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Submission to the Parliamentary Inquiry into Local Government Sustainability

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Introduction

The Local Government Association of the Northern Territory (LGANT) welcomes the opportunity to provide a submission to this Inquiry into the Financial Sustainability of Local Government.

LGANT, as a membership organisation, is the voice of local government representing 16 of the 17 Councils across the NT. This membership consists of four municipal (urban) councils, three shires, nine regional (remote) councils and two associate members. LGANT provides leadership, support, representation, and advocacy on behalf of our member councils for the direct benefit of their communities.

The local government sector in the Northern Territory (NT) collectively employs more than 3,000 people and is frequently the largest employer of Indigenous people in remote and regional areas. It contributes more than half a billion dollars to the NT economy and manages a vast proportion of the NT's public assets, including thousands of kilometres of roads. The 2022 Australian Local Government Workforce Skills and Capability Survey NT Report confirmed the NT has the highest proportion of Indigenous employees in the local government sector nationally. Councillors and council officers have built strong relationships into their communities.

In summary, providing services in regional and remote Northern Territory is an order of magnitude more difficult than elsewhere in Australia: culturally, environmentally and in confronting the tyranny of distance and thinly distributed ratepayers (see the ACT Index below). These conditions make the local government sector in the NT quite unique, especially in relation to its success delivery essential and complex services into communities over vast distances while remaining mindful of cultural differences. For these reasons we recommend the Committee positively consider conducting hearings in the NT.

The Broader Context

Over the past three decades two conflicting forces have developed with profound impacts on the Local Government sector nationally: a significant level of cost shifting to local government requiring councils to take up additional services, particularly human services (e.g. aged care, childcare etc.). In the NT, for regional councils especially, councils are often the public service provider of last resort. They are regularly required to provide postal and Centrelink services, for instance.

Over the same period local government's status as the third tier of government has been steadily eroded¹. This has been reflected in funding decisions (most significantly declines in the allocations under the Financial Agreement Grant Act) and the often off-hand treatment of the sector in inter-government interactions (e.g. the Closing the Gap process and more recently with the Housing Australia Future Fund roll-out. Despite local government having a pivotal part in the implementation of the housing initiative our members report only cursory consultation.)

In the NT an additional macro force confronting councils is their increasing marginalisation through the policy shift to increasing support to Aboriginal Community-Controlled Organisations (ACCOs). LGANT has been, and remains, strongly supportive of the intent of this policy to support ACCOs but is mystified and frustrated that the evolution of local government in supporting Indigenous people remains unrecognised. Despite half of the NT's councils having majority Indigenous elected members, they are not recognised as being Aboriginal Community-Controlled organisations. Having Indigenous-majority councils recognised as ACCOs is far more than a vanity issue. This status brings with it the opportunity to apply for an increasing grants which are being offered only to ACCOs. Having this status allows for more flexibility with employment terms enabling employees to

¹ Dollery, Brian, Joe Wallis and Percy Allan (2006), The Debate that had to happen but never did: The changing role of Australian local government, *Australian Journal of Political Science*, 41:4 553-567

be offered Fringe Benefit Tax concessions which can be greatly influential in attracting and retaining staff.

In addition to being illogical this position is disrespectful of those elected members, underestimates the contribution local government has made and can make on a range of crucial functions into the future. Local Government is not recognised as having played an integral role – over a prolonged period – in supporting this progressive change. The practical steps the sector has taken to engage Indigenous people in decision making have been impressive. NT Councils' relationship with Indigenous people is unique nationally:

- More than half of the NT's 17 councils have majority Indigenous elected members, four of these councils have entirely Indigenous elected members,
- Almost 60 percent of all local government elected members in the NT are Indigenous,
- Just under 90 percent of Regional Council elected members are Indigenous,
- Of the 154 elected members in the NT (as at August 2023), 92 identify as Indigenous.

Many councils are the largest employer of Indigenous people in their communities by a wide margin. An existing example of these discriminatory policies is the situation with the Indigenous rangers' program. At present councils are not qualified to apply to fund these activities, only land councils and ACCOs. Given this, local government is demonstrably the most culturally capable of all sectors of government in the NT. This status places local government in the envious position of being an obvious collaborator to assist in building strong, trusting relations. Much of the frustration follows from the actions which the other tiers of government choosing to remain blind to this.

Recommendation 1: That Indigenous majority councils are recognised as being Aboriginal Controlled Community Organisations (ACCOs)

[The structure of the Northern Territory's local government sector](#)

The issue of financial sustainability in the Northern Territory Councils has two layers: urban or municipal councils; and secondly, regional and shire councils, the largely non-urban councils located in more remote parts of the Territory. The characteristics of each are:

[Municipal Councils²:](#)

- Service most of the NT's population across more densely populated areas,
- The council is based within their Local Government area,
- Municipal councils have the capacity to generate much of their own revenue (more than 60 per cent) through a sizable number of commercial and household ratepayers,
- They have decent economies of scale to provide core local government services, facilities, and infrastructure.

[Regional³ Councils \(including Local Authorities\)](#)

- Regional councils service vast areas with thinly distributed populations that make up a smaller proportion of the NT's total population (see The ACT Index, Table 1 below)
- They service many small local communities widely dispersed across their council area,

² Municipal Councils are: Alice Springs Town Council, the City of Darwin, Katherine Town Council, Litchfield Council and the City of Palmerston

³ Regional Councils are: Barkly Regional Council, East Arnhem Regional Council, Central Desert Regional Council, MacDonnell Regional Council, West Arnhem Regional Council, Roper Gulf regional Council, West Daly Regional Council, Tiwi Islands Regional Council and Victoria Daly Regional Council.

- The council headquarters are often located within a neighbouring municipal council area to attract and retain administrative staff,
- They are by a wide margin the largest employer of Indigenous people. Their workforces are between 60 and 80 percent Indigenous,
- Regional councils have small numbers of household and commercially rated properties with a sizeable proportion being NTG-owned housing,
- This imbalance of rateable properties makes them highly dependent on grant funding, often more than 60 percent of total revenue,
- This lack of self-generated funds has left them in a financially parlous state.
- Provide many services on behalf of, or as an agent of, the Territory or Federal Governments
- They are obliged to establish Local Authorities⁴ and involve them in developing strategic and business plans for the communities they represent.

Shires⁵

Shires are the smallest of the types of Local Government in the NT. They are typified by:

- Servicing a small proportion of the Territory's population,
- Their headquarters are within the council areas,
- All are within 200kms of Darwin,
- A small number of rateable household and commercial properties
- A substantial proportion of their funding comes from grants.

⁴ Local authorities operate within Regional Councils representing smaller communities. There are 67 local authorities across regional and remote communities in the NT. They are involved in planning, giving feedback on service delivery and identifying priority community projects to their Regional Councils. Regional councils operate local authorities.

⁵ Shire Councils are: Belyuen Community Government Council, Coomalie Community Government Council and Wagait Shire Council

The financial sustainability and funding of local government

Financial sustainability is by far the most pressing issue for local government. This is particularly so for Councils beyond the urban areas with small ratepayer bases, extensive road networks, dispersed populations with high needs and with a significantly higher cost base to deliver each of their services.

The federal government made an election commitment to 'fair increases' in its Financial Assistance grants. These have not been forthcoming. It is imperative that this committee give this issue its highest priority.

In recent decades local government has been called upon to deliver an ever-increasing range of services while funding has declined and become more erratic and prescriptive in how it must be spent. That this is done from the distance of urban Canberra to small remote communities seems unlikely to deliver positive outcomes.

As the level of government that delivers many of the services which affect people's day-to-day lives local government is essential to supporting safe, productive, and liveable communities. Despite this local government collects less than four percent of national taxation while being responsible for around one third of Australia's public infrastructure.

Local government's limited access to a growth tax prevents the sector from providing the services and infrastructure to meet growing community needs, or their growing portfolios of infrastructure in need of renewal.

Last year the Grattan Institute reported local government needed an additional \$1bn. Per year to maintain their roads. ALGA's national State of the Assets Report highlights that 10 per cent of local government infrastructure are in poor condition and need attention. The NT's extreme environmental conditions, compounded by the annual wet season, which causes many roads to be damaged and rendered impassible. These local conditions in the NT make it probable that these estimates from the Grattan study are very conservative estimates.

Recommendation 2: That the Financial Assistance Grants be increased to their historical level of one per cent of budget outlays and for retrospective catch-up payments to be made.

The Territory is heavily dependent on freight being transported from the south via the Stuart Highway the Barkly Highway from the east and the Victoria Highway to the west. Through a combination of their design and the flat topography of the country (this seriously limits run-off following a substantial storm) these highways are regularly impassible due to flooding. As a result, these events prevent the free flow of people, basic commodities, and other essentials. In parallel with these improvements to road and rail infrastructure investment needs to be made into building airstrips on which aircraft can land to deliver emergency supplies after flooding events.

Recommendation 3: That adequate funding be provided to flood-proof the NT's major highways and railway through the construction of bridges, flood ways and bridges.

3a That airstrips, particularly in remote communities, be raised to a standard to accommodate supply aircraft.

3b That infrastructure betterment be the accepted standard for any reconstruction following natural disasters.

Distances in the Northern Territory can be difficult to conceptualise for many Australians. For the benefit of the Inquiry, LGANT has created “The ACT Index” which quantifies the number of times the entirety of the Australian Capital Territory fits into each of the NT’s regional council areas (Table 1 below).

Table 1: NT Regional Councils area measured against the ACT

Council	Council area (Sq. Kms)	ACT Area (Square Kms)	The ACT Index
Barkly Regional Council	322,713	2,360	136.74
Central Desert Regional Council	282,000	2,360	119.49
East Arnhem Regional Council	33,310	2,360	14.11
MacDonnell Regional Council	268,329	2,360	113.70
Roper Gulf Regional Council	201,000	2,360	85.17
Tiwi Islands Regional Council	7,483	2,360	3.17
Victoria Daly Regional Council	153,287	2,360	64.95
West Arnhem Regional Council	49,675	2,360	21.05
West Daly Regional Council	14,000	2,360	5.93

The Territory’s distance from major suppliers in the south and east imposes significant costs on every aspect of all the NT councils’ operations. These pressures effect all councils but, again, particularly the smaller more isolated regional councils. A large – and growing – component of these costs is the cost of freight. For instance, deliveries from Tennant Creek to outlying communities are charged at \$3.30/km. If the road is unsealed the cost increases to \$5-6/km. This does not take account of the cost of getting the freight to the Tennant Creek depot.

The Bureau of Infrastructure and Transport Research Economics estimates that the cost of delivering a tonne of freight to the Northern Territory is an average of \$114, outbound it is \$76. This compares with \$19 and \$18 respectively for Queensland. For Tasmania, which benefits from the Tasmanian Freight Equalisation Scheme, the costs are \$56 (inbound) and \$53 (outbound)⁶.

Recommendation 4: That the prohibitive cost of freight to the NT be acknowledged through the establishment of an equivalent scheme to that benefiting Tasmania, through the Tasmanian Freight Equalisation Scheme.

To support its member councils LGANT has created a Local Government Cost Index⁷, which includes a basket of goods and services which are specific to local government. These include but not limited to:

- Employee costs
- Contractual Services
- Materials expenses
- Depreciation
- Electricity
- Water and sewerage
- Travel and accommodation
- Fuel

⁶ [TraNSIT Supply Chains \(csiro.au\)](https://www.csiro.au/traNSIT)

⁷ [Local Government Cost Index - LGANT](#)

- Printing, stationary, advertising
- Insurance
- Property leasing
- Consultancy expenses
- Telecommunications
- IT
- Food
- Miscellaneous

The Index estimates the rate of increase for NT local government costs over the past two financial years is: 5.47% (for 2021/22) and 3.76% (2022/23). For the NT's nine regional councils' actual expenses have risen by an average of 17.6% (2021/22) and 7.7% (2022/23) far outstripping the national level of inflation of 6.1% for 2021/22 and 6.0% for 2022/23.

Research commissioned by ALGA reinforces this picture; over the past decade local government expenditure per capita has remained unchanged, while spending by the other two tiers has grown. Much of the striking differences between the sector-wide increases and those experienced by regional councils can be explained by municipal councils' advantage from their location within more populous areas with greater market competition to source goods and services. A practical example of these disparities is the cost of repairing a pothole. In Darwin this is likely to be about \$900-1,100; beyond Katherine it is likely to be twice this amount and beyond Tennant Creek three times. Another example was clearing out a remote cattle grid cost more than \$30,000.

NT councils are constrained from capitalising on opportunities available through Public-Private Partnerships by having to conform to onerous regulatory requirements under the Territory's Local Government Act.

Grant dependence

The dependence of regional councils on grants is extreme with an average of only 20 per cent of their income coming from rates.

Grant funding programs work to their own timetables, they are not available as and when they are needed. In addition, the co-contribution requirement of an increasing number of grants rules out many of the councils with the greatest need from even considering applying, the lack of any allowance for administrative costs and the application preparation process itself places an additional impost on councils drawing scarce staff away from their primary functions. Grants also require acquittal at their completion which can make further demands on senior staff. The impact of these demanding processes – once again – falls disproportionately on those councils with the greatest needs. The short-term nature of these programs makes it very difficult to attract high quality staff. Relocating thousands of kilometres from homebase for a 12-month contract is far less attractive than a contract which offers a lengthier contract. The resulting fluctuations in revenue (again, affecting smaller regional councils and shires most profoundly) makes considered, long-term strategic planning virtually impossible. The fact they are often granted with strict timeframes makes it difficult to attract skilled staff, often leading to these programs not fulfilling their potential, or the intended benefits.

Recommendation 5: That the duration of funded programs be set at a minimum of three to five years duration to enable for delivery stability and quality. Where funding is tied it be provided for a minimum of three to five years to provide more stability.

As outlined above, grants provide most of the revenue for Regional and Shire councils and a considerable proportion for Municipal councils. The lack of flexibility these grants impose is

significantly magnified due to the proportion of these grants which are tied. All but one of the nine regional councils are reliant on tied funding for more than half of their total grant funding.

This has several important flow-on effects. This practise results in:

- services being offered and then closed when funding ends.
- makes councils unable to maintain governance and operational best practise affecting both sustainability and optimal service delivery.

Whereas long-term financial plans extending a decade into the future are in place in other jurisdictions they are impossible in the NT due to brittle and quixotic funding.

Recommendation 6: That funding programs be directed to reduce the proportion of their funding being tied to specific projects.

A more insidious development has been the proliferation of loss-making grants. The most common instance of this is through grants which enable the construction of infrastructure with no account being taken of the operating and maintenance costs the new structure incurs. Furthermore, under legally enforced auditing requirements councils are required to account for the depreciation of this asset. Since the 2016/17 financial year depreciation costs have increased 12.2 percent per year. Combined these consequences have resulted in councils having to cannibalise other existing activities to cover these additional costs. The impact of this is profound and seldom acknowledged beyond those steeped in the detail of council finances.

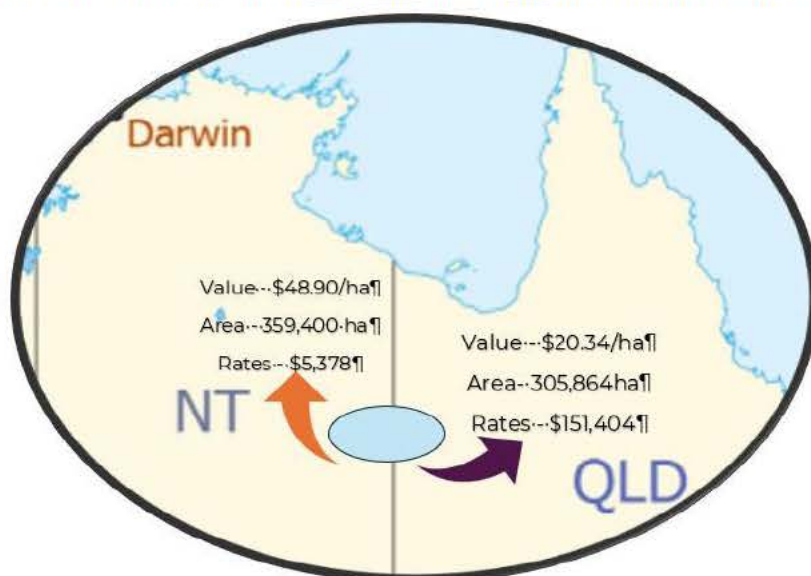
Many regional councils are heavily reliant on the income they receive from the NTG as rates for public housing. This revenue stream is as high as 88 per cent of all rateable property income for both Central Desert and Tiwi Islands Regional Councils. In other regional councils it still accounts for more than half of total revenue, ranging from 50 to 80 per cent. Clearly any reduction in this revenue source would place additional significant pressure on these Councils.

Conditional rating

The rates paid by holders of pastoral and mining leases in the NT are set by the Minister for Local Government. All Councils are potentially liable to conditional ratings being imposed within their boundaries, if they have any pastoral or mining leases. There are currently twelve affected Councils⁸. These have been charged historically low when compared with equivalent leases in other jurisdictions, in particular Northern WA and North western Qld. A striking example of this is Rockland Station which lies across the NT/Qld border, in almost equal proportions. The NT portion of the property is 359,400 hectares and is valued at \$48.90/ha. The Qld section is 305, 864ha., valued at \$20.34/ha. Despite this the rates for each of these lease holdings are dramatically different: \$5,378 in the NT vs. \$151,404 in Qld. This is even though a larger proportion of the property's land area lies on the NT side of the border.

⁸ These Councils are: Alice Springs Town Council, Barkly Regional Council, Central Desert Regional Council, Coomalie Community Government Council, East Arnhem Regional Council, Katherine Town Council, Litchfield Council, MacDonnell Regional Council, Roper Guld Regional Council, Victoria Daly Regional Council, West Arnhem Regional Council and West Daly Regional Council.

Figure 1: Comparison of Conditional rating levels in NT and Qld.



This differential continues to be the case despite being increased 151 percent by the Minister over three years from 2022. In affected regional councils these adjustments will increase the value of conditional rating from \$0.95m. in 2021/22 to \$2.84m. in 2024/5 this translated to a boost of conditional rates from 2.4 percent to 6 percent of general rates, Whilst the level of these conditional rates is relatively low they are very important to the most affected regional councils which have extremely low existing levels of self-generated income⁹. A different lens through which this can be viewed is Conditional Rates as a percentage of production. On this basis the conditions

The continuation of Conditional Rating further removes the autonomy of these predominantly Indigenous-majority Councils and places an unfair burden on other ratepayers, all for relatively minimal benefit to pastoralists, miners and the NT Government.

Table 2: Resource and Pastoral contribution to Territory and Local Government

Sector	Value of production		Contribution to NT Gov.		Contribution to Local Gov.
\$,000	\$,000	% of production	\$,000		% of production
Mining and petroleum	5,654,000	411,220	7.3%	1,676	0.03
Primary production	545,000	9,490	1.7%	1,164	0.21
Total.	6,199,000	420.71	6.8	2,840	.045

Source: "Conditional Rating Report", Mead Perry Group, March 2024

Recommendation 7: That Conditional Rating over the Territory's pastoral and mining leases be abolished.

⁹ For the purposes of this research a sample of the five most affected regional councils were used as the basis for analysis. They are: Barkly, Central Desert, MacDonnell, Roper Gulf and Victoria Daly Regional Councils.

Distribution of grant funding

Despite the importance of the Federal Assistance Act grants to the viability of NT Councils the sector's share of this funding program is the lowest of any jurisdiction. This is due to the level of funding being determined by using the Australian Bureau of Statistic's (ABS) Estimated Resident Population plus population density data as the basis of funding. This criterion is highly disadvantageous to the NT's regional councils. While they service widely dispersed areas none have populations over 10,000.

The disadvantage is compounded further when it is considered that all nine regional councils are ranked in the most disadvantaged decile of all local government areas¹⁰ by the ABS's measure of social disadvantage (SEIFA). The challenges facing these communities closely parallel the measures included in the Closing the Gap initiative.

Recommendation 8: That the SEIFA measures of social disadvantage be priorities in the calculations for distributing untied Federal grants.

When considering this remarkably inequitable situation it is instructive to refer to the well-established principle of Horizontal Fiscal Equalisation (HFE) used by the Commonwealth to determine the distribution of GST revenue to the states and territories. In its report on HFE the Productivity Commission¹¹ says:

HFE involves the transfer of funds to or between States to offset differences in revenue-raising capacities and/or the use of providing services and infrastructure.

Applying this definition, it is abundantly clear that the Commonwealth is failing entirely in meeting its obligations to the NT Local Government sector.

Recommendation 9: That the principles of Horizontal Fiscal Equalisation be applied to the distribution of Federal grants.

The inequitable position of the Territory's local government sector is even more egregious when considering that the most disadvantaged councils are those with the highest proportion of Indigenous residents and the highest ranking in terms of social disadvantage, as measured by the SEIFA index.

This lamentable situation persists despite the bi-partisan support of Parliament for the Closing the Gap initiative:

...to overcome the entrenched inequality faced by too many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to those of all Australians

In its Review of Progress on the National Agreement on Closing the Gap the Productivity Commission said:

...governments are not adequately delivering on this commitment. Despite some pockets of good practice, progress in implementing the Agreement's Priority Reforms has, for the most

¹⁰ Barkly Regional Council, Belyuen Community Government Council, Central Desert Regional Council, Katherine Town Council, Roper Gulf Regional Council, Victoria Regional Council, Waigait Shire Council, and West Arnhem Regional council

¹¹ Productivity Commission, *Horizontal Fiscal Equalisation Inquiry Report: Overview and Recommendations* (No. 88), May 2018, Canberra

part, been weak and reflects tweaks to, or actions overlayed onto, business as usual approaches.

As the sphere of government closest to the community, local councils are important stakeholders in delivering services and infrastructure to Indigenous people, particularly in regional and remote areas of the NT where there are no other, or less capable, service providers. Doing business and delivering services in regional and remote parts of the NT is tough, expensive, and vastly different to delivering services in any of Australia's urban areas.

LGANT is one of the only state-based local government associations in Australia which is a signatory to Closing the Gap. Through this LGANT, and the local government sector more broadly, have realised there is potential to be a far stronger partner in implementing the National Agreement and the transformative changes it aspires to. However, the sector is currently restricted due to competing demands, resourcing constraints and a lack of a genuine partnership from the other two spheres of government.

Recommendation 10: Formalise Local Government as a prime partner in the achievement of Closing the Gap goals and fund the sector accordingly

More than half the Territory's local government workforce is Indigenous. Several regional councils have been proactive in recruiting and training local Indigenous employees across a range of distinct roles. MacDonnell Regional Council's Empowered Workforce initiative has been successful in staffing positions in the 13 very remote communities its services across its vast area – "113 ACTs" (see Table 1), see Case study 1 below.

Case study 1: MacDonnell Council's Empowered Workforce

MacDonnell Council covers an area of more than a quarter of a million square kilometres stretching from the WA to the Qld borders surrounding Alice Springs. It has a population of 5,748 and a population density of 0.03 per square kilometre. Most of this population is dispersed between 13 communities.

Council's brief is to deliver a wide array of services including aged and disability care, early childhood development, youth development and community safety as well as postal, social security and the essential services of maintaining power, water and sewerage operations and infrastructure.

Of its 480 employees 80 percent of MacDonnell Regional Council's employees are Indigenous. Through a conscious decision to provide an attractive development path for these workers more than half of the community service coordinator roles (the most senior Council position in communities) are Indigenous. Council has encouraged workers in communities to also undertake relevant training.

In addition to the social and racial equity embedded in these arrangements communities benefit from the economic development flowing from having a significant local workforce receiving regular income through this initiative. From the Council's perspective it has a long-term local workforce with a deep understanding of their community and a commitment to seeing it flourish.

This innovative approach and others like it sits in contrast to the Productivity Commission's observation regarding Closing the Gap's implementation by other tiers of government, saying:

... there has been no systematic approach to determining what strategies need to be implemented to disrupt business as usual of governments. What is needed is a paradigm

shift. Fundamental change is required, with actions based on a clear logic about how they will achieve that change.

The NT local government sector is clearly an exception to this finding.

The frustration for LGANT, and its members, is the lack of recognition of the sector's achievements and the foundation which has been built through this work to work in collaboration with other tiers of government to begin to make a real impact on some of the country's most intractable challenges. With further, more committed funding, councils could make an even greater contribution to rectifying this national failure.

The changing demands of local government

As has been outlined above, over the past few decades local government across Australia has been progressively encouraged to extend its historical role in providing services to property to increasingly adding services to people to its portfolio. In some cases, this has been cost shifting by the Commonwealth and State/Territory governments, in others it has been in response by councils to local needs and the expectations of residents. In either case it has dramatically added to the load and the complexity of Local Government operations and to supporting financial sustainability.

Emergency management and disaster recovery

Emergency management and disaster recovery are increasingly critical issues for all levels of government. Disaster events in the NT tend to be more severe than elsewhere in Australia and are becoming more frequent.

NT Councils are handicapped through considerable ambiguity between local government legislation and the emergency management agencies within the NTG. LGANT acknowledges the primacy of NTG agencies but despite the Territory Emergency Management Plan and the Territory Emergency Management Council Strategic Plan 2020-2023 highlighting the need for an "integrated approach" by different tiers of government and yet local government finds itself regularly sidelined at a local level.

LGANT is aware of policy development on these issues which is currently underway. It should be emphasised that local government is best positioned to act in a prompt way suited to conditions. Aside from this recognition councils must be appropriately funded to fill this vital role.

The decision by the federal government to reduce the defence force's availability to assist in disaster situations has profound implications for small, isolated communities. The fact that the ADF has more than 5,000 personnel based in the Territory along with its far higher exposure to natural disaster makes this decision particularly inappropriate for the NT.

Recommendation 11: Local government's pivotal role in emergency management (particularly as early responders) and its vital part in disaster recovery should be acknowledged and appropriately funded.

Recommendation 12: That the ADF be asked to reconsider its decision to forgo its disaster recovery role, especially in the NT.

Structural impediments to security for local government workers and infrastructure and service delivery

Employment numbers by councils in the Northern Territory vary widely, from four to almost 400. Skills shortages are endemic across the sector and, according to a survey of councils¹², half reported these shortages were delaying projects and degrading service delivery. The professions in which shortages are most serious are community development and engagement officers, accountants, allied health professionals, supervisors and team leaders, and youth support workers.

An important additional issue is the availability of housing for workers wishing to accept positions with councils. This is a Territory-wide problem.

No formal data is available to LGANT about local governments use of labour hire services. Anecdotally labour hire providers are used to fill urgent skills gaps, but their cost and their availability make this a crisis-only choice. In the Workforce Survey more than a third of Councils forecast they would be making less use of these labour hire services in the foreseeable future.

Trends in the attraction and retention of staff, including labour hire practices.

All NT councils are confronted by significant challenges in attracting and keeping staff. A high participation rate and low unemployment in the Territory point to low capacity in the local labour market. The local government sector's financial constraints mean Councils are regularly outbid by Territory and Commonwealth agencies in competition for staff. These factors result in considerable "churn" amongst staff at the cost of corporate memory and experience, and succession planning. The decision by several Regional Councils to locate their administrative offices outside their Council boundaries¹³ is one indicator of these tensions.

The attraction and retention of labour is a continuing challenge for all councils in the NT, as it is across all sectors of the NT economy and for councils nationwide. A graphic illustration of this is the reported position in the City of Palmerston where a quarter of all positions are vacant¹⁴. This has forced the council to resort to labour hire companies. These temporary staff have filled more than half the vacancies. Aside from the difficulty in attracting staff the success the City has had in retaining them has also been a problem: 58 percent of staff have been with the organisation for less than a year.

For all Councils, the position is worsened by the disparity in wages paid by private sector and other levels of government. Territory-wide labour shortages mean this option is impractical for Councils as market demand forces their cost even higher than in other jurisdictions.

There are a variety of concessions the Federal Government could provide to alleviate these attraction and retention challenges, including but not limited to:

¹² 2022 Local Government Workforce Skills and Capability Survey: Northern Territory Report, SGS Economics and Planning, November 2022

¹³ West Daly, East Arnhem, Tiwi Islands and West Arnhem Regional Councils and Belyuen Community Government Council all have their offices in Darwin; Central Desert and MacDonnell Regional Councils are headquartered in Alice Springs; Roper River and Victoria Daly Regional Councils are in Katherine. These location decisions have been adopted to alleviate the difficulty in attracting and retaining staff in remote areas.

¹⁴ "City of Palmerston continues to haemorrhage staff, as vacancy rate climbs to almost one in four", *NT News*, 19 April 2024

- More generous superannuation regulations.
- Reviewing and increasing remote tax concessions.
- Fringe Benefit Tax Concessions; and
- Exemptions for HECS (Higher Education Contribution Scheme) and HELP (Higher Education Loan Program) repayments for tertiary study.

Recommendation 13: That the ATO undertake a review of tax regulations to implement concessions to assist in overcoming the impediments NT councils confront in attracting and keeping qualified staff.

Similarly, the federal government could redefine the definition of a region under the regional migration scheme to provide an added incentive for new arrivals to locate in the Territory rather than already overcrowded centres along the east coast.

The long-term and on-going attraction and retention problems within the sector point to the logic of providing more training and support for Indigenous people to take on Local Government roles.

The role of the Australian government in addressing issues around local government financial sustainability

The federal government's Remote Jobs and Economic Development Program (RJEDP) offers great promise to changing the dynamic around Indigenous employment. Given the on-going problems councils face in filling positions and their long history of employing Indigenous workers the sector there is immense potential for collaboration by councils with RJEDP. As one senior executive of a Regional Council with a large existing Indigenous workforce said recently, "I could employ another 300 workers tomorrow with the support the [RJEDP] offers"¹⁵.

At present councils' status regarding their eligibility to apply to the RJEDP program is unclear. It would be mutually beneficial if councils are explicitly eligible to apply.

Recommendation 14: That the eligibility criteria for applicants to the Remote Jobs and Economic Development program explicitly include Local Government

The federal government's election commitment to provide "fair increases" through the Financial Assistance Grants has not eventuated. The impact of this drop-in support has fallen most heavily on the NT's regional and remote councils and their Indigenous residents. If this commitment is honoured – and delivered retrospectively – it would address many of the issues of sustainability and unmet demands in terms of both infrastructure and community services.

Whilst regulations governing Public Private Partnerships are an NT Government responsibility it would be valuable for the committee to highlight how the current onerous requirements of this program limit the ability of councils to take advantage of burgeoning possibilities to access Impact Investment funds for social and economic development. Examples of the potential application of this are in relation to Carbon Capture projects through revegetation projects to generate revenue from these burgeoning carbon credit markets both locally and overseas.

¹⁵ Private conversation, LGANT Conference 19 April

Recommendation 15: That the regulations about Public Private Partnerships be reframed to ease rather than constrain councils entering these arrangements.

Recommendation 16: That LGANT be supported to undertake a feasibility study into the potential for regional councils to managed revegetation initiatives to generate Australian Carbon Capture Units to offer for sale and in so doing generate consistent income for their operations.

From time-to-time Councils and their communities are forced to see the demoralising site of grant programs being delivered and duplicating resource use. The conditions of grants can explicitly stipulate materials or staffing engaged in a different program (whether funding comes from separate tiers of government or from different agencies) may not be used. While this may make sense in a resource rich council area in a remote community it can mean expensive and time-consuming duplication of assets. Cutting these highly visible examples of public sector inefficiency can remove some of the criticisms of government initiatives and deliver significant savings.

Recommendation 17: That LGANT be supported to mediate between NTG and Commonwealth agencies to assist in designing solutions to cross-program delivery to end duplication of resources.

Recommendations

1. That Indigenous majority councils are recognised as being Aboriginal Controlled Community Organisations
2. That the Financial Assistance Grants be increased to their historical level of one per cent of budget outlays and for retrospective catch-up payments to be made.
3. That adequate funding be provided to flood-proof the NT's major highways and railway through the construction of bridges, flood ways and bridges.
 - 3a That airstrips, particularly in remote communities, be raised to a standard to accommodate supply aircraft.
 - 3b That infrastructure betterment be the accepted standard for any reconstruction following natural disasters.
4. That the prohibitive cost of freight to the NT be recognised through the establishment of an equivalent scheme to that benefiting Tasmania, through the Tasmanian Freight Equalisation Scheme.
5. That the duration of funded programs be set at a minimum of five years duration to enable for delivery stability and quality. Where funding is tied it be provided for a minimum of three to five years to provide more stability.
6. That funding programs be directed to reduce the proportion of their funding being tied to specific projects
7. That Conditional Rating over the Territory's pastoral and mining leases be abolished.
8. That the SEIFA (Socio Economic Indexes for Areas) measures of social disadvantage be priorities in the calculations for distributing untied Federal grants
9. That the principles of Horizontal Fiscal Equalisation be applied to the distribution of Federal grants
10. Formalise local government as a prime partner in the achievement of Closing the Gap goals and fund the sector accordingly

11. Local government's pivotal role in emergency management (particularly as early responders) and its vital part in disaster recovery should be acknowledged and appropriately funded.
12. That the ADF be asked to reconsider its decision to forgo its disaster recovery role, especially in the NT.
13. That the ATO undertake a review of tax regulations to implement concessions to assist in overcoming the impediments NT local government councils confront in attracting and keeping qualified staff.
14. That the eligibility criteria for applicants to the Remote Jobs and Economic Development program explicitly include local government.
15. That the regulations about Public Private Partnerships be reframed to ease rather than constrain councils entering these arrangements.
16. That LGANT be supported to undertake a feasibility study into the potential for regional councils to managed revegetation initiatives to generate Australian Carbon Capture Units to offer for sale and in so doing generate consistent income for their operations.
17. That LGANT be supported to mediate between NTG and Commonwealth agencies to assist in designing solutions to cross-program delivery to end duplication of resources.

