



19 December 2025

Committee Secretary  
House of Representatives Standing Committee on Regional Development, Infrastructure and Transport  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear Sir/Madam

**SUBMISSION TO HOUSE OF REPRESENTATIVES - LOCAL GOVERNMENT FUNDING AND FISCAL SUSTAINABILITY**

We are pleased to be able to lodge the submission to the House of Representatives on local government funding and fiscal sustainability. This submission is made by the Shire of Carnarvon and the relevant authorising officer contact details are:

Chief Executive Officer, Mandy Dexter;  
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Local governments across the entire nation account for only a very small proportion of the nation's government financial expenditure, about 5%. States are responsible for about 25-30%, with the federal government being by far the largest, at 65-70%. Local governments across the entire nation rely on grants from their state and the federal governments, but in light of factors like distance, isolation, and higher costs, remote local governments have a disproportionately higher need, those local governments are heavily reliant on grants to deliver improvements in the areas subject to the House's research, like improvements to service delivery capacity and infrastructure provision; allowing remote local governments to suitably evolve their levels of contemporary responsibility; being better positioned to attract and retain a skilled workforce; and to enable them to explore and implement productivity and coordination improvements.

The Shire's submission focuses on remote local governments and outlined below are several key improvements that should be considered:

**Terms of Reference:** Examine the legislative and policy frameworks underpinning Commonwealth financial support to local government; and, Evaluate how funding arrangements, including indexation freezing, influence the financial sustainability, service delivery capacity and infrastructure investment of local governments.

**Issue:** Most grants include a clause that requires the local government to take full financial responsibility for any cost over-runs, yet at the same time those grant applications require costs to be substantiated via quotations and many do not allow the inclusion of a contingency for indexation cost increases. As it takes several months for grants to be approved and for



projects to commence, the inevitable outcome is that project costs increase and if the application is successful, this then results in either the project itself needing to be scaled back to meet funding limitations, or the local government needing to fund 100% of that cost increases.

**Recommendation:** That grant applications be permitted to include a 10-20% contingency for cost increases, to cater for inflation over the period between securing the quotation, and the works actually commencing.

**Terms of Reference:** Examine the legislative and policy frameworks underpinning Commonwealth financial support to local government; and, Evaluate how funding arrangements, including indexation freezing, influence the financial sustainability, service delivery capacity and infrastructure investment of local governments.

**Issue:** Almost all grants require contributory funding by the local government and/or its community. Grant contribution percentages vary considerably but rarely exceed 50%. For remote local governments, their capacity to meet even a relatively small (say 25%) project contribution can be challenging and often can be beyond their means, particularly as the project costs in remote communities is disproportionately higher than in the metropolitan areas. A more affordable mechanism is warranted so that there is an equity between larger and more highly resourced local governments that are often also in lower construction cost geographic areas, when compared to remote local governments dealing with higher project costs caused by low levels of contractor availability and higher costs associated with distance and isolation.

**Recommendation:** Grant contribution percentages for remote applicants should be reduced (without any grant assessment disadvantage) so as to maintain cost equity across the entire nation.

**Terms of Reference:** Evaluate how funding arrangements, including indexation freezing, influence the financial sustainability, service delivery capacity and infrastructure investment of local governments

**Issue:** Lack of a Consumer Price Index increase for ongoing grants results in a progressive "cost-shift" to local governments. By way of an example, the Western Australian state based Local Government Swimming Pool Subsidy (\$3,000) was introduced several decades ago to encourage local governments to provide swimming pools for their communities. The subsidy it to support the annual operational loss that every non-metropolitan swimming pool suffers. It is understood that the grant has never increased since it was introduced, and it certainly has not increased since the mid-1970's (some 50 years ago). The relative equivalent of \$3,000 in the mid-1970's would be about \$20,000 today.

This issue was referenced to in Finding #23 of the 2008 Review of Sport and Recreation in Regional Western Australia was that *"Regional local governments have a growing need to significantly upgrade/ replace ageing aquatic infrastructure over the long term. The State will be requested to assist in replacing this vital community resource."* and that local government representatives of that day sought an increase to the \$3000 public pool operating subsidy from the Department of Treasury and Finance (Reference - Review of Sport and Recreation in Regional Western Australia (July 2008) -Report by Mr Peter Watson MLA (Parliamentary Secretary to the Minister for Sport and Recreation; and to the Minister for the Great Southern) ...but no increase has been forthcoming.

**Recommendation:** To avoid the gradual decline in their value, that annual grants be adjusted according to CPI to maintain partner and cost equity.



<p><b>Terms of Reference:</b> Tied/specific-purpose grants and project-based programs, co-contribution requirements and competitive grant processes.</p>
<p><b>Issue:</b> The competitive nature of some grants disadvantages remote local governments and this results in lower assessment scores by the grant provider. With lower populations and higher costs, projects score lower than for other areas where better financial economies of scale and higher community participation rates can be achieved. Larger better resourced organisations can also propose to undertake projects by contributing a higher proponent contribution, thus promoting a <i>“better bang for the government grant’s buck”</i>. This level of contribution cannot be replicated or achieved by remote local governments.</p>
<p><b>Recommendation:</b> Grant application scores should be scaled to ensure equity exists across the entire nation and that the exiting advantage held by larger and better resources local governments is neutralised.</p>

<p><b>Terms of Reference:</b> Examine local government own-source revenue (such as rates, fees, charges and commercial activities).</p>
<p><b>Issue:</b> Local governments ought to make reasonable efforts to raise their own source revenues. The Shire of Carnarvon is currently reviewing its rates strategy and one of the proposed foundation principles is that the highest most responsible rates levels ought to be considered as part of each budget. Adverse economic circumstances (like higher interest rates, higher inflation, and higher transport costs to remote communities) will have a negative impact on the Shire’s ability to achieve this goal, but even as a remote local government, the Council accepts it needs to play a role in securing a reasonable level of income from its ratepayers and the community generally.</p>
<p><b>Recommendation:</b> That grant applications from remote local governments that are making every effort to raise a reasonable level of own-source revenue, receive funding priority over large and better resourced local governments.</p>

<p><b>Terms of Reference:</b> Emergency, disaster recovery and resilience funding.</p>
<p><b>Issue:</b> Whilst local governments are charged with the responsibility of the recovery phase of large disasters, history highlights that there are significant delays incurred for the reimbursement of expenses incurred by the local government that the state accepts are recoverable from state provided emergency funding. An example of this would be the extensive funding recovery timeline being incurred by the Shire of Derby/West Kimberley’s Fitzroy Crossing flood event, which resulted in the Shire needing to secure a \$5m bridging finance loan for its recovery expenditure. Whilst local governments can be expected to provide some finance themselves, if funding is expected to exceed a specified limit, then the state government should provide advance payment(s) to limit the local governments financial stress to that financial limit.</p>
<p><b>Recommendation:</b> Where a local government’s emergency recovery expenditure is expected to exceed \$500,000 then the relevant state government should be required to provide advance payment(s) to limit the local government’s financial stress to that \$500,000 limit.</p>

<p><b>Terms of Reference:</b> Identify barriers to infrastructure service delivery, including trends in attracting and retaining a skilled workforce, impediments to security for local government workers and impacts of labour hire practices.</p>
<p><b>Issue:</b> Remote local governments do not have economies of scale that are comparable with larger metropolitan communities, yet remote local governments are legislatively required to maintain their local governments to minimum standards (e.g. accounting and governance) and they are also expected to provide at least a basic acceptable level of community services. This often cannot be accommodated as for remote local governments, that remoteness can also</p>

include an unavoidable overall lower quality of life for its community and its workforce, thus making it very difficult for those remote organisations to attract and retain staff. This is exacerbated by the fact that remote local governments also need to provide the good quality staff housing, to make it attractive for families to explore the opportunity of working for and living in a remote community. Metropolitan local governments do not need to incur these costs and have an abundance of available skilled staff willing to work for them.

**Recommendation:** That grants be made available to remote local governments, specifically to provide metropolitan standard staff housing and offices.

**Terms of Reference:** Explore opportunities to improve productivity and coordination of local government.

**Issue:** Whilst every local government endeavours to continuously improve, remote local governments find this more difficult to achieve, due to lower quality internet connections, longer transport distances (including often the requirement for airline travel costs and hotel accommodation in the capital city (in our case, Perth) for the duration of the training), and longer staff time commitments to attend training remote to their district.

**Recommendation:** That grants be made available to remote local governments, specifically to provide support for improvements in productivity, like conference and training attendance, and higher level educational opportunities.

**Terms of Reference:** Examine the legislative and policy frameworks underpinning Commonwealth financial support to local government.

**Issue:** The Commonwealth Grants Commission Act includes a “minimum grant principle” that each state must abide by when allocating grants commission funding to their local governments. The requirement is that each local government must receive at least a “minimum grant” equal to what it would get if 30% of the state’s general purpose component was to be distributed strictly on a per-capita basis. This is designed to ensure that every local government receives a baseline amount tied to population, but as metropolitan local government population reflect such a high proportionate percentage of the state’s population (some 75-80%) the largest portion of this compulsory allocation is provided to the local governments with the least need (which is often reflected in some metropolitan local governments even having an official “negative” assessed need for grant funding under the Grants Commissions assessment methodology, yet they still have a legislative entitlement to receive this minimum grant allocation.

Whilst a remoteness index is already applied at state level when it calculates grant distribution, the Commonwealth could make suitable a legislative change to require a dedicated portion of each state’s grant distribution to be allocated to remote local governments.

**Recommendation:** That the Commonwealth Grants Commission Act be modified to (1) either eliminate entirely, or at least reduce the existing 30% minimum grant provision; and (2) to also include a suitable Remoteness Index that requires states to allocate a higher proportion of the grant to remote communities.

**Terms of Reference:** Examine the legislative and policy frameworks underpinning Commonwealth financial support to local government.

**Issue:** Australia is a very large nation with the majority of its population living along the length of the easter sea-board, but a large portion of the nation’s wealth comes from the isolated and remote areas in the northern parts of Western Australia where living conditions and costs make economic sustainability very difficult. For example in Carnarvon:

- Freight & Logistics – Transporting materials and goods can cost 30–50% more than in the Perth metropolitan area;
- Staffing & Housing – Remote allowances, relocation packages, and subsidised housing often add \$20–\$50,000 per employee annually to employer costs;
- Travel & Training – Airfares and accommodation for meetings or compliance training can be 2–3 times higher than for metropolitan businesses;
- Utilities & Fuel – Off-grid power and diesel reliance can increase energy costs by 40–60%;
- ICT & Connectivity – Satellite internet and backup systems, service, maintenance and training can add thousands per year to business costs when compared to more highly populated and better serviced areas;
- Maintenance & Repairs – Delays and mobilisation fees for contractors can double service costs;
- Construction & Capital Works – Limited numbers of local suppliers and freight inflate project budgets by 20–40%;
- Community Service Delivery – Outreach programs require extra transport and staffing;
- Emergency Preparedness – Higher costs prevail due to isolation, for bushfire, cyclone, and flood readiness activities; and
- Economies of Scale Disadvantage – A small population base means fixed costs are spread over less sales, raising per-capita expenses.

**Recommendation:** That the Commonwealth (1) capture more information from remote areas so it can better understand the challenges faced by remote districts and their communities; and (2) provide a higher weighting of financial need to those remote districts and communities, so that the quality of life and economic potential of those districts can be lifted so it more closely reflects existing enjoyed standards in highly populated metropolitan areas.

By improving government policy settings and data, and by making the current grant system more equitable across the nation, it will enhance remote local governments' ability to service their respective communities, and raise remote area living standards and community wellbeing.

More appropriate grant levels to remote districts can be achieved without requiring the nation to contribute any additional funding. In effect, all that would happen would be that a higher portion of the existing funding would be redirected to more remote communities, lifting their quality of life to be a little closer to the standards already in existence within the metropolitan area (and without any noticeable disadvantage being caused to those metropolitan communities).

Yours faithfully



Amanda Dexter  
**CHIEF EXECUTIVE OFFICER**