

# **Inquiry into Local Government Sustainability**

## **WALGA Submission**

May 2024

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## About WALGA

The Western Australian Local Government Association (WALGA) is an independent, member-based, not for profit organisation representing and supporting the WA Local Government sector.

Our membership includes all 139 Local Governments in the State. WALGA uses its influence, support and expertise to deliver better outcomes for WA Local Governments and their communities.

We do this through effective advocacy to all levels of Government on behalf of our Members, and by the provision of expert advice, services and support to Local Governments.

WALGA's vision is for agile and inclusive Local Governments, enhancing community wellbeing and enabling economic prosperity.

## About Local Government in WA

Local Government undertakes functions most appropriately implemented at the local level in the best interests of local communities.

The Local Government sector in WA is diverse. There are 139 Local Governments across metropolitan and regional WA, varying in geographical size and population base. As a result, there is a significant diversity in the range of functions and services that are provided by Local Government, depending on the size and location of the Local Government.

### WA Local Government Snapshot

- 139 Local Governments: 30 metropolitan; 109 non-metropolitan
- Populations range from <100 to >230,000
- Geographic areas range from 1.1 sq kms to 372,000 sq kms
- Number of employees range from 10 to 1000+
- Total revenue: \$5.2 billion
- Total Assets: \$49.4 billion

*2021-22 data. Source: WALGA Local Government Directory; ABS Government Finance Statistics*

## 1. Introduction

WALGA welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport Inquiry into Local Government Sustainability on behalf of the Western Australian Local Government sector.

The sector values the relationship between the Commonwealth and Local Governments and welcomes its role as a trusted delivery partner of projects that benefit the community.

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This Submission will address the funding challenges encountered by Local Governments in WA, pressures on local government expenditure and labour challenges and skills shortages experienced by the sector.

## 2. Funding Challenges

Local Government revenue comes from three main sources:

- taxes in the form of rates
- charges for sale of goods and services, and
- grants from Federal and State Governments.

At a whole of sector level, the majority of Local Government revenue comes from rates. However, structural differences between Local Governments mean that some (particularly smaller, regional Local Governments) have a lower capacity to raise rates revenue and are more reliant on grants from other levels of government. Rate revenue ranges from 2% in a remote Local Government to 87% of revenue in an inner urban Local Government. These constraints mean that Local Governments are reliant on funding from other levels of Government to deliver on their responsibilities.

While constraints on revenue place pressure on Local Governments' finances, in recent times this has been exacerbated by rapid increases in costs primarily because of skyrocketing construction costs in response to global supply chain pressures and the COVID-19-induced stimulus. As these factors start to unwind, growth in Local Government costs will begin a path back towards the long-term average levels. However, the real costs faced by Local Governments will stabilise at a new high and are not expected to return to their pre-pandemic levels.

New pressures are emerging in the near term, in the form of rapidly rising wages and employee costs. This will be an important issue for Local Governments in the coming year, given that employee costs represent around a third of the sector's cost base.

### Rate Exemptions

Exemptions from rates represent significant revenue leakage for Local Government. This shortfall in revenue must then be made up by other ratepayers or by reducing services. This applies to rate exemptions at both Federal and State level.

Rate exemptions for charitable purposes are of particular concern. This exemption has extended in scope well beyond its original intent to provide rate exemptions for the commercial undertakings of not-for-profit organisations. The definition of charity should be tightened to ensure that the implementation of the exemptions meet the intent. For instance, Independent Living Units, which often cost far more than the median house, are often exempt from rates. The net result of this is that millions of dollars in revenue is lost to Local Government which then must be recouped from other ratepayers, many of whom would not be in a position to afford an Independent Living Unit themselves.

Additional rate exemptions that are of concern for the sector relate to the following:

- Department of Housing: Leasing to Charitable Organisations
- Government Trading Entities
- State Agreement Act projects
- State Owned Unallocated Crown Land

**WALGA considers that an independent review of all rate exemptions be conducted to ensure that equity and fairness among ratepayers in the community.**

## Fees and Charges

Fees and charges represent a significant source of discretionary revenue for Local Governments. Examples include dog registration fees, fees for building approvals and swimming pool entrance fees.

Currently, fees and charges are determined by legislation or regulation, with an upper limit set by legislation, or by the Local Government. Fees mandated by legislation often do not keep pace with the cost of delivery, resulting in ratepayers subsidising particular activities without any ability to have input into the setting of the fee.

While cost recovery should be a consideration for the setting of fees and charges, there are some services that Local Governments may choose to subsidise to encourage activities with overall community benefit.

Setting appropriate fees and charges is a core Local Government function and should be a deliberative decision of the Council.

**WALGA's advocacy position is that an independent review be undertaken to remove fees and charges from legislation and regulation and that Local Government be empowered to set fees and charges for Local Government services. Alternatively, fees and charges set by State Government regulations, specifically planning fees, should achieve cost recovery and be reviewed regularly with Local Government input.**

## Financial Assistance Grants

Financial Assistance Grants make a significant contribution to Local Governments' financial sustainability. Financial Assistance Grants are particularly important to rural and remote Local Governments, which often have a low rate base and capacity to raise other revenue.

Untied funding, such as Financial Assistance Grants, allows Local Governments to allocate expenditure according to the conditions and the preferences of their community. Furthermore, untied funding arrangements have lower administrative costs for both Local Government and the Commonwealth Government.

**WALGA's advocacy position is that Financial Assistance Grants should remain as an untied transfer to Local Governments and the current minimum grant structure should be retained.**

Financial Assistance Grants as a proportion of Commonwealth taxation have been steadily decreasing over time. An increase to the funding pool and a more appropriate indexation methodology would help stop this trend.

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The National Principle relating to Aboriginal peoples and Torres Strait Islanders should be reviewed since improved service provision to such communities would be more appropriately addressed through tied funding grants, in addition to the untied Financial Assistance Grants funding.

**WALGA's advocacy position is that the following aspects of the Financial Assistance Grants Program should be reviewed:**

- the quantum of the funding pool;
- the indexation methodology; and
- the 'National Principle' relating to 'Aboriginal peoples and Torres Strait Islanders'.

An example of a funding model for Local Governments that was efficient and effective is the Local Roads and Community Infrastructure Program (LRCIP). The LRCIP design is largely consistent with the principles:

- funding allocation based on policy objectives including ability to offer equitable levels of service across all communities;
- autonomy of Local Governments to identify local priorities;
- non-competitive program; and
- low administrative costs.

Western Australian Local Governments delivered around 2000 local priority projects applying funding made available under the first three Phases of the Local Roads and Community Infrastructure Program. The diversity of these investments highlights the different needs of each community. Projects include:

- energy efficiency upgrades to community buildings;
- access and inclusion improvements;
- lighting and change facilities upgrades to enable greater use of sporting facilities;
- renewing sports playing surfaces;
- repurposing underutilised facilities to meet current demands;
- building youth precincts and skate parks;
- constructing paths to enable and encourage active travel including walking, cycling and scooting; and
- a diverse range of other projects.

These projects were and continue to be delivered.

**WALGA's position is that more funding programs with principles like the Local Roads and Community Infrastructure Program should be developed.**

### **3. Local Government Expenditure**

Local Governments provide a range of valuable services and infrastructure that affect the daily lives of all people and businesses, including roads, waste collection, libraries and cultural facilities, building services and development approvals. It is also responsible for important regulations to protect the community, including public health, noise control and animal management.

Over time, the services provided by Local Governments have expanded to fill gaps in service delivery from other levels of Government or the private sector and to align with changes in social structures and community expectations.

Some examples of where WA Local Governments are stepping in to fill service gaps include primary health care, telecommunications and emergency management.

### Primary Health Care

Primary health care services allow communities to access health services outside a hospital or specialist which is critical to improving community health outcomes and reduces pressure on emergency services. The provision of primary health care is not the responsibility of Local Government, however Local Governments are increasingly stepping in as a funder of last resort.

The WALGA 2023 Primary Healthcare Services Survey revealed that 66 per cent of WA Local Government respondents reported providing financial or in-kind support towards the provision of healthcare services in 2021-22 at a cost of \$7.13 million. The findings of the Survey highlight the magnitude of the additional cost to Local Government to ensure ongoing health services for their communities. The need to intervene in failing markets is not evenly distributed across the sector. Regional Local Governments with populations under 5,000 are significantly more likely to finance healthcare services, despite lower revenue thresholds.

Local Governments are reporting that they are meeting the costs of GP wages, housing, vehicles and medical centre operations to retain essential healthcare services. The increasing financial support from Local Government illustrates that the current healthcare service is not commercially viable in smaller and regional locations, in part due to the current operation of the Medicare rebate system. WA Local Governments are also increasingly entering into commercial agreements to secure services which is outside their legislative responsibility and expertise.

### Telecommunications

All Australians should be able to access modern telecommunications services regardless of where they live or do business. However, it is not commercially attractive for telecommunications companies to provide equity in access to mobile and broadband services in all areas. WALGA has advocated at State and National levels for improvements to the coverage, resilience, and capacity of mobile telecommunications to ensure adequate coverage specifically in regional areas.

The Australian Government seeks to improve the level of telecommunications services available in remote, rural and peri-urban areas through a range of competitive grant programs including the Mobile Black Spot Program and Peri-urban Mobile Program. However, these programs seek, and reward funding contributions from other parties, specifically including Local Governments. This approach has existed for at least 25 years. The Australian Government program, Networking the Nation, that ran for 7 years to 2004, sought co-investment from Local Governments to bring mobile telephone services to rural areas.

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To achieve more equitable access, Local Governments are drawn to contribute financially to telecommunications services, which are a Federal Government responsibility, and delivered through commercial operations in other parts of Australia.

To enable their operations, rural Local Governments in parts of Western Australia have also needed to invest in wireless broadband capacity, because NBN services with sufficient capacity were not available. For example, the Shire of Bruce Rock, with others, contributed financially to facilitate expansion of a wireless network, connected to the NBN optic fibre in Merredin to bring commercial grade broadband services to the region, supporting both Shire operations, businesses and the community. The Shire of Dandaragan has invested in small scale mobile service provision to ensure coverage is available in popular tourist locations which are not otherwise serviced. This investment is not commercial, but critical to enable connectivity.

## Emergency Management

The State Government bears fundamental responsibility for emergency management and has the role of providing strategic guidance, support and services for emergency management activities in Western Australia (WA). Local Governments in WA have significant roles delegated to them in emergency management, including supporting their communities to prevent, prepare for, respond to and recover from emergencies.

Local Governments face many challenges in addressing their emergency management responsibilities, and these challenges differ greatly across the State. The frequency and extremity of heatwaves, bushfires and extreme weather events are increasing, and some WA communities will be exposed to emergencies they have not historically experienced. Supporting Local Government capacity to manage the implications of climate risk is key to WA's future resilience.

Recommendation 11.1 of the Royal Commission into National Natural Disaster Arrangements was that *State and territory governments should take responsibility for the capability and capacity of local governments to which they have delegated their responsibilities in preparing for, responding to, and recovering from natural disasters, to ensure local governments are able to effectively discharge the responsibilities devolved to them.*

A sustainable funding approach to Local Government Emergency Management is required, that:

- Empowers Local Governments to undertake proactive approaches to preparedness, prevention, response and recovery;
- Supports the resilience of local communities through capacity-building activities and programs;
- Is responsive to the variations in Local Government resourcing and context;
- Develop the skills, capacity and capability of the emergency management workforce;
- Is consistent, flexible, timely, accessible, scalable, strategic and the guidance provided is comprehensive.



## Infrastructure Provision

All levels of Government have an important role in the provision of infrastructure. For Local Government, this is largely centred on the provision of roads and community infrastructure.

Local Governments are responsible for the maintenance and improvement of 127,000km of roads amounting to 87 per cent of the public road network and provide important community infrastructure such as sport and recreation facilities, libraries, community centres, airports, boat harbours, camping grounds and parking facilities.

Local Governments have significant responsibilities for the provision of local infrastructure but are constrained in their ability to fund future obligations for infrastructure renewal and replacement due to revenue constraints as identified earlier in the submission.

Road crashes in Western Australia cost the economy an estimated \$2.4 billion per year<sup>1</sup>. Over half of all road crashes in Western Australia that result in death or serious injuries occur on roads that are the responsibility of Local Governments. While the safety of roads and roadsides is critical to establishing a safe system, the current financial capacity of Local Governments collectively is inadequate to even maintain the network in its existing condition. Significant investment is required to achieve a safe network, consistent with the National Road Safety Strategy. A recent analysis completed by the National Transport Research Organisation identifies relatively low-cost, proven treatments including sealing shoulders and installing audible centre and edge lines that are projected to reduce fatalities from run-off road crashes by 50% and serious injuries by 35%. To achieve this would require a capital investment program in addition to significant increases in the untied road component of Financial Assistance Grants.

Skilled labour shortages and supply chain restrictions since 2021 have significantly increased costs and extended delivery times for typical renewal and improvement projects undertaken by Local Governments. For example, road and bridge construction costs are estimated to have increased 20.8% in the three years to December 2023, while non-residential building construction costs increased 33.7% over the same period<sup>2</sup>.

Local Governments are the most asset-intensive sphere of Government and collect a very small proportion of total taxation revenue. Nationally, the Australian Local Government Association (ALGA) reports that 20% to 25% of Local Government assets are in fair condition and 10% are poor to very poor in condition, function or capacity<sup>3</sup>. At June 2022, buildings and structures held by WA Local Governments had a balance sheet value of \$38.4 billion. For most Local Governments, the asset-class roads dominate their register. In 2021-22 there was a \$282 million shortfall between actual expenditure on road renewal and maintenance and that estimated to be required to maintain the network in the same condition as the beginning of the year. Funding to improve the network, accommodate

<sup>1</sup> Source Road Safety Commission (2018 – 2022)

<sup>2</sup> [Australian Bureau of Statistics 2 February 2024 Producer Price Indexes](#) Accessed 19 April 2024

<sup>3</sup> Australian Local Government Association [2021 National State of the Assets Report](#) Accessed 19 April 2021

larger trucks and increased traffic, and improvements in the level of safety provided is in addition to overcoming this gap.

### Future Demands for Services and Infrastructure

Looking forward there are a range of forces that are shaping the broader economic and social environment. These will have implications for Local Governments and the community's expectations for the delivery of services and infrastructure. Examples include:

- *Transition to a low-carbon future* – The shift towards a low-carbon economy is underway as we work towards the Australian Government's target of net zero emissions by 2050. Uptake of renewable energy, investment in new technologies and the adoption of sustainable practices and infrastructure will all shape the way that Local Governments and their communities operate. Strategies and Targets at a State level, focusing on waste management, also raise community expectations and increase costs, for example Food Organic Garden Organic (FOGO) collections.
- *Climate change* – The impacts of climate change are already being felt and pose significant risks to our communities. With hotter days and more frequent extreme weather events, there will need to be a greater focus on enhancing community resilience, safeguarding infrastructure and preparing and responding to natural disasters.
- *Demographic shifts* - With population growth exceeding recent forecasts and a growing number of older Western Australians, we need to ensure services and infrastructure are meeting the community's needs. These demographic shifts will see a greater demand for services such as health and aged care, housing and accessible community infrastructure.

Local Governments will require adequate resources into the future to deliver on these changing Government requirement and community needs and expectations.

## 4. Workforce challenges

Workforce challenges are a significant issue for the sector, particularly given Western Australia's extremely tight labour market conditions.

Workforce profile of the WA Local Government sector:

- In 2021, the size of the sector's workforce was 22,600 FTE employees, a 5.6% increase from the 21,400 FTEs in June 2020.<sup>4</sup>
- Local Governments were spatially distributed across Rural (71%), Urban and Urban Fringe (23%) and Urban Regional (6%) areas.
- Employment size: Employment size among local governments ranged from 10 to over 1000.

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<sup>4</sup> ABS (2021), *Employment and Earnings, Public Sector Australia*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/employment-and-earnings-public-sector-australia/2018-19>

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- Gender equity: The workforce was 54.3% male and 45.7% female. There were a higher proportion of males working full-time and a higher proportion of females in part-time and casual roles.
  - Length of service: 39.2% of the combined workforce of the 42 respondents were employed by their local government for more than 10 years, 19.6% for 6-10 years and 18.6% for less than a year. 5.6% of the workforce among respondent WA local governments had 20 years or more of service.
  - Age profile: The highest proportion of the Local Government workforce was aged 30-44, followed by the 45-54 and 55-64-year age groups. Rural Local Governments had the highest proportion of workers aged 15-19 years.
  - Among responding WA Local Governments, the highest proportion of Aboriginal and Torres Strait Islander participants were in the 15–19-year age group and were in Operational and Trade positions (16.3% identify as Aboriginal and Torres Strait Islander).
  - Median annual employee turnover in June 2023 was 25.1%, compared to 27.6% in June 2022. Over the past six surveys, the median turnover rate has steadily increased, with a COVID-19-related spike in the year ending June 2022.
  - Regional Local Governments were most affected by difficulties attracting and retaining workers. Staffing challenges are characterised by a high rate of turnover of Chief Executive Officers, (especially in non-metropolitan Local Governments); difficulty attracting and retaining staff, and lack of capability and capacity to deliver all functions and services in small, remote and rural areas.

The Australian Local Government Association, with funding from the Commonwealth Government, commissioned SGS Economics and Planning to undertake the 2022 Local Government Workforce Skills and Capability Survey to gather contemporary insights into the national workforce profile of Australia's Local Government sector and to determine current and future workforce needs and priorities.

The Survey results provide a rich insight into the Australian Local Government workforce, its skilling needs, and priorities at a time when Australian communities are undergoing rapid change.

The survey also confirms longstanding constraints that are impeding workforce development. At a time when the social and economic environment is rapidly changing, now is a critical juncture for the sector to renew – and potentially reset – how it addresses key skills shortages and builds capacity for greater resilience in the longer term.

The key findings of this Survey show that:

- Local Government is a major national employer with over 190,800 workers in almost 400 occupations. It plays an important role as an anchor organisation and in increasing productivity through utilising endogenous talent and innovation.
- Local Governments continue to experience skills shortages in multiple occupations, exacerbated by the impacts of the COVID-19 pandemic, the impacts of climate change and the accelerated take-up of technology and digitisation of services.

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- Local Governments are grappling with significant challenges in relation to recruitment and retention of skilled staff and accessing training opportunities to enhance workforce skills and capability. Employee attrition and an ageing workforce are ongoing.
  - Local Governments are having difficulties in securing the right quantum and mix of skills to support local service provision which is affecting not only Local Government's productivity, but also the productivity of host localities and regions.
  - Barriers to effective workforce planning and management include a shortage of resources within Local Government, a lack of skilled workers and the loss of corporate knowledge as employees retire or resign.

The key findings specific to the WA Local Government sector identified in the 2022 Local Government Workforce Skills and Capability Survey include:

- 90% of respondent Local Governments reported that they were experiencing skills shortages in 2021-22, compared to the 47% of local governments in 2018.
- 59% of respondent Local Governments said that project delivery has been impacted or delayed by vacancies, skills shortages, skills gaps or training needs.
- Building surveyors, risk managers, engineers and town planners were the top professional occupations experiencing skill shortages in 2020-21, affecting 21-24% of councils. Among trade occupations, customer service workers, labourers and truck drivers experienced the greatest shortages (affecting 29-33% of local governments).
- The top occupational skill shortage areas differed by remoteness. For example, more rural Local Governments were impacted by shortages of human resource professionals compared to Urban and Urban Fringe local governments.
- As a result of these skills shortages, Local Governments said that they resorted to recruiting less skilled applicants for governance and risk managers, community development and engagement officers, customer service workers and truck drivers.
- Occupational skill shortages that respondent Local Governments reported as becoming critical include customer service workers, accounts and payroll clerks, truck drivers, environmental health officers and engineers.
- Common drivers of skill shortages reported by the 42 Local Governments include a market shortage of suitably skilled candidates, an inability to compete with the private sector and other Local Governments on remuneration, and regional location. Regional location was also related to perceptions of liveability and the availability of community infrastructure for relocating households.
- Key drivers of skills gaps include limited availability of candidates with relevant experience, better remuneration in other sectors, an ageing workforce and challenges to incentivising regional relocation.
- The most common approach among the 42 Local Governments to addressing skills gaps and shortages was to provide informal, on-job training (23 councils, 55%), followed by coaching and mentoring (20 councils, 48%) and offering targeted training courses (18 councils, 43%).
- 24 Local Governments (57%) also said they shared services or resources with other councils. These arrangements are often related to environment health officers, building trades, planners, ranger services and IT services. Some Local Governments also shared community development, animal care and work, health and safety resources.

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- 30 Local Governments (71%) said that advertising and the use of social media platforms had led to successful recruitment, followed by 24 Local Governments (57%) who relied on reskilling and upskilling employees in response to skill shortages. 16 Local Governments (38%) said they relied on external recruitment agencies to fill vacancies.
  - Over the last 3 years, 27 Local Governments (64%) engaged with state or federal education, training, or other initiatives to support workforce retention and attraction.

Like other sectors of the WA economy, skills shortages are a key issue facing Local Governments. Overcoming these shortages will be essential to ensure that Local Governments can efficiently service their communities.

### Support for training of town planners, building surveyors and Environmental Health Officers

Local Governments are experiencing key skills shortages which are impacting their capacity to efficiently undertake important planning and regulatory functions to protect the wellbeing of the WA community.

In particular, Town Planners, Building Surveyors and Environmental Health Officers (EHO) were identified in the 2022 Local Government Workforce Skills and Capability Survey to be critical Local Government Occupations and among the hardest in WA to fill. The Western Australian Department of Training and Workforce Development's State Priority Occupation List identifies both Town Planners and Building Surveyors as State Priority 1, noting that there is a high level of demand, ongoing difficulty in filling positions and challenges in attracting people to the profession. EHO's are also identified on the State Priority Occupation List as a State Priority 2.

**Funding for a dedicated Local Government training program for Town Planning, Building Surveyor and EHOs is necessary to support education, training and professional development for these key areas of skills shortage in WA.**

### Migration

Given that many regional areas do not have a sufficient local workforce to meet demand, an important opportunity to meet local labour needs is to attract skilled migrants to reside in the area.

**WALGA considers that migration policies should allow for locally-led strategies that are flexible, fit for place, and capable of meeting local labour needs.**

There has been a range of efforts made over the years to address and review the migration system and its support for regional areas.

One approach that has allowed for locally-led strategies are Designated Area Migration Agreements (DAMA). These have been an important way to bring migrants to regional areas that need them the most. There are currently four active DAMAs in place in WA, including:

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- *East Kimberley* – Shire of Wyndham East Kimberley
  - *Goldfields* – City of Kalgoorlie, Shires of Coolgardie, Dundas, Esperance, Leonora, Menzies, Laverton and Ravensthorpe
  - *Pilbara* – City of Karratha and Town of Port Hedland
  - *South West* – Shire of Dardanup; City of Bunbury; City of Busselton; Shire of Augusta Margaret River; Shire of Boyup Brook; Shire of Bridgetown-Greenbushes; Shire of Capel; Shire of Collie; Shire of Dardanup; Shire of Donnybrook-Balingup; Shire of Harvey; Shire of Manjimup; Shire of Nannup.

DAMAs are also being negotiated for the Great Southern and Mid-West regions.

New regional visa classes were also introduced in November 2019 in an effort to better meet the migration needs of regional areas and address challenges with the old system, and included:

- Skilled Employer Sponsored Regional (Provisional) visa (subclass 494), which is an employer-sponsored visa requiring migrants to live and work in a regional area for three years before being eligible for permanent residence; and
- Skilled Work Regional (Provisional) visa (subclass 491), which is a state and territory-sponsored visa that requires migrants to live and work in a regional area for three years before being eligible for permanent residence.

However, feedback was provided to the Joint Standing Committee on Migration *Inquiry into Migration in Regional Australia* which highlighted that there were some challenges to the effectiveness of the arrangements due to the definition of “regional”, and pathways to permanent residency.<sup>5</sup>

In recognition of the ongoing challenges of the migration system, in 2023 the Australian Government released a Migration Strategy, that is intended to overhaul the migration system and ensure it is fit for purpose. The Government has committed to an Action Plan, a key element of which is to ensure priority is given to visas for regional areas and to review the system to make sure that migration supports the development of regional Australia.<sup>6</sup>

The Government has committed to publish a discussion paper early in 2024 on regional migration settings. This will be a critical opportunity to address the ongoing challenges to ensure the migration system meets the needs of regional areas.

## Zone Tax Offset

Remote area assistance programs can be part of a solution to encourage people to live and work in regional areas.

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<sup>5</sup> [2. Inquiry outcomes – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/2023/07/20/2-inquiry-outcomes)

<sup>6</sup> [Migration Strategy \(homeaffairs.gov.au\)](https://homeaffairs.gov.au/migration-strategy)

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In 2020, the Productivity Commission undertook a study into Remote Area Tax Concessions and Payments. The final report found there are a number of issues with the current remote area assistance programs (Zone Tax Offset) that meant that it is not delivering on its objectives, including that:

- payment rates have not been updated since 1993-94 and as a result, the value of the offset to claimants has fallen significantly in real terms; and
- the zones are outdated.

While the Commission recommended the abolition of the Zone Tax Offset, WALGA considers that it still has merit.

WALGA considers that the arrangements should be reviewed to ensure:

- they provide reasonable acknowledgement of the cost of living in remote Australia;
- the zones are based on a contemporary measure of remoteness; and
- the zones are based on up-to-date census figures.

Consideration should also be given to the interaction between the tax system and the migration system, to enable workers who live regionally to benefit from the same tax benefits.

## 5. Conclusion

WALGA welcomes the opportunity to provide a submission into this Inquiry on behalf of the Western Australian Local Government sector. WALGA is keen to work with the Commonwealth Government to provide proactive, positive solutions to challenges faced by the Sector around financial sustainability, changing infrastructure and service delivery obligations and the attraction and retention of a skilled workforce in the local government sector.

Local Governments are the tier of government closest to the community and provide critical infrastructure and services that are essential to the wellbeing, productivity and liveability of local communities. Local Government welcomes its role as a trusted delivery partner of the Commonwealth Government.

As highlighted in this Submission, local governments face challenges in raising revenue to provide the level of infrastructure and services expected by local communities. This is particularly challenging as community needs and expectations shift and the scope of local government service provision broadens.

WALGA has encouraged all Local Members to engage with this Inquiry and looks forward to the opportunity to continue to consult with the Committee to address the issues raised in this Inquiry in the interest of our local communities.

For enquiries on this Submission please contact Daniel Thomson, WALGA Manager Economics, on [REDACTED]