



THE
KIMBERLEY
REGIONAL GROUP

**House of Representatives Standing Committee on
Regional Development, Infrastructure and Transport
Inquiry into Local Government Sustainability
Kimberley Regional Group Submission
May 2024**

For inquires please contact

Mr Paul Rosair
Executive Officer
Kimberley Regional Group
459 Albany Hwy
Victoria Park 6100 WA
M: 0419 930 467
E: paul@naja.com.au



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Inquiry Terms of Reference

The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport will inquire into and report on local government matters, with a particular focus on:

- The financial sustainability and funding of local government
- The changing infrastructure and service delivery obligations of local government
- Any structural impediments to security for local government workers and infrastructure and service delivery
- Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices
- The role of the Australian Government in addressing issues raised in relation to the above
- Other relevant issues.

About the Kimberley Regional Group

The Kimberley Regional Group (KRG) of local governments is an alliance of the four Shires of the Kimberley in northern Western Australia, being the Shire of Broome, the Shire of Derby West Kimberley, the Shire of Halls Creek, and the Shire of Wyndham East Kimberley.

Our Vision is to maintain and enhance the rich diversity and liveability of the Kimberley for its people and the world. Collaboratively the group seeks to drive positive impact across the region through improved social, economic, and cultural outcomes.

Our region covers 427.5 square kilometres – larger than the states of Victoria and Tasmania. The Kimberley is home to over 39,000 people, 40 percent of whom are Aboriginal and Torres Strait Islander people. The Kimberley has three regional centres, Broome, Kununurra, and Derby, with smaller regional towns of Halls Creek, Fitzroy Crossing and Wyndham. There are over eighty remote communities across the region, some of which have large populations up to 600 people. The Kimberley is a key contributor to Australia's wealth with an annual economic output of \$7.033 billion¹. Mining, agricultural production, construction, and tourism are major contributors to the region's diverse economy.

The outcome we seek from the inquiry

Increased and sustained Commonwealth and State financial support to ensure Kimberley Councils and their communities have access to essential public infrastructure and services that minimises environmental impact, delivers value creation and contributes to the liveability of towns and communities, enabling us to attract and retain workers and a resident population. A level of funding which enables Councils to sustainably manage their assets and financial resources in an efficient manner to meet our immediate and long-term financial obligations.

¹ <https://app.remplan.com.au/kimberleyregion/economy/summary?state=grzqFNYpOlq9Mexua8nao9UVhYhY4q>



Our submission's Terms of Reference is grouped into five parts:

1. Changing infrastructure and service delivery obligations
2. Financial Assistance Grants
3. Revenue Sources
4. Taxation, concessions
5. Impact of regulatory reform

1. Changing infrastructure and service delivery obligations

1.1 Increased level of service

Under the general competency powers of Western Australian local governments, Kimberley Councils have increasingly been providing services beyond the traditional role of local roads and other services to property.

Inherent features of the remote Kimberley region make it difficult for residents to attain a comparable standard of living to people who live in cities or large regional areas. This is because;

- The cost of living generally increases with remoteness.
- People in regional remote Australia typically have less ready access to services.
- Many aspects of running Shire activities and local businesses, including attracting, and retaining suitably qualified staff, are more difficult due to the remoteness and isolation of our region.

The concept of average level of service and the definition of critical infrastructure for a Kimberley Shire is very different to a metropolitan area. To attract and retain staff and a resident population the four Councils must deliver services that are often provided by the State, the non-government or private sector. Kimberley Councils provide these services to ensure there is a degree of community amenity and liveability in their towns. This increased level of service and infrastructure provision impacts on Council's ability to renew and replace ageing infrastructure. Appendix One contains case studies that highlight these issues regarding the provision of airports and affordable housing.

1.2 Increased cost of providing services

The cost of providing infrastructure and services has grown considerably due to acute labour and skills shortages leading to the need to offer higher wages and conditions for staff, and rising infrastructure and service costs. Expenditure per person is high as due to our remoteness and the lack of economies of scale due to our low population densities compared to cities. Also, we have to pay higher input costs, and maintain more kilometres of roads per person than metropolitan Councils. As a result, the Shires have very large asset base relative to the size of their rates base.

Work undertaken by the Shire of Wyndham East Kimberley shows that the cost to build and to maintain assets in the Kimberley region is estimated at 70 – 100 percent higher than metropolitan areas when works are performed in Kununurra. However, when work is performed in more remote areas these costs increase to up to 400% higher than metropolitan costs. In addition, due to the



lack of competition for the provision of goods and services, or the need to procure goods and services from long distances, we are confronted by cost escalations.

Case Study – Insurance

Insurance is a case in point. According to the 2020 Australian Competition and Consumer Commission's (ACCC) report on the Northern Australia Insurance Inquiry, the cost of home, contents and strata insurance is double for those living in northern Australia compared to the rest of the country². Despite this inquiry, home and contents insurance premiums continue to rise considerably each year and the pool of insurers shrink. Rising insurance costs significantly impacts the cost of living and doing business in the Kimberley. The ACCC's second annual insurance monitoring report released in December 2023 indicates that Home, strata, and small business insurance premiums in northern Australia remained much more expensive in 2022–23 compared to the rest of Australia³.

Average employee expenses are higher than the metropolitan areas due our requirement to provide incentives to attract and retain staff, impacted by the availability and cost of suitable housing. Staff that have access to Shire owned accommodation tend to remain with the Shires twice as long as those who do not. This includes the provision of housing or rental subsidies, air-conditioning allowances, additional holidays etc. Due to the growth in services and the additional costs of salaries employee expenses have a significant impact on our finances. Secondly access to services such as child care, medical and education are vital especially for staff who have young families. The other factors can all be grouped under liveability and connectivity issues. The provision of social infrastructure such as playgrounds, recreation and club infrastructure and amenity all contribute to quality of life and better retention of staff. Maintaining connectivity to family is also critical. The easier it is for families to travel to visit the longer we tend to retain staff.

Given the vast distances support for air travel is critical. The State has provided affordable air service links to Perth through capped airfares and regulated passenger routes which are extremely important to our community. Similar direct links to the East Coast will provide greater access to skills and personnel.

The increase in the provision of infrastructure coupled with inadequate funding of asset maintenance has significant long-term financial implications, reduces the useful life of our infrastructure (hence bringing forward the need for expensive replacement of assets) and exposes us to greater risk from litigation. It also has intergenerational implications as infrastructure gaps shift the cost burden from current ratepayers to future ratepayers.

We have grave concerns for the long term financial sustainability of the Kimberley Shires without increased funding support from State and Federal government. The Shire's ability to generate an operating surplus in the future is severely comprised should current funding models continue unchanged. This will result in the continual decline of the quality of the Shire's asset base and

² <https://www.accc.gov.au/about-us/publications/northern-australia-insurance-inquiry-final-report>

³ <https://www.accc.gov.au/about-us/publications/serial-publications/insurance-monitoring-reports/accc-insurance-monitoring-report-2023>.



the ability of those assets to provide the services the community needs. This impacts the quality of life in our region and ultimately impacts the ability to attract and retain people in our region.

1.3 Building a local workforce – Closing the Gap

Forty-one percent of the Kimberley population is Aboriginal and Torres Strait Islander. With the right government policy settings there is an enormous opportunity to create a strong, local workforce. The Shires are major employers of Aboriginal people. Many Commonwealth employment programs have not delivered the outcomes sought.

A fit for purpose program that supports Aboriginal job seekers in remote Australia to build skills, address barriers to employment and contribute to their communities through activities and training is critical if we are to build a local workforce in the Kimberley. Changes over time to the CDEP / CDP program had a devastating impact on supporting people in the Kimberley to gain the skills they need for work.

The Australian Government is investing \$707 million to deliver the Remote Jobs and Economic Development (RJED) program⁴. The design and implementation of the RJED program must focus on providing people with the skills for jobs, including jobs in their communities. It is critical that this program must be co-designed and co-produced with local Aboriginal organisations.

1.4 The importance of skilled migration.

Access to skilled migrants is critical for Kimberley Councils. In 2023 the Commonwealth announced a 70 percent reduction in Western Australia's allocation under the State Nominated Migration Program, from 8140 places in 2022-23 to 2350 in 2023-24. This will have an impact on the ability of Councils to obtain staff given workforces shortages and the State's unemployment rate. Critical to accessing skilled workers in the Kimberley has been the Kimberley Designated Area Migration Agreement. It is critical that targeted regional migration areas like the Kimberley are not comprised by a whole of State Designated Area Migration Agreement as this would severely impact on our region's access to skilled workers.

Case Study - Kimberley Designated Area Migration Agreement (KIMBERLEY DAMA)

To address acute workforce shortages the East Kimberley Chamber of Commerce and Industry (EKCCI) and East Kimberley industry in partnership with government addressed the need for improved access to overseas workers on a sustainable basis where occupations and positions are not able to be filled from the Australian labour market.

The Kimberley DAMA is an agreement between the EKCCI and the Federal Government that allows employers operating in the Kimberley region to access a broader range of occupations than standard skilled migration avenues, and with numerous concessions including experience, age, and in some cases salary and English, among others. These arrangements help employers attract and retain the right people to our region on a sustainable basis, where they have not been able to fill positions from the Australian labour market. Employers requesting endorsement must

⁴ <https://www.niaa.gov.au/news-centre/indigenous-affairs/we-want-your-feedback-new-jobs-program-coming-remote-communities>



have operations in the Designated Area, and the position/s being sought must be located within the operations of the employer within the Designated area. The Kimberley DAMA is accessible to all employers operating in the Kimberley region. Importantly the Kimberley DAMA occupation list is different to standard skilled migration programs and includes a range of concessions not accessible through those standard programs.

Recommendations

That in areas to drive value creation where there is regional market failure, the State and Federal Government incentivise infrastructure and service development through a range of measures including;

- **Access to crown land freehold at no cost.**
- **The Government lease of properties to de-risk development.**
- **Up front capital grants.**

To support access to a skilled workforce;

- **That there is increased, targeted investment by Government to deliver closing the gap employment outcomes, focussing on real jobs needed in rural and regional Australia.**
- **Targeted support to build a local skilled workforce.**
- **Retention of the Kimberley DAMA.**
- **Restoration and increase to WA's allocation of skilled workers under the State Nominated Migration Program.**

2. Financial Assistance Grants (FAGs)

The Kimberley Regional Group has commissioned a piece of work to examine the allocation methodology and would be pleased to provide you with a briefing and a copy of this work once completed with a view to seeing how this can be addressed. The following is some initial thinking regarding issues with the allocation of FAGs.

2.1 The pool of FAGs funding

Financial Assistance Grants continue to comprise two components: general-purpose assistance grants; and untied local roads grants. The WA Local Government Association has advised that this financial year (2023/24), \$3.1 billion was provided for Financial Assistance Grants funding, with WA to receive \$376.9 million. Financial Assistance Grants now represent 0.5% of total Commonwealth Tax revenue, down from 0.52% in 2022-23⁵.

Full equalisation, either vertical or horizontal is unachievable because the Commonwealth is not putting sufficient funds in the financial assistance grants pool. In the first instance, the issue is not the method of distribution but the need to increase the size of the funding pool.

⁵ <https://walga.asn.au/policy-advocacy/our-advocacy-positions/state-and-federal-budgets/federal-budget>



For example, Local governments have significant responsibility for the management of local roads. There are significant financial constraints with the ongoing maintenance along with road asset management and renewal. Due to cost escalations road and bridge construction costs have increased significantly. To address this there is a need for a significant increase in the untied road component of FAGs.

Publicly available information on the WA Department of Local Government Sports and Cultural Industries (DLGSC) website [Financial Assistance Grants | DLGSC](#) states -

WA would require \$279.9m (this excludes any minimum grant payment) but only receives \$205m. As such the Commission attempts to provide every local government with the same percentage of grant need as an equitable approach to ensure everyone is recognised in some way. One could argue because of this funding shortfall, no local government is being provided the appropriate amount to operate at the State average level of service.

The Australian Local Government Association, and WA Local Government Association have long been prosecuting the case that at a minimum FAGs are restored to 1 percent of Commonwealth taxation revenue. We support this.

Recommendation

- **That as a minimum Financial Assistance Grants are restored to 1 percent of Commonwealth taxation revenue.**
- **That consideration is given of a top up FAGs funding which is distributed to Councils with a limited revenue base.**
- **That FAGs funding remains untied.**

2.2 CPI Indexation

The quantum of the Financial Assistance Grants is indexed annually in line with changes in population and the Consumer Price Index. Our understanding is that the CPI is applied to the national figure from the previous year. CPI is a measure of the average change over time in the prices paid by capital city households across Australia for a fixed basket of goods and services. The CPI does not include the cost of purchasing established dwellings, but does include rents and new dwelling purchases excluding the value of the land CPI measures price changes of items in the metropolitan areas of Australia's eight capital cities. It does not measure price changes in regional, rural, or remote areas. Other indexes, such as the local government cost index, may yield a more appropriate indexation method which reflect the increased costs of goods and services in regional and remote Australia.

Recommendation

- **That there is a review into the most appropriate indexation for Financial Assistance Grants.**



2.3 Commonwealth distribution formula

The National Principles for the distribution of funds with which the State Commissions must comply are based on the objective of full horizontal equalisation which is defined in section 6(3)(a) of the FA Act as: “...a basis that ensures that each local governing body in the State is able to function, by reasonable effort, at a standard not lower than the average standard of other local government bodies in the State⁶”.

Whilst the Commonwealth requires distribution of the Grants to local government on an equalisation basis, the Commonwealth Government allocates general purpose funding between the states solely on the basis of population.

The population component of the Commonwealth allocation of local government financial assistance grants, has a detrimental impact on grant funds to regional local governments as there is no representation of need in this funding allocation. It is not equitable as Councils in different States are brought up to different fiscal levels. The allocation between states based on per capita basis doesn't take into consideration the different needs of regional councils over city councils. There is an argument around the way the States are allocated funding for distribution. The impact for WA of the distribution of general purpose grants between States on an equal per capita basis does not recognise the differences in WA of local government's different expenditure needs i.e. the road lengths, remoteness, the significant infrastructure/asset maintenance costs. Given the reliance of many Councils on FAGS funding, the per capita funding allocation does not deliver funding certainty for our Councils. The often unforeseen demands imposed through increased compliance, government regulatory requirements and increased service needs by our community is made more difficult as FAGs funding is not predictable.

2.4 Minimum grant

Under the National Principles for the Allocation of Grants, the Minimum General Purpose Grant allocation for a local governing body in a year cannot be less than the amount to which the local governing body would be entitled if 30% of the total amount of General Purpose Grants to which the state/territory is entitled (under section 6 of the FA Act) in respect of the year, were allocated among local governing bodies in the state/territory on a per capita basis.

The intent of the minimum grant national principle is to allocate local governments with a minimal grant as they are seen as advantaged and effectively able to support themselves. The minimum grant represents an artificial constraint on the methodology of distributing FAGs which is not aligned with equalisation principles.

The WA Grants Commission has advised that based on Western Australia's large geographical size, WA has the greatest number (30) of minimum grant local governments out of any Australian State. Due to the different structure of local governments in WA, there are many local governments with smaller populations, managing larger areas and substantial asset bases

⁶ https://www.dlgsc.wa.gov.au/docs/default-source/local-government/financial-assistance-grants/methodology-for-the-distribution-of-commonwealth-financial-assistance-grants---august-2022.pdf?sfvrsn=bbd2c7e2_7.



(particularly roads). Publicly available information on the DLGSC website [Financial Assistance Grants | DLGSC](#) states –

...WA's high number of rural local governments which means the State average service level which local governments are compared against, is far lower in WA than other States. This means that all metropolitan local governments are seen as above average. If comparing this to other States, they have local governments within their metropolitan areas that are considered as needing a grant due to the higher average level of service.

In 2022-23 WA was provided \$205.1m in general purpose grant funding which was \$76.47 per capita. Under the national principles minimum grant local governments take home only 30 per cent of this amount, resulting in the \$22.94 per capita for their local government. The remaining \$53.53 per person is used to fund the other local governments grant needs.

It is noted that while minimum grant local governments receive only 30 per cent, due to their high populations, they still take home some of the largest FA grants. For example, the City of Stirling's general-purpose grant is \$5,121,605 and the City of Wanneroo's is \$4,952,261.

The minimum grant is a very small part of the income of large WA metropolitan councils. The loss of this grant is insignificant relative to their ability raise own source revenue. The pool of funds allocated to minimum grant Councils in WA could be used more beneficially for Local Governments and their communities. We support the concept of relative needs using equalisation principles to describe the objective (that councils with relatively greater need receive a relatively greater share of the funding) and the allocation process.

A further consideration is that the distribution of the roads portion of the FA Grants is determined on the asset preservation model. This does not take into account the ability of a local government to raise its own funds. This disproportionately favours large metropolitan local governments over their remote counterparts. A large metropolitan local government can easily raise the funds needed to look after their asset base due to having much larger population base. Smaller remote local governments cannot.

Case Study – Inequity in FAGs distribution within WA.

A comparison between the Shire of Wyndham East Kimberley and a large metropolitan local government (Wanneroo) provides the following. The Shire for the 2022/23 financial year generated a deficit of \$3,656 million. Our average rates per rateable property were \$3,951 and the amount of funding we need to spend maintaining our assets per rateable property is \$3,149. Our Shire received \$4,094 million in General purpose and Local Roads Grants under the FAG's distribution. Wanneroo by comparison made a surplus of \$17,517 million, has average rates per rateable property of \$1,735 and a renewable obligation per rateable property of \$478. Wanneroo received \$8,927 million in FAG's. This situation is an equity issue that needs to be addressed, especially when one considers that to replace the entire FAG's revenue Wanneroo would need to increase their average rates by \$105 per year which would still leave the average rate less than half of what our Shire's of Wyndham East Kimberley's average rates are.



Case Study – Inequity FAGs between comparable interstate Councils.

An examination of the distribution of FAGS funding received by the Shire of Wyndham East Kimberley and Cook Shire in Queensland shows the inequity in the distribution of FAGs grants between similar local governments in different States. The Cook Shire Council has a similar demographic to the Shire of Wyndham East Kimberley. It has 2,423 rateable properties and an average rate per rateable property of \$3,621. Cooktown Shire Council received around \$14.5 million in FA Grants. The Shire of Wyndham East Kimberley around \$2.7M.

Recommendations

- **That the distribution of FAGs is not based solely on a per capita allocation but informed by the principle of relative need.**
- **That the minimum grant requirement is removed, or *the* 30 percent be changed to be a range of between 10 percent and 30 percent to allow the States Grants Commissions more flexibility to achieve a more equitable outcome.**
- **That a floor placed into the methodology to assist the most disadvantaged local governments.**
- **That the Commonwealth include as part of the roads portion of the FAGs the capacity of a local government to raise its own funds for road renewal works.**

3. Aboriginal and Torres Strait Islander Peoples

Under the National Principles Financial assistance shall be allocated to local governments in a way that recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.

To thrive, Aboriginal people need access to good services, infrastructure and amenities, and Kimberley Councils are not funded to provide this. The National Agreement on Closing the Gap was established to enable Aboriginal and Torres Strait Islander people and governments to work together to overcome the inequality experienced by Aboriginal and Torres Strait Islander people and achieve life outcomes equal to all Australians.

We have a long way to close the gap in the Kimberley. As the sphere of government closest to the people, Kimberley Regional Group members plays an essential role in supporting and helping to steer the development of policies and programs in partnership with local Aboriginal peoples that address their priorities at the local and regional level.

The distribution of FAGs within WA does take into consideration the number of Aboriginal and Torres Strait Islander people within a local government area. However, due to the quantum of fund to be distributed, and other issues raised within this submission, the funding is not commensurate with need.

3.1 The Aboriginal population in the Kimberley is significantly high

Forty-one percent of the Kimberley population are Aboriginal and Torres Strait Islander people, compared to 3.3 percent for Western Australia and 8.4 percent for regional Western Australia.



The Aboriginal and Torres Strait Islander population for the Shire of Halls Creek is 77.6 percent and 60 percent in the Shire of Derby West Kimberley. Aboriginal people live in the major towns and on over a hundred Aboriginal communities across the region, with some communities very remote and large with populations over 500 people. There are over forty language groups across the region reflecting the diversity of Aboriginal peoples.

3.2 Kimberley level of disadvantage is significant

The Kimberley region faces huge levels of disadvantage. Socio-Economic Indexes for Areas (SEIFA) measure the relative level of socio-economic disadvantage and/or advantage based on a range of Census characteristics. The index of Relative Socio-Economic Advantage and Disadvantage shows the Kimberley, with a percentile score of 5, has a higher level of disadvantage on both indexes and is placed nationally in the bottom 5 percent of suburbs and localities across Australia. The Shire of Halls Creek is one of the most disadvantaged LGAs in Western Australia, with low income and education levels, and high levels of unemployment and health and social issues. The Shire has one of the lowest socio-economic ranking LGA's nationally, and the **lowest ranking** for West Australian municipalities on the SEIFA (Social and Economic Index for Areas) scale⁷.

Recommendation

- **That increased funding is provided to rural and regional local governments with large populations of Aboriginal and Torres Strait Islander people to provide infrastructure and appropriate services to support Closing the Gap targets.**
- **That there is increased investment by government to deliver the Closing the Gap outcomes.**

4. Revenue Sources

Local government sustainability is linked to its ability raise its own funds and the amount of critical infrastructure it needs to look after. These should be factors when considering support for local government. Kimberley Councils have insufficient revenue-raising capacity to maintain or upgrade their significant infrastructure holdings or provide the level of services that their communities desire. ALGA advises that on a national level local government derives nearly 90 percent of its revenue from its own sources (including rates and services charges)⁸. This is not the case for Kimberley Councils where own-source revenue-raising capacity is limited for reasons that will be outlined below.

4.1 Rates

Council rates are the single most important own source revenue for local governments. In the Kimberley rates fare poorly in the context of providing a growing source of revenue to match growing community demands for services. The returns from rates from Councils with a smaller geographic area are far greater per square kilometre than for Kimberley Councils. As small regional and remote Councils with small population bases, we have a limited rate base to finance

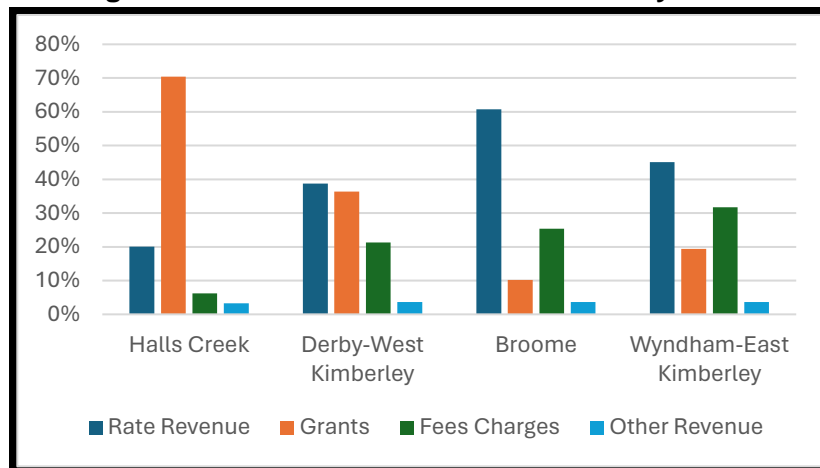
⁷ <https://profile.id.com.au/rda-kimberley/seifa-disadvantage-small-area>.

⁸ <https://alga.com.au/policy-centre/financial-sustainability/>



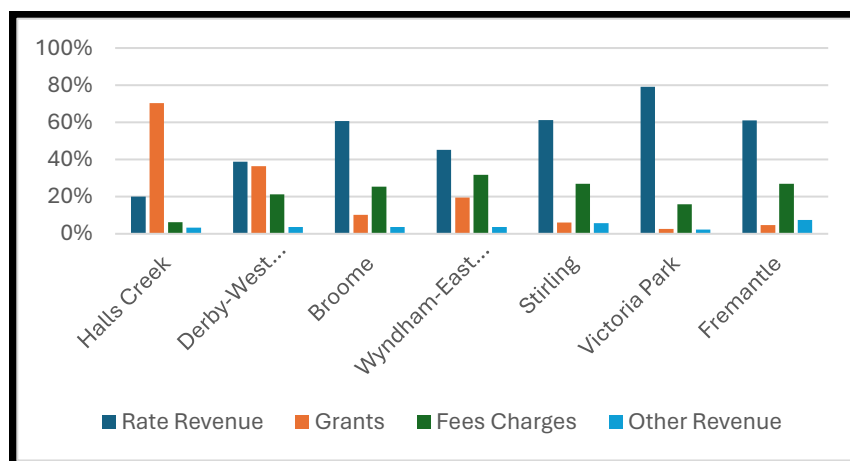
our vast road networks. The following shows the percentage source of revenue for Kimberley Councils 2020/21, (SDWK data is 2019/20) based on data from the WA My Council website⁹. FAGs are included in the grant's column. This grant shows the relative important of grants to Kimberley Councils.

Figure One - Percentage of revenue source for each Kimberley Council



When compared to the revenue profile of metropolitan Councils, the difference between the percentage of income derived from rates between Kimberley and metropolitan Councils stark, highlighting the critical importance of grants as a source of income

Figure Two - Percentage of Kimberley Council revenue sources compared to three WA metropolitan Councils



The average rate across the 4 Shires is around \$4000 per year, some of the highest rates in Western Australia. For example, the population of the Shire of Wyndham East Kimberley is estimated to be 8,209. The number of rateable properties in the Shire are 2,802. The total rates levied in 2022-2023 financial year amounted to \$11,1 million at an average rate per rateable property of \$3,951 per property. In metropolitan Perth the average rate is around \$1700. A large Metropolitan Perth Council with 70,000 residents and an average rate per property of \$1,500 has

⁹ <https://www.mycouncil.wa.gov.au/>



enormous potential to raise its own funds for maintenance of critical infrastructure. If they raise the average rate by \$500 to \$2,000 which is small compared to our average rates of around \$4,000, they will raise \$35m a year. This is a critical point when you consider that the minimum grant local governments in WA on average need \$628 per rateable property to fully fund asset renewal programmes. In the Kimberley it is difficult to raise revenue from land and property. Due to non-existent markets land and property are not commercially viable.

4.1.1 Rate exemptions

The WA government provides rate exemptions and concessions to a range of potential ratepayers, including State government bodies, charitable and benevolent organisations including schools and hospitals, and pensioners. Rates exemptions reduce our rates. This constrains our overall capacity to raise revenue from rates as it not feasible for us to set rates higher than otherwise would be required on non-exempt land. The cost of maintaining services and infrastructure to exempt organisations such as government agencies, schools and hospitals can be considerable. Some State governments do not fully compensate councils for mandatory exemptions and concessions, despite the State governments being responsible for them.

Recommendation

- **The Federal and State Government should pay rates to local government to reflect the cost of servicing those properties.**
- **State governments should review their requirements for rate exemptions to consider the ability of exempted groups to pay. State governments should fully compensate local government for those exemptions that are retained.**
- **Charitable institutions that are undertaking commercial operations should not qualify for exempt status.**

4.2 User charges

There is a significant balance for Kimberley Councils in setting user charges given the high levels of people on income support in the Kimberley. We have to balance competing efficiency and equity concerns along with the community's ability to pay for access to services such as the swimming pool. Many of our services are 'mixed goods', that is, they have characteristics of public and private goods. This requires us to determine the extent to which the liability for a given service should be apportioned between the individual through user fees and the wider community through rates. Our swimming pools do more than just provide a recreational space. They provide positive health benefits such as increased social connectedness and health and wellbeing impacts. This includes improved hygiene and reduced rates of infection. The average monthly temperature in Halls Creek is over thirty degrees, with average temperatures during the hot season over 35 degrees. The pool provides an important respite reducing heat stress, in particular for vulnerable members of the community.

Replacements to modern standards and provision of additional or alternate facilities are unfunded, often relying on grant funding to be upgraded, replaced, or built. Grants are competitive. For smaller under resourced Councils considerable time and effort, often without dedicated staff who can focus on this. Another key issue in seeking grants is the ability to co-



contribute. In areas of market failure there is a key role for the State and Federal Government to incentivise development through a range of measures including:

- Land – crown land freehold at no cost
- Government lease of properties – de-risk
- Up front capital grants

Recommendation

- **That local government fees and charges are removed from State Government legislation and regulation and local governments enabled to set fees and charges for services.**
- **Increased investment in dedicated grant funds for regional Councils to provide improved community infrastructure and services.**
- **The Local Roads and Community Infrastructure Program (LRCIP) is extended to give flexibility for Councils to spend where the community needs the funds spent.**
- **That there are more funding programs with principles like the Local Roads and Community Infrastructure program.**
- **An increase in funding to support rural and regional Councils to reduce their operating costs through the adoption of green technologies such as battery and solar technology.**

5. Taxation, rebates, and concessions

Taxation assistance programs form an important part of a broader suite of policy solutions to address some of the unique challenges Kimberley Councils face in relation to economic development and ensuring their communities have access to services and infrastructure to attract and retain a resident workforce.

Taxation arrangements can encourage or be a disincentive to a residential workforce. The Kimberley Regional Group agrees that governments at all levels should focus on creating successful business environments regardless of their location. A considered policy framework for business tax concessions is critical to support regional business and unlock business potential where issues such as poor access to infrastructure and services present as a significant barrier.

There are a number of fringe benefits tax (FBT) concessions that are critical to support Shires and local employer who provides benefits to an employee residing in a remote area. FBT exemptions should be applied to legitimate costs of doing business in the Kimberley to address inequities. The Australian Government could better use the taxation system to support the sustainability of regional local governments. The Shires have an obligation to deliver services. Reducing the tax savings from the concessions increases the cost of providing these services.

Remote area assistance programs can encourage people to live and work in regional areas. Some locations within the Kimberley including Fitzroy Crossing, Halls Creek, Kununurra, and Wyndham and attract a Zone Tax Offset (ZTO). Whilst in and of itself the ZTO amount is too low to be an attractor, it is part of a broader package of incentives which are meaningful and of benefit. There are many low paid employees that value the taxation concession. The government



rates for the ZTO have not been updated since 1993-94 and as a result the value of the offset to claimants has fallen significantly in real terms.

Recommendation

That the Federal Government

- **Increase tax offsets for remote living.**
- **Reform FBT in remote regional Australia to incentivise work and living regionally**
- **Overhaul of fringe benefits tax to support the cost of buying or renting a house in regional Australia. For example, expand FBT concessions from 50 to 100 per cent for individuals in regional communities to allow people to buy or rent a house, completely with pre-tax dollars.**
- **Provide tax incentives specifically for remote regions such as reductions in the luxury vehicle tax for 4x4 vehicles.**
- **Review the eligibility for remote area housing salary sacrifice for rental and home ownership is reviewed to support staff attraction and retention.**
- **Remove GST provision on local governments that construct and provide housing.**
- **Increase remote area allowances.**

The maintenance of important initiatives that reduce the cost of living in the Kimberley are critically important to support local government sustainability. The State government could implement a range of measures to support regional WA. Initiatives to date include a Regional airfare cap, capped airfares for residents between Kununurra and Broome and Perth and an affordable Airlines Program- subsidises Airnorth and Nexus Airlines flights between Broome and Kununurra for the first time, with fares to be capped.

Recommendation

That the WA State Government

- **Review their fees and charge to facilitate regional development.**
- **Remove stamp duty on the purchase of homes in the Kimberley and/or introduce a stamp duty rebate for home purchase.**

6. Impact of Regulatory Reform

Changes to Federal and State legislation can impact on the financial sustainability of Local Governments. This could be due to increase compliance or administrative costs in implementing legislative reforms. This is illustrated in the following case study.

Case Study – Implementation of the WA Public Health Plan

Part 5 of the WA Public Health Act 2016 comes into effect 4 June 2024. Local Governments must prepare their own Public Health Plan within 2 years. The Act has as a requirement that each local government authority in WA is required to produce a Public Health Plan. The work required to produce a practicable and realistic Public Health Plan is beyond that available within Kimberley Council's workforce, necessitating the need for additional resources. Furthermore, the current



Environmental Health workforce is over-stretched dealing with public health risks. This additional burden is a risk to an already overworked workforce which will divert resources from public health risks. If the government can fund every local government to engage services of a professional. The Shire of Broome estimates that this will be \$90,000 to implement.

Recommendation

- **That an impact analysis is undertaken by government to understand the cost of legislative reform on local government with appropriate support provided by the government to address this impact.**



Appendix One

Regional Airports

Kimberley Local Governments are a key provider of airport infrastructure across the Kimberley region. This includes local government ownership/management of the following airport assets¹⁰:

Shire of Derby West Kimberley	3 airports
Shire of Wyndham East Kimberley	2 airports
Shire of Halls Creek	1 airport

The airports serve a mixture of scheduled passenger services, general aviation, and charter services. This includes the Royal Flying Doctor Service, tourism, mining, agricultural, government services, aquaculture, and pearling. They perform a critical role in emergency management response and recovery efforts. The airports are critical to the attraction and retention of staff in our region by enabling them to remain connected to families and friends, and to access professional services. Also, they make FIFO (Fly-in, Fly-out) employment possible, make businesses more efficient and facilitate freight services. Due to vast distances and drives of up thirteen hours between them airports are a vital public transport service across the region.

The key issues facing airports include:

- low annual passenger movements;
- limited opportunities for diversified revenue streams;
- limited capacity to borrow funds;
- limited ability to attract and retain highly qualified staff;
- ageing airport infrastructure;
- high operational costs for aviation security screening where this is in place;
- high cost of doing business due to remoteness¹¹.

In addition, remoteness and weather conditions, means that the window to undertake capital works programs at airports is small.

It is a challenge for the smaller Kimberley airports to operate in a financially sustainable way. Councils subsidise airports because of the economic and social value of having air service to their town. Insufficient economies of scale make it difficult for Councils to effectively fund and manage current and future operational, asset renewal and upgrade costs. Kimberley Councils have significant challenges in upgrading facilities to meet future aviation needs and regular shortfalls in funds to maintain and operate this critical infrastructure.

¹⁰ The Shire of Broome is serviced by the Broome International Airport which is owned by Broome International Airport Pty Ltd

¹¹ https://www.transport.wa.gov.au/mediaFiles/aviation/AV_P_WAAS_Supporting_Papers_WA_Airports.pdf. Page 34.



For smaller airports, Shire relies on the Regional Airports Development Scheme (RADS) to fund improvements. This is a competitive funding round where funds are not guaranteed, making it difficult to manage and implement critical upgrades. It has been noted by Regional Capitals Australia, a national alliance of Australian local governments with a regional capital city, that the Civil Aviation Safety Authority (CASA)'s regulatory imposts are higher for regional and remote airports, comprising 12 per cent of total expenditure, compared to about 4 per cent for major airports and major regional airports¹². Also, that almost 40 percent of regional airports expect persistent budget deficits over the next 10 years.

The Commonwealth Government has developed an Aviation Green Paper Towards 2050. It is critical that the funding issues faced by regional Councils in managing critical airport infrastructure, including transition to a net zero economy, are addressed through an adequate, recurrent funding pool, along with funding to ensure accessibility and sustainability of regional aviation networks.

Housing

Shire of Wyndham East Kimberley - Affordable Housing for Child Care Workers

Kununurra is experiencing a severe shortage of affordable housing, exacerbated by post COVID rent increases. This has had a significant impact on the region's economy, particularly in industries such as tourism, hospitality and childcare, which are struggling to attract and retain workers due to the lack of affordable housing options.

The lack of affordable homes for key workers is impacting on the ability to attract and retain skilled workers in the region. This has implications for economic growth. In the case of child care workers, are they are unable to take up positions in town due to the lack of affordable housing options.

Worker shortages at the main child care facility in Kununurra have resulted in a waiting list of 140 children, and a current operating capacity limit of 44 percent. This lack of service capacity has forced some families to consider leaving the region or to reduce their working hours; an unacceptable outcome given the current shortage of labour in the area. The child care provider is relying on some fly-in-fly-out workers; however, this arrangement is costly, and not financially sustainable in the medium to long term. Without access to housing, to have a full staff compliment the financial viability of child care is in doubt. The consequential impact could be the loss of child care facilities in Kununurra.

Despite housing not being the core business of Local Government, the Shire has made the decision to address the market failure by facilitating an increase in affordable housing supply to support local businesses and services and to drive economic prosperity and diversification. To tackle the housing shortage, the Shire are facilitating the construction of new housing units for affordable housing in Kununurra. This will comprise of up to fourteen one- and two-bedroom units to be constructed on Shire owned land, but this is dependent on funding. The priority for the allocation of the housing units should this project get funded will be to child care workers.

¹² Regional Capitals Australia Regional Airport Policy www.regionalcapitalsaustralia.org.