

From the office of the Mayor

27 November 2025

House of Representatives Standing Committee on Regional Development,
Infrastructure and Transport

PO Box 6021
Parliament House
Canberra ACT 2600

By email only: rdit.reps@aph.gov.au

Dear Committee

RE: Inquiry into Local Government Funding and Fiscal Sustainability

The Northern Midlands Council (NMC) welcomes the opportunity to contribute to the Committee's inquiry into local government funding and fiscal sustainability. Local government is at the frontline of delivering essential services, infrastructure, and community wellbeing, yet faces increasing responsibilities without commensurate, sustainable funding.

The Northern Midlands Council is one of Tasmania's largest and most diverse local government areas, covering approximately 5,128 square kilometres in the heart of the state. As of June 2024, the region's estimated resident population is 14,428, reflecting steady annual growth above the regional average. NMC is responsible for maintaining over 960 kilometres of roads, more than any other council in Tasmania, and manages an annual budget of \$35.5 million for 2025–26, supporting investment in infrastructure, essential services, and community wellbeing. The municipality contains more than 7,500 properties and generates over half its revenue from rates, with the remainder sourced from government grants and user fees. NMC's commitment to responsive governance, economic development, and environmental sustainability ensures the ongoing prosperity and resilience of its vibrant rural communities and historic towns.

Interactions Between Governments

Local governments are increasingly required to deliver services beyond traditional infrastructure and property management, including social, economic, and environmental wellbeing. However, these expanded roles are not matched by adequate or sustained funding. Current arrangements often result in local governments being the end recipients of policy initiatives that are not sufficiently tailored to local needs, nor supported by long-term financial commitments.

NMC urges the Committee to assess the scale and nature of Australian, state, and territory government funding to local government, and to review the legislative and policy frameworks underpinning Commonwealth financial support. There is a pressing need for a more coordinated, predictable, and equitable approach.

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Identification of All Funding Sources

NMC supports a comprehensive mapping of all funding sources available to local government, including:

- Untied grants (e.g., Financial Assistance Grants),
- Tied/specific-purpose grants and project-based programs,
- Revenue sharing arrangements,
- Emergency and disaster recovery funding,
- One-off or ad hoc funding streams.

We also highlight the importance of local government own-source revenue, such as rates, fees, and commercial activities. However, the capacity to raise revenue is constrained in rural and regional areas by small rate bases, major industry presence, and large infrastructure networks.

Impacts and Effectiveness

The current funding arrangements, including indexation freezes and short-term grant cycles, undermine the financial sustainability and service delivery capacity of local governments. This is particularly acute for councils with limited rate bases and significant infrastructure responsibilities. The lack of sustained funding for new initiatives often leaves communities without ongoing support once initial grants expire.

Barriers to effective infrastructure service delivery include:

- Difficulty attracting and retaining skilled staff, especially in rural and regional areas,
- Inability to offer competitive salaries,
- Rising costs of materials and contractor shortages,
- Increasing responsibilities without commensurate funding,
- The impact of climate change on infrastructure resilience.

Opportunities for Reform

NMC supports the modernisation of funding mechanisms, including:

- Allowing councils to receive a fair share of royalties and fees from major commercial operations and renewable energy production,
- Introducing cost-based developer contributions, with careful policy coordination to avoid impeding housing supply,
- Improving productivity and coordination across all levels of government to ensure local governments can meet evolving community needs.

Request for Increased Federal Funding

In line with the Australian Local Government Association's advocacy and the demonstrated need for sustainable funding, NMC formally requests that the Federal Government increase Financial Assistance Grants to local government to a level equivalent to at least 1% of GDP. This would provide a stable, predictable, and adequate funding base, enabling local governments to deliver essential services, maintain infrastructure, and respond to emerging challenges.

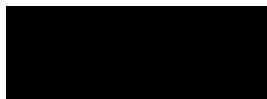
Reference to Previous Inquiry Evidence

We refer the Committee to the evidence provided to the 47th Parliament Inquiry into Local Government Sustainability and reiterate the need for urgent reform to ensure the long-term fiscal sustainability of local government.

NMC appreciates the Committee's attention to these critical issues and stands ready to provide further information or participate in hearings as required. We urge the Committee to recommend a significant increase in untied federal funding to local government, recognising the essential role councils play in Australia's communities.

Thank you for considering our submission.

Yours sincerely,



Mayor Mary Knowles OAM

Northern Midlands Council

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