



## **BALRANALD SHIRE COUNCIL SUBMISSION**

### **LOCAL GOVERNMENT FUNDING AND FISCAL SUSTAINABILITY**

#### **1. Structural Funding Failures**

- Constitutional constraints prevent direct, stable Commonwealth funding to councils, forcing reliance on State-intermediated grants.
- Section 96 style funding creates delay, unpredictability, and inefficiency.
- State-determined priorities override local need in allocating Commonwealth funds.
- Per-capita funding models severely disadvantage sparsely populated LGAs.
- Population-based formulas fail to capture:
  - Transient and itinerant workers
  - Freight movements
  - Distance and remoteness cost multipliers.
- ABS population data understates real service demand, weakening business cases and grant competitiveness.

#### **2. Cost Shifting, Compliance & Loss of Local Control**

- Responsibilities continue to be shifted to councils without funding.
- 'Silent cost shifting through legislation is expanding unrecoverable costs.
- Multi-layered State and Commonwealth compliance frameworks are widening the gap between:
  - Financial capacity
  - Service and regulatory expectations
- Councils cannot deal directly with the Commonwealth except through narrow constitutional channels.
- Administrative burden falls heaviest on small rural councils, diverting scarce staff from service delivery.



### **3. Grant System Failures & Political Risk**

- Chronic reliance on unpredictable grants distorts long-term planning.
- Small grants impose compliance costs that often exceed project value.
- One-size-fits-all grant criteria disadvantage rural councils.
- Politically driven timeframes cause:
  - Poor-quality outcomes
  - Cost blowouts
- Pork barrelling risk means:
  - Councils waste scarce resources preparing applications.
  - Outcomes are politically, not strategically, driven.
- Funding delays, redirection, and reprioritisation through the State undermine certainty.

### **4. Workforce & Succession Failure**

- Decades of underinvestment in traineeships and succession planning have caused:
  - Critical shortages in specialist professions
  - High consultant dependency
  - Escalating workforce costs
- Regional councils are priced out of the labour market by metropolitan wage competition.
- Reintroduction of Zone Taxation is required to restore workforce competitiveness.

### **5. Strategic Planning & Infrastructure Risk**

- Financial pressure forces councils into operational firefighting, displacing:
  - Long-term asset planning
  - Infrastructure renewal strategies
- Infrastructure, not services, is the true sustainability crisis, particularly:
  - Roads
  - Water and sewerage
  - Bridges
  - Reservoirs
- Continual standards upgrades permanently inflate asset values and renewal costs, compounding long-term financial stress.



## 6. Systemic Distortion of Financial Performance Measures

- Operating Performance Ratio is structurally misleading due to:
  - Grant-funded asset depreciation
  - Road depreciation
- Depreciation on grant-funded assets should be excluded from sustainability assessments.

## 7. Failed Reform, Loss of Trust & Consultation Breakdown

- Decades of reviews and inquiries have produced little action.
- Governments repeatedly cherry-pick recommendations that:
  - Impose burdens on councils.
  - Avoid State or Commonwealth responsibility.
- Amalgamations and forced regional models have failed to deliver savings in rural areas.
- Major policy changes are routinely announced with no consultation, including:
  - Waste
  - Cemeteries
  - Taxation
- Trust between governments and councils is at a historic low.

## 8. What Must Change (Core Reform Actions)

- Restore Federal Assistance Grants to at least 1% of Commonwealth tax revenue.
- End cost shifting without guaranteed, indexed funding.
- Reform or remove rate capping.
- Professionally fund non-core community services or return them to State/Federal control.
- Create a permanent, indexed asset renewal and maintenance funding mechanism.
- Recognise and compensate for rural disadvantage and distance.
- Align council income with full service and depreciation responsibilities.



## **9. Governance, Transparency & Accountability**

- Establish a truly independent national panel (retired judges, leading scholars) to:
  - Publicly assess government action and inaction
  - Prevent politically filtered findings.
- Mandate full public release of Standing Committee and inquiry reports.
- Stop adopting reform recommendations that impose obligations only on councils.

## **10. Final Position (Condensed Strategic Statement)**

Productivity is not the problem. Structural underfunding, cost shifting, grant distortion, workforce erosion, and political interference are the core drivers of local government financial unsustainability.

Until councils are given stable revenue, genuine autonomy, and properly funded responsibilities, no number of reviews, coordination rhetoric, or compliance reform will fix the system.

Attachments:

Report submitted to Council on 16 December 2025