusivity, such as recruitment strategies that actively seek out diverse candidates and programs to support their professional development and retention.

Moreover, the COVID-19 pandemic has introduced new complexities into the workforce landscape. It has accelerated trends like remote work and digital transformation while also highlighting the importance of resilience and adaptability. Councils have had to rapidly adjust their operations and service delivery models, necessitating workers who can navigate uncertainty and embrace innovation. However, not all employees may possess these skills, leading to further gaps in the workforce.

Addressing workforce and skills shortages in local government requires a multifaceted approach. This includes investing in education and training programs that equip workers with the skills needed for modern roles, fostering a culture of continuous learning and development, implementing strategies to attract and retain diverse talent, and leveraging technology to streamline processes and improve efficiency. Collaboration between government, educational institutions, industry stakeholders, and community organizations is essential to develop sustainable solutions that ensure councils can effectively meet the needs of their communities now and in the future.

Recently the Federal Government has established 10 Jobs and Skills Councils, one of these is Public Skills Australia which has a focus on government workforces which includes a focus on local government. Who the Board members are of Public Skills Australia is not clear on their website. Even though they are looking at local government struggling to attract skilled workers and the lack of access to training there is no local government representation. According to a media report, Instead the interests of local government are being considered by the Department of Defence; three industry members in the Australasian Fire and Emergency Service Authorities Council Limited, Australia New Zealand Council of the Police Profession through the Australia New Zealand Policing Advisory Agency, and the Defence Force Welfare Association and three employee organisations, the CPSU State Public Sector Federation Group, the United Firefighters Union of Australia and the Police Federation of Australia. Membership of the Board of Public Skills Australia represents a significant failure by the Federal Government to seriously address the workforce shortages affecting local government.

Yours sincerely



John Brown
GENERAL MANAGER