

## **Submission to the Inquiry into Local Government Funding and Fiscal Sustainability**

**From:** Shire of West Arthur

**Date:** 19 November 2025

### **Introduction**

The Shire of West Arthur welcomes the opportunity to submit our views for the Inquiry into Local Government Funding and Fiscal Sustainability. We thank the Parliament and the Committee for resuming this important work, especially after the significant delays since the previous interim report in early 2025. For small rural and remote local governments like ours, financial sustainability is not just an abstract concept; it is crucial for the ongoing delivery of essential services, the well-being of our community, and regional economic stability.

### **Context: The Shire of West Arthur**

The Shire of West Arthur is a small rural local government with a dispersed population. It is responsible for a large road network but faces challenges, including a limited rate base and increasing statutory and compliance obligations. Our community is resilient and resourceful; however, our financial capacity is under significant pressure due to various external factors, including rising costs, workforce shortages, unpredictable grant funding, and escalating regulatory requirements.

### **Key Challenges Impacting Financial Sustainability**

#### **1. Narrow and Declining Revenue Base**

- The Shire has a small and largely static ratepayer population.
- The Shire has a lot of state-owned land (both Crown and freehold), which is exempt from Council rates.
- The capacity to raise additional revenue through rates is structurally limited and must be balanced against affordability for residents, farmers, and small business operators.

#### **2. Increasing Compliance and Regulatory Burdens**

- Over the past decade, local governments have absorbed a substantial growth in statutory responsibilities relating to governance and reporting: audit, risk, emergency management, environmental compliance, and asset management to name a few.
- These requirements disproportionately strain small councils that lack economies of scale and specialist staff.

#### **3. Heavy Reliance on Grants and Their Unpredictability**

- Financial Assistance Grants (FAGs) are a critical revenue source and have not kept pace with the cost-of-service delivery or CPI.
- Grant reform is required, with a push for multi-year, untied grants to reduce volatility.
- Competitive grants remain essential for infrastructure projects, yet the administrative burden and co-contribution expectations place small councils at a significant disadvantage.

#### **4. Infrastructure Renewal Pressures**

- The Shire manages a vast road network relative to population size.

- Ageing community infrastructure—including sporting facilities, public buildings, and community halls—requires renewal beyond the current financial capacity of the annual budget.

#### **5. Workforce Capacity Constraints**

- Recruitment and retention of skilled staff in rural areas continues to be a significant challenge.
- The increasing need for specialised professional expertise (ICT, finance, asset management, emergency services, environmental compliance, town planning, building surveying, environmental health) places pressure on wages and service delivery models.

#### **6. Cost Shifting Without Additional Revenue**

- Cost shifting from State and Federal Governments—particularly in regulatory compliance, emergency management, and community services—has materially impacted our operating budget without matching increases in funding.

#### **7. Renewable Energy Transition**

- Our CEO and other staff members are having to spend an enormous amount of time on matters that the State Government should have been attending to in relation to liaison with developers, government agencies and community members. For nearly four years we have been left largely to fend for ourselves with the time available for the CEO to attend to his other responsibilities severely diminished.

### **Impact of Delayed Inquiry and Funding Reform**

The Shire is concerned that the delay in resuming the inquiry may result in missed opportunities for relief or structural reform in the 2026–27 Federal Budget. The financial pressures on local governments are immediate, systemic and accelerating. Timely action is crucial.

### **Recommendations to the Committee**

#### **1. Restore Financial Assistance Grants to at least 1% of Commonwealth Taxation Revenue**

- This long-standing advocacy position of the sector is essential for addressing structural funding inadequacies and restoring equity across rural, remote, and regional councils.

#### **2. Introduce a Fair and Sustainable Funding Model for Rural and Remote Local Governments**

- Consideration of remoteness, road length per capita, community socio-economic index, and asset renewal backlog should be part of a modernised allocation formula.

#### **3. Reduce Compliance Burden and Cost Shifting**

- Governments should evaluate opportunities to streamline reporting requirements or fund compliance-related positions, particularly for small councils.

#### **4. Increase Flexibility and Certainty in Grant Funding**

- Multi-year, simplified grants with reduced red tape are needed to allow councils to plan responsibly and manage risk more effectively.

#### **5. Support Workforce Capability in Rural Areas**

- Funding for regional workforce attraction initiatives

- Investment in shared-resourcing models and regional technical support programs
- Support for digital transformation and ICT capability development

#### **6. Invest in Community Infrastructure Renewal**

- Establish a dedicated long-term rural community infrastructure renewal fund to support small councils with ageing assets.

#### **Conclusion**

The Shire of West Arthur urges the Committee to recognise the critical importance of sustainable, predictable, and equitable funding for small rural councils. Without meaningful reform, local governments like ours will face increasingly difficult decisions about service levels, infrastructure renewal, and community wellbeing.

We appreciate the opportunity to contribute to this inquiry and stand ready to provide further information or appear before the Committee if required.

**Shire of West Arthur**

Western Australia