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

Inquiry into Local Government Sustainability

Kimberley Regional Group Submission

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1. 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:

1. **Interactions between Governments**
   i. Assess the nature and scale of Australian, state and territory government funding provided to local government, both directly and through Commonwealth-state agreements.
   ii. Examine the legislative and policy frameworks underpinning Commonwealth financial support to local government.
2. **Identification of All Funding Sources**
   i. Identify and map all sources of funding received by local government from the Australian Government and state/territory governments, including:
      a. Untied grants (e.g., Financial Assistance Grants).
      b. Tied/specific-purpose grants and project-based programs, co-contribution requirements and competitive grant processes.
      c. Revenue sharing arrangements (e.g., stamp duty, rates capping subsidies, GST-related disbursements where applicable).
      d. Emergency, disaster recovery and resilience funding.
      e. One-off or ad hoc funding streams.
   ii. Examine local government own-source revenue (such as rates, fees, charges and commercial activities).
3. **Impacts and Effectiveness**
   i. Evaluate how funding arrangements, including indexation freezing, influence the financial sustainability, service delivery capacity and infrastructure investment of local governments.
   ii. Consider whether existing funding mechanisms are addressing the evolving responsibilities of local governments.
   iii. 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.
   iv. Explore opportunities to improve productivity and coordination of local government.
4. **Previous Inquiry**
   i. Consider evidence provided to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport of the 47th Parliament Inquiry into Local Government Sustainability
5. **Other relevant matters**

The Kimberley Regional Group (KRG) made a submission to the inquiry into local government financial sustainability in May 2024, which included detailed case studies, quantitative data and council-specific examples. This submission responds to the revised Terms of Reference and is intended to complement that earlier work by focusing on systemic issues, funding framework design and structural sustainability challenges. Detailed case studies and figures have not been repeated to avoid duplication and because the underlying issues identified in 2024 remain current.

Table 1 Terms of Reference Crosswalk

Inquiry Term of Reference	Where Addressed in Submission
Interactions between governments	Executive Summary; Section 2 (Expanding Role of Local Government); Section 5 (Unfunded Service Expectations); Section 9 (National Issue)
Nature and scale of Commonwealth, state and territory funding provided to local government	Executive Summary; Section 3 (Financial Assistance Grants); Section 6 (Workforce and Housing); Section 8 (Airports); Section 7 (Disaster Funding)
Legislative and policy frameworks underpinning Commonwealth financial support to local government	Executive Summary; Section 3 (FA Grants); Section 7 (Disaster Funding); Section 8 (Airport Funding Programs)
Identification and mapping of all funding sources available to local government	Executive Summary; Section 3 (FA Grants); Section 6 (Workforce/Housing); Section 7 (Disaster Funding); Section 8 (Airport Funding)
Untied funding, including Financial Assistance Grants	Executive Summary; Section 3; Recommendations 1 and 2
Tied, competitive and specific-purpose grants (including co-contributions)	Executive Summary; Section 7 (Disaster Funding); Section 8 (Airports); Recommendations 4, 5 and 8
Emergency, disaster recovery and resilience funding	Executive Summary; Section 7; Recommendation 4
Local government own-source revenue (rates, fees and charges)	Executive Summary; Section 4 (Revenue Constraints); Recommendation 3
Impact of funding arrangements on sustainability, service delivery and infrastructure investment	Executive Summary; Sections 1–9 (cumulative analysis)
Whether funding mechanisms reflect the expanding role of local government	Executive Summary; Section 2; Section 5; Section 6; Recommendation 2
Barriers to infrastructure and service delivery, including workforce attraction and retention	Executive Summary; Section 6; Section 7; Section 8; Recommendation 6
Infrastructure backlogs and asset sustainability	Executive Summary; Sections 7 and 8
Productivity, efficiency and coordination across governments	Executive Summary; Section 5 (agency coordination); Section 9; Recommendations 5 and 7

Inquiry Term of Reference	Where Addressed in Submission
Regional, rural and remote impacts	Executive Summary; Sections 1–9 (entire submission)
Consideration of prior inquiries into local government sustainability	Executive Summary; Introduction / Context (reference to prior KRG and related work)
Any other relevant matters	Executive Summary; Section 9 (national implications); Section 10 (Recommendations)

2. Executive Summary

Local government sustainability in the Kimberley represents one of the most acute and consequential challenges facing Australia's system of local government. The scale, remoteness and demographic profile of the region create structural conditions that place extraordinary pressure on councils' capacity to deliver services, maintain infrastructure and remain financially viable. These challenges are not the result of poor governance or insufficient local effort, but of funding and policy frameworks that have not been designed to operate effectively in extreme remote environments.

The Kimberley covers more than 420,000 square kilometres and includes over 80 remote communities, many of which are isolated for extended periods during the wet season. Aboriginal people comprise more than 40 per cent of the regional population, with significantly higher proportions in many remote locations. Local governments operate across vast distances, manage extensive road and airport networks, and deliver services in communities characterised by high levels of disadvantage and limited access to state and Commonwealth services.

In this context, Kimberley councils increasingly act as service providers of last resort. Local governments routinely step in to support health access, childcare provision, environmental health, community safety and basic amenity where other services are unavailable or intermittent. Councils also play a practical role in supporting Closing the Gap outcomes through place-based infrastructure, service coordination and local employment.

While significant public funding is directed to a range of agencies and programs aimed at improving outcomes in the Kimberley, local governments are frequently required to coordinate service delivery on the ground where programs operate in silos or do not align with local delivery realities. Expectations for local government involvement in these areas have expanded, but funding arrangements have not evolved to recognise the scale, complexity or cost of this role.

Financial Assistance Grants are the cornerstone of local government funding in the Kimberley and are essential to council viability. However, the real value of FAGs has been eroded over time through indexation mechanisms that do not reflect the true cost drivers of remote service delivery. Kimberley councils face disproportionately high construction and maintenance costs, freight and mobilisation expenses, workforce scarcity and contractor premiums. In practice, infrastructure projects routinely attract cost loadings of 50 to 70 per cent to account for remoteness and limited market competition. The current FAGs framework does not adequately recognise these realities, leaving councils exposed to structural funding gaps.

Opportunities to offset these pressures through local revenue are extremely limited. The Kimberley has a narrow rate base, extensive rate-exempt land and significant affordability constraints. Rates and user charges cannot be increased to a level that would materially improve sustainability without adverse social and economic consequences.

Workforce availability and housing constraints further undermine service viability. Persistent labour shortages, limited housing supply and the sale of government employee housing without replacement have made it increasingly difficult to attract and retain staff and essential service workers. In response, local governments have been required to invest in or facilitate housing for council staff, doctors, childcare workers and other critical personnel—functions that sit outside traditional local government roles and are largely unfunded.

The Kimberley is also highly exposed to disasters and climate risk. Councils manage thousands of kilometres of predominantly unsealed roads that are repeatedly damaged by flooding and extreme weather. Disaster funding frameworks that prioritise like-for-like reinstatement over resilience and betterment perpetuate a cycle of damage and repair, driving up long-term costs and increasing financial risk.

Regional airports operated by local governments are another critical pressure point. These airports support medical retrieval, emergency response, freight movement and regional connectivity, yet operate within highly regulated environments with significant compliance and renewal costs.

Despite the regional, state and national importance of these assets, the financial and regulatory burden of operating regional airports falls largely to local government, with limited and competitive funding support.

Taken together, these factors demonstrate that local government sustainability in the Kimberley is not a local issue, but a national one. Councils underpin the delivery of health, economic participation, disaster response and Closing the Gap outcomes in one of Australia's most challenging regions. Without structural reform to funding arrangements that recognise remote cost drivers, constrained revenue capacity and service substitution roles, sustainability pressures will continue to intensify, with broader consequences for public policy effectiveness and long-term costs across governments.

This submission calls for reform to Financial Assistance Grants, disaster funding frameworks, infrastructure funding models and workforce and housing support mechanisms to ensure that local governments in the Kimberley can deliver essential services sustainably. Strengthening local government capacity in the Kimberley is an investment in national outcomes and a prerequisite for equitable and effective service delivery across Australia.

3. 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 Kimberly 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 billion[1]**.** 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 the immediate and long-term financial obligations of Kimberley local governments.

[1] https://app.remplan.com.au/kimberleyregion/economy/summary?state=grzqFNYpOIq9Mexua8nao9UVhYhY4q

4. Context: The Kimberley – Addressing Structural Unsustainability

The Kimberley region represents one of the most challenging local government operating environments in Australia. Its scale, remoteness, population composition and exposure to climate impacts combine to create structural conditions that place extraordinary pressure on local government sustainability. These conditions are not episodic or transitional; they are enduring and intensifying.

The Kimberley covers an area of more than 420,000 square kilometres, with a dispersed population across four local government areas and more than eighty remote communities. Service delivery distances are vast, transport connectivity is limited, and access to goods, services and labour is constrained by geography and seasonal conditions. Many communities are isolated for extended periods during the wet season, with significant implications for infrastructure maintenance, service continuity and emergency response.

The region has one of the highest proportions of Aboriginal residents in Australia, with Aboriginal people comprising more than 40 per cent of the Kimberley population, and substantially higher proportions in many remote communities. This demographic profile shapes the operating environment for local governments in ways that are not adequately recognised within mainstream funding frameworks. Councils are required to operate in contexts characterised by high levels of disadvantage, complex service needs and limited access to state and Commonwealth services, while also supporting national policy objectives such as Closing the Gap.

Economic and revenue conditions further compound these challenges. The local government rate base in the Kimberley is narrow and highly constrained, reflecting low population density, limited private property markets and significant land tenure and exemption arrangements. Opportunities to supplement revenue through user charges or commercial activity are limited by affordability constraints and lack of scale. While significant public funding flows into the region through a range of government agencies and programs, local governments are often left managing the practical consequences of service gaps and fragmentation on the ground, without funding certainty or coordination authority.

Infrastructure demands in the Kimberley are both extensive and atypical. Local governments are responsible for vast road networks, including unsealed roads servicing remote communities, pastoral areas and essential freight routes. These assets are subject to repeated damage from flooding and extreme weather events, accelerating deterioration and increasing lifecycle costs. The cost of maintaining basic levels of access and safety far exceeds what would be expected in more densely populated regions.

Climate change is amplifying these pressures. Increasing intensity of rainfall events, longer wet seasons and higher temperatures are altering risk profiles and placing additional strain on infrastructure designed to historical standards. In this context, local government sustainability in the Kimberley cannot be assessed through conventional metrics or comparisons with metropolitan or regional centres elsewhere in Australia.

Taken together, these factors mean that the Kimberley is not simply experiencing a more severe version of the challenges facing other local governments. It represents an extreme case of structural unsustainability within the current funding and governance framework. Understanding the Kimberley context is therefore critical to assessing the adequacy of local government funding arrangements and to designing reforms that are capable of supporting equitable, effective and sustainable service delivery across Australia.

5. The Expanding Role of Local Government in the Kimberley

Local governments in the Kimberley operate well beyond the traditional scope of municipal service delivery. In practice, councils are increasingly required to act as service providers of last resort, stepping in where services delivered by other levels of government are limited, withdrawn, intermittent or unavailable. This expansion of role is not discretionary; it is driven by necessity and by the practical realities of operating in remote and highly disadvantaged environments.

In many Kimberley communities, local government is the most visible and consistently present level of government. Councils are frequently required to support access to essential services that are foundational to community wellbeing and economic participation, including health, childcare, community safety, environmental health and basic amenity. While these functions often sit formally within state or Commonwealth responsibility, the absence of sustained service delivery capacity on the ground means that councils are routinely expected to fill gaps to avoid service failure.

Health access in the Kimberley illustrates the indirect but significant role local government plays in sustaining essential services. In recognition of the absence of viable private general practice models, the Western Australian Country Health Service directly employs medical practitioners in hospital settings, and Aboriginal Medical Services provide a substantial proportion of primary health care across the region. While these arrangements are critical, their effectiveness is often contingent on local government support through the provision of serviced land, staff accommodation, infrastructure maintenance, community amenity and logistical assistance. These contributions are essential to service viability but sit outside formal funding responsibilities, creating additional and largely unrecognised cost pressures for councils.

Childcare is a key area where local governments have assumed responsibilities beyond their traditional remit. In remote and regional Kimberley communities, market-based childcare provision is often not viable due to scale, workforce availability and affordability constraints. Councils have been required to establish, subsidise or directly operate childcare services to enable workforce participation, support families and maintain community viability. In some cases, the continuation of essential local employment—including within council operations themselves—has depended on local government intervention to sustain childcare services.

Local governments also deliver a growing range of preventative and diversionary programs that support community safety, wellbeing and economic participation. School holiday programs are a clear example. In many Kimberley communities, councils coordinate or directly deliver holiday activities that provide structured, supervised environments for young people during periods of heightened risk. These programs support positive engagement, reduce pressure on policing and community services, and enable parents and carers to remain in employment. While these initiatives deliver measurable social and economic benefits, they are rarely funded on an ongoing basis and are often delivered using limited discretionary resources.

Council-managed libraries similarly illustrate the expanding service role of local government. In the Kimberley, libraries increasingly function as multi-purpose community hubs rather than traditional book-lending facilities. They provide access to digital services, training and literacy programs, community meeting space, support for students and jobseekers, and safe, accessible environments for community connection. These functions are particularly important in communities with limited access to other public facilities, yet funding and policy frameworks have not kept pace with the expanded expectations placed on these services.

The role of local government in supporting Closing the Gap outcomes is increasingly prominent in the Kimberley. Councils work directly with Aboriginal communities to deliver infrastructure, services and place-based initiatives that align with national policy objectives. However, while expectations for local government contribution to Closing the Gap have increased, funding arrangements have not evolved to reflect the scale or complexity of this role. As a result, councils are contributing materially to nationally significant objectives without commensurate resourcing.

This expansion of responsibilities has occurred alongside, rather than instead of, councils' core obligations to maintain infrastructure, manage assets and deliver municipal services across vast and challenging geographies. The cumulative effect is a widening gap between what Kimberley local governments are expected to do and what they are resourced to deliver.

The experience of the Kimberley demonstrates that local government sustainability cannot be assessed solely by reference to statutory functions or formal funding responsibilities. In regions where councils are required to act as service providers of last resort and deliver essential community infrastructure and programs in practice, funding frameworks must recognise the full scope of services delivered. Failure to do so risks entrenching unsustainable operating models and undermining the delivery of essential services to some of Australia's most vulnerable communities.

6. Financial Assistance Grants: Essential but Inadequate for Remote Regions

Financial Assistance Grants (FA Grants) are the single most important source of predictable, untied funding for Kimberley local governments. In a region where own-source revenue is severely constrained and service delivery costs are exceptionally high, FA Grants underpin councils' ability to maintain basic services, support essential infrastructure and respond to community needs. Without FA Grants, the financial viability of local government in the Kimberley would be fundamentally compromised.

While the principles underpinning the FA Grants framework—particularly horizontal fiscal equalisation—are sound, the operation of the system does not adequately reflect the realities of remote service delivery. The overall quantum of FA Grants has not kept pace with the expanding responsibilities of local government, and indexation arrangements fail to align with the cost structures faced by councils operating in remote and very remote environments.

Indexation of Financial Assistance Grants is linked to broad economic measures that bear little relationship to the primary cost drivers in the Kimberley. Local governments in the region are disproportionately exposed to construction and maintenance costs, long-distance freight and transport expenses, contractor premiums, workforce scarcity and higher insurance and compliance costs. In practice, councils routinely apply project cost loadings of between 50 and 70 per cent to infrastructure works to account for remoteness, mobilisation, accommodation, freight and limited market competition.

These pressures have consistently outpaced general inflation, resulting in a sustained erosion of the real value of FA Grants and a material decline in councils' purchasing power over time. The impacts of inadequate indexation are compounded by the scale and nature of local government responsibilities in the Kimberley. Councils are responsible for extensive road networks, community infrastructure and service delivery across vast and sparsely populated areas. The cost of maintaining even minimum levels of access and safety is high, yet funding increases do not reflect these structural cost differentials. As a result, councils are forced to make difficult trade-offs between asset maintenance, service provision and financial reserves.

Minimum grant provisions within the FA Grants framework also have unintended consequences for remote regions. While minimum grants provide stability for councils experiencing population decline or limited growth, they reduce the pool of funding available for redistribution to councils facing acute cost pressures associated with remoteness, climate exposure and service substitution. Over time, this constrains the responsiveness of the system and limits its capacity to adapt to changing regional circumstances.

The roads component of FA Grants distribution is particularly significant for Kimberley councils. Local governments in the region maintain many thousands of kilometres of roads, the majority of which are unsealed and subject to repeated damage from flooding during the wet season. The costs associated with maintaining these networks are disproportionately high relative to population, yet funding formulas do not adequately capture the true lifecycle costs of road infrastructure in remote and climatically challenging environments.

Taken together, these factors mean that while FA Grants are essential to Kimberley local governments, they are no longer sufficient to support long-term sustainability. Rather than forming a stable base for planning and investment, FA Grants increasingly function as a partial and declining contribution to rapidly escalating costs. This leaves councils increasingly reliant on competitive and tied funding to address structural gaps, undermining flexibility and long-term financial planning.

Importantly, the challenges associated with FA Grants in the Kimberley are not the result of weak financial management. Kimberley councils continue to undertake asset management planning, long-term financial forecasting and prudent budgeting. The issue is structural: the FA Grants framework does not adequately recognise the scale, remoteness and complexity of service delivery in regions such as the Kimberley.

For the Kimberley, reform of Financial Assistance Grants is not a matter of incremental adjustment but a prerequisite for sustainability. Without changes to quantum, indexation and distribution settings that better reflect remote cost drivers and responsibilities, local governments in the region will continue to face structural financial stress, with consequences for service delivery, infrastructure condition and community wellbeing.

7. Structural Constraints on Local Revenue Capacity

Local governments in the Kimberley operate within a fundamentally constrained revenue environment. Unlike metropolitan and many regional councils elsewhere in Australia, Kimberley councils have very limited capacity to increase own-source revenue through rates, fees or charges. These constraints are structural, not discretionary, and significantly limit the ability of local governments to respond to escalating costs through local revenue effort.

The Kimberley has an extremely low population density spread across vast geographic areas. Private property markets are small, uneven and highly constrained. Large proportions of land are held under tenure arrangements that are either exempt from rates or generate minimal rate revenue, including Aboriginal land, pastoral leases and government-owned land. As a result, the rate burden is concentrated on a small number of ratepayers, limiting the scope for further increases without creating inequitable or unsustainable outcomes.

Affordability considerations further restrict rate-setting capacity. Many Kimberley communities experience high levels of socioeconomic disadvantage, and household capacity to absorb significant rate increases is limited. In remote Aboriginal communities in particular, rate increases can have disproportionate impacts and are not a viable mechanism for addressing structural funding gaps. In this context, reliance on increased rates as a solution to sustainability challenges risks exacerbating disadvantage without delivering meaningful fiscal improvement.

Opportunities to supplement revenue through fees, charges or commercial activities are also limited. Low population density, high operating costs, workforce shortages and limited market scale mean that many services cannot be delivered on a cost-recovery basis. Where fees and charges are applied, they are often set below full cost to maintain access to essential services, further constraining revenue potential.

Importantly, Kimberley local governments already demonstrate a high level of revenue effort relative to their circumstances. Rates are not low by national standards when assessed against local income levels and cost-of-living pressures. Assertions that local government sustainability in the Kimberley can be achieved through greater local revenue effort fail to account for the narrowness of the rate base, affordability constraints and the essential nature of many services delivered by councils.

The mismatch between revenue capacity and expenditure responsibility is particularly acute in the Kimberley because councils are required to deliver services and maintain infrastructure that support regional, state and national objectives. This includes maintaining access to remote communities, supporting economic activity, enabling service delivery by other levels of government and contributing to Closing the Gap outcomes. These responsibilities generate costs that cannot be recovered locally.

Taken together, these factors demonstrate that revenue constraints in the Kimberley are structural and enduring. Local governments have limited capacity to raise additional revenue without adverse social and economic consequences. Sustainable funding solutions for the Kimberley must therefore focus on reforming intergovernmental funding arrangements rather than relying on increased local revenue effort as a primary response to fiscal sustainability challenges.

8. Aboriginal Population, Disadvantage and Unfunded Service Expectations

The Kimberley has one of the highest proportions of Aboriginal residents in Australia, with Aboriginal people comprising more than 40 per cent of the regional population and significantly higher proportions in many remote communities. This demographic reality shapes the operating environment for local governments in profound ways and creates service expectations that are not adequately recognised within existing funding frameworks.

Many Aboriginal communities in the Kimberley experience persistent disadvantage across health, employment, housing and education outcomes. These challenges are compounded by remoteness, limited access to services and workforce shortages. While responsibility for addressing these issues formally sits across multiple state and Commonwealth portfolios, local governments are frequently required to respond to their consequences in practice, often without dedicated funding or program support.

Significant public funding is directed to a range of government agencies and programs with the objective of improving outcomes for Aboriginal people and progressing Closing the Gap. However, in the Kimberley, many of these funding streams are delivered through short-term, program-based contracts that do not provide adequate resourcing to support coordination at the local level. Funding arrangements often focus on discrete service outputs rather than place-based integration, which can lead to misalignment, duplication or gaps in service delivery.

In addition, contracts frequently do not cover the full cost of service delivery in remote environments, including workforce attraction and retention costs. Short funding cycles, combined with the absence of provision for housing, rent subsidies or other cost-of-living pressures, make it difficult for service providers to recruit and retain staff in the Kimberley. These structural limitations affect service continuity and effectiveness, despite the overall level of public investment.

In practice, local governments are frequently required to convene agencies, facilitate collaboration and address service gaps to ensure that programs operate effectively within communities. This coordinating role is essential to achieving meaningful outcomes, yet it is largely unfunded and unrecognised within existing local government funding frameworks.

The persistence of poor social and economic indicators in the region raises legitimate questions about whether existing funding arrangements are sufficiently integrated, targeted and aligned with on-the-ground needs. From a local government sustainability perspective, the issue is whether funding is adequate to cover contract costs, structured and coordinated in a way that delivers lasting outcomes without transferring responsibility and cost to councils.

Employment and workforce dynamics further illustrate these pressures. High levels of unemployment among Aboriginal people coexist with acute shortages of skilled and semi-skilled labour across the region. Councils are often among the largest local employers in their communities and are expected to provide training opportunities, transitional employment and culturally appropriate workplace support. While these efforts deliver important social and economic benefits, they add to operational costs and management complexity without corresponding increases in funding.

Housing availability compounds these challenges. In many Kimberley communities, limited housing supply constrains both service delivery and workforce participation. Local governments are increasingly drawn into facilitating or providing accommodation to support essential workers, community services and local employment initiatives. These activities sit outside traditional local government roles and are rarely supported by dedicated funding, yet are critical to sustaining community viability.

Taken together, these dynamics demonstrate that Kimberley local governments operate in an environment where service expectations extend well beyond formal funding responsibilities. Councils are required to absorb costs associated with disadvantage, remoteness and service coordination while operating within constrained revenue bases and volatile funding arrangements. This mismatch is structural and persistent.

Recognising the practical role local governments play in Aboriginal communities and Closing the Gap outcomes is essential to any meaningful discussion of funding and fiscal sustainability. Without funding frameworks that acknowledge and support the services councils deliver in practice, sustainability pressures in the Kimberley will continue to intensify, with consequences not only for local governments but for the communities they serve and the effectiveness of broader government investment.

9. Workforce Availability, Housing and Service Viability

Workforce availability and housing constraints represent some of the most acute and interrelated challenges to local government sustainability in the Kimberley. These pressures affect councils' ability to deliver services, maintain infrastructure and meet expanding expectations, and they are largely outside the control of local government.

The Kimberley faces persistent shortages of both skilled and unskilled labour. Geographic isolation, high living costs, limited housing availability and challenging working conditions significantly reduce the attractiveness of the region for workers. These challenges are compounded by competition from state and Commonwealth infrastructure projects, resource sector activity and short-term contracting, all of which draw from the same limited labour pool and drive up wage and mobilisation costs.

Housing availability is a critical constraint on workforce attraction and retention. In many Kimberley towns and remote communities, rental markets are extremely limited. The lack of appropriate Government Regional Officers' Housing (GROH) stock combined with reliance on the private market to house government agency staff, has further reduced availability and driven up costs. Funding and contracting arrangements frequently exacerbate these challenges.

Many government-funded programs assume the availability of a functioning housing market and do not adequately recognise the cost of attracting and retaining staff in remote regions. Short-term funding cycles, combined with limited provision for accommodation, rent subsidies or cost-of-living pressures, make it difficult for service providers to establish stable workforces. This results in high staff turnover, reliance on temporary or fly-in fly-out arrangements, and reduced continuity of service delivery.

In response to these structural failures, local governments in the Kimberley are increasingly required to play a facilitative role in workforce and housing provision. This may include investing in or managing staff accommodation, facilitating land release or infrastructure servicing, or partnering in housing projects to support essential workers such as council staff, doctors, nurses, childcare workers and environmental health officers. While these interventions are critical to maintaining service viability, they sit outside traditional local government responsibilities and are rarely supported by dedicated funding.

The impacts of the COVID-19 period intensified these pressures. In Western Australia, large-scale state-funded infrastructure programs were accelerated to stimulate economic activity. While these initiatives delivered important macroeconomic outcomes, they also absorbed a significant proportion of available construction labour and contractor capacity, particularly in regional and remote areas. For Kimberley councils, this increased competition for labour, escalated project costs and delayed the delivery of essential local infrastructure.

Taken together, workforce shortages and housing constraints undermine the sustainability of local government operations and the broader service system in the Kimberley. These challenges are not the result of local inefficiency or poor planning, but of systemic housing market failures, funding assumptions and labour market dynamics that do not reflect remote operating conditions. Without coordinated, place-based approaches to workforce and housing that recognise the role local governments play in sustaining essential services, councils will continue to face escalating costs, delivery risks and sustainability pressures.

10. Disaster Exposure, Climate Risk and the Scale of Infrastructure Responsibilities

Local governments in the Kimberley operate in one of the most disaster-exposed environments in Australia. Seasonal flooding, cyclones, extreme rainfall events and prolonged wet seasons are not exceptional occurrences but predictable features of the operating environment. These conditions impose persistent and compounding pressures on infrastructure, service delivery and financial sustainability.

Kimberley councils are responsible for extensive road networks servicing remote communities, pastoral areas, tourism destinations and essential freight routes. The majority of these roads are unsealed and traverse flood-prone terrain. During the wet season, many roads are damaged or rendered impassable, isolating communities and disrupting access to essential services. Repeated inundation accelerates asset deterioration, shortens maintenance and renewal cycles and increases whole-of-life costs well beyond those faced by councils in more densely populated regions.

Disaster funding arrangements do not adequately reflect this reality. In Western Australia, disaster recovery funding is largely focused on reinstatement to pre-event condition rather than supporting resilience or betterment. As a result, infrastructure is frequently rebuilt to the same standards that failed in previous events, leaving assets vulnerable to repeated damage. This approach creates a cycle of damage, repair and re-damage that drives up long-term costs and undermines asset sustainability.

The financial impacts of this model are particularly acute for Kimberley local governments. Councils are required to fund immediate response activities, manage temporary access solutions and reallocate resources during disaster events, often before eligibility for reimbursement is confirmed. Reimbursement processes can be complex and time-consuming, creating cash-flow pressures and, in some cases, requiring councils to draw on reserves or short-term borrowing. These impacts reduce capacity to fund planned maintenance and service delivery and increase financial risk.

Climate change is intensifying these challenges. Changing rainfall patterns, increased intensity of storm events, longer wet seasons and rising temperatures are altering risk profiles across the region. Infrastructure designed to historical standards is increasingly exposed to conditions beyond its original design parameters. Without funding mechanisms that explicitly support adaptation and resilience, local governments are left managing escalating risk within frameworks that prioritise reinstatement over long-term risk reduction.

The scale of Kimberley infrastructure magnifies these impacts. Maintaining basic levels of access across thousands of kilometres of roads in remote and climatically extreme environments imposes costs that far exceed what would be expected in more accessible regions. These networks are essential not only for local communities, but also for regional economies, emergency response, health access and service delivery by other levels of government.

Taken together, disaster exposure, climate risk and the scale of infrastructure responsibilities create a structural sustainability challenge for Kimberley local governments. Without reform to disaster funding arrangements that recognises cumulative impacts, supports resilience and betterment, and reflects the realities of remote service delivery, councils will continue to face escalating costs, repeated asset failure and increasing financial stress, with broader implications for community safety and service continuity.

11. Airports, Connectivity and Essential Infrastructure

In the Kimberley, regional airports operated by local governments are critical infrastructure assets that support essential services, economic activity and community safety. These airports provide the primary means of passenger transport for many communities and are vital to medical retrieval, emergency response, policing, disaster management, freight movement and regional connectivity. Given vast distances, seasonal road closures and limited alternative transport options, aviation connectivity in the Kimberley is fundamental rather than discretionary.

Kimberley local governments are responsible for the ownership, operation and maintenance of multiple regional airports that service catchments extending well beyond municipal boundaries. Demand for these facilities reflects regional, state and national needs, including health service delivery, resource sector operations and emergency management. Despite this broader function, the financial and regulatory responsibility for airport operations sits predominantly with local government.

Regional airports operate within highly regulated environments, with mandatory safety, security and compliance requirements. Ongoing obligations relating to runway surfaces, lighting systems, navigation aids, perimeter fencing, firefighting capability and regulatory audits impose significant and largely fixed costs. These requirements apply regardless of passenger volumes, making cost recovery through user charges difficult or impossible for low-volume remote airports.

Funding support for regional airport infrastructure is limited and highly competitive. Commonwealth programs, including the Regional Airports Program, provide important assistance but are project-specific, short-term and insufficient to address the scale and continuity of renewal and compliance requirements faced by Kimberley airports. Accessing these programs requires councils to undertake detailed technical assessments, business cases and compliance planning in advance, with no guarantee of success and no funding support for preparatory work.

The competitive nature of airport funding further disadvantages remote regions. Limited internal capacity, high project preparation costs and compressed application timeframes create barriers to participation for councils already managing multiple infrastructure pressures. Where funding is secured, councils are often required to co-contribute and to assume long-term operating and maintenance liabilities without corresponding increases in untied funding.

The consequences of underinvestment in regional airports extend beyond local government balance sheets. Deferred upgrades or constrained operations can affect medical evacuation capability, emergency response times, supply chains and regional economic participation. These impacts have broader implications for community safety, resilience and the effectiveness of services delivered by other levels of government.

For Kimberley local governments, the sustainability of regional airports cannot be separated from broader funding and governance arrangements. Airports function as critical regional and national infrastructure, yet their ongoing viability depends on local government resources within constrained funding frameworks. Without more stable, coordinated and adequate funding mechanisms that recognise the regional and national role of these assets, councils will continue to face increasing financial risk and infrastructure backlogs in this essential area.

12. Why Kimberley Local Government Sustainability Is a National Issue

The sustainability of local government in the Kimberley is not a matter of local administration or regional circumstance alone. It is a national policy issue with direct implications for the effectiveness of Commonwealth and state investment across health, disaster management, economic participation, Closing the Gap and regional development.

Local governments in the Kimberley underpin the delivery of a wide range of services and policy objectives that sit formally within other jurisdictions. Roads, airports, environmental health services, community infrastructure and basic amenity provided by councils form the foundational platform upon which health services, emergency response, education, policing and social programs depend. Where local government capacity is constrained, the effectiveness of these broader service systems is diminished, regardless of the level of funding allocated to individual agencies or programs.

Closing the Gap outcomes provide a clear illustration of this dependency. The Kimberley has been the focus of sustained national effort and investment aimed at improving outcomes for Aboriginal people. However, progress toward these objectives is contingent on local delivery environments that enable services to operate effectively. Local governments maintain access to remote communities, provide essential infrastructure, manage environmental health risks and support workforce and housing viability. Without sustainable local government capacity, national policy ambitions cannot be fully realised in practice.

Economic participation and regional productivity are similarly affected. The Kimberley's ability to support tourism, workforce mobility, supply chains and regional economic activity depends on reliable infrastructure, liveable communities and functional service systems. Local governments play a central role in sustaining these conditions, yet do so within funding frameworks that do not adequately reflect the costs and risks of operating in remote and climatically challenging environments. Failure to address these structural constraints limits the return on public investment and constrains long-term economic potential.

The Kimberley also holds strategic importance in relation to disaster preparedness, response and recovery. Local governments are central to emergency management across vast areas exposed to extreme weather and climate impacts. Where councils lack the capacity to invest in resilient infrastructure or manage repeated recovery cycles, the long-term cost to governments increases. Strengthening local government sustainability in the Kimberley is therefore a critical component of national disaster risk reduction and resilience.

More broadly, the Kimberley highlights the limitations of uniform funding and governance frameworks applied across highly diverse local government contexts. Approaches that do not account for extreme remoteness, service substitution and cumulative disadvantage risk entrenching inefficiency and inequity. Addressing sustainability in the Kimberley provides an opportunity to inform more adaptive, place-based funding models that improve outcomes across multiple policy domains.

In this context, reforming local government funding and fiscal sustainability in the Kimberley should be viewed as an investment in national outcomes rather than a regional concession. Strengthening the capacity of councils to deliver infrastructure and services in one of Australia's most challenging environments will enhance the effectiveness of government programs, reduce long-term costs and support equitable service delivery across the nation.

13. Recommendations

Addressing local government funding and fiscal sustainability in the Kimberley requires structural reform that recognises the region's extreme operating environment, constrained revenue base and critical role in enabling national policy outcomes. Incremental adjustments to existing arrangements will not be sufficient. The following recommendations are proposed for consideration by the Committee.

Recommendation 1: Strengthen the Quantum and Stability of Financial Assistance Grants

That the Australian Government review the quantum of Financial Assistance Grants, including consideration of increasing the total FAG pool to a level commensurate with the expanding role of local government. In particular, consideration should be given to restoring the real value of FAGs lost following the 2014–15 to 2016–17 indexation freeze and to establishing a more sustainable funding base, including linking Financial Assistance Grants to a fixed proportion of Commonwealth tax revenue (for example, 1 per cent).

Recommendation 2: Reform Indexation to Reflect Local Government Cost Pressures

That the Australian Government develop an indexation methodology for Financial Assistance Grants that better reflects the actual cost drivers faced by local governments, particularly in remote and very remote regions. Indexation should align with local government expenditure profiles, including construction and maintenance costs, freight and mobilisation expenses, workforce scarcity and climate exposure, while also providing predictability and consistency to support multi-year financial planning.

Recommendation 3: Reset Financial Assistance Grant Payment Arrangements

That the current Financial Assistance Grant payment cycle be reviewed and reset through a once-off corrective payment to address the cumulative impacts of payment bring-forwards, followed by the implementation of a fixed and consistent annual payment schedule that does not change from year to year. This would improve cash-flow management and financial certainty for local governments.

Recommendation 4: Review Commonwealth-to-State Distribution Methodologies

That the method for distributing Financial Assistance Grants from the Commonwealth to states and territories be reviewed to move beyond the current approach, which is predominantly population-based. Distribution mechanisms should better reflect relative need, remoteness, service delivery complexity, infrastructure responsibility and cost differentials, ensuring all local governments have the capacity to provide a comparable level of service to their communities.

Recommendation 5: Reconsider the Application of Effort Neutrality

That the guiding principle of effort neutrality in Financial Assistance Grant distribution be reviewed to ensure it does not unintentionally disadvantage councils operating in structurally constrained revenue environments, such as the Kimberley, where opportunities to increase own-source revenue are limited or impractical.

Recommendation 6: Reform Disaster Funding to Support Resilience and Betterment

That disaster recovery funding arrangements be reviewed to better support resilience and adaptation in remote regions, rather than focusing predominantly on reinstatement to pre-event condition. Funding models should recognise cumulative impacts, lifecycle costs and the long-term fiscal benefits of investing in more resilient infrastructure.

Recommendation 7: Provide More Stable Funding for Essential Infrastructure

That funding for essential infrastructure in the Kimberley, including roads and regional airports, be provided through longer-term, coordinated programs rather than short-term, highly competitive grants. Funding arrangements should reflect the regional and national functions of these assets and reduce reliance on ad hoc applications and co-contributions by local governments.

Recommendation 8: Address Workforce and Housing Constraints Through Place-Based Approaches

That governments adopt coordinated, place-based approaches to workforce attraction, retention and housing supply in the Kimberley, including funding settings that explicitly recognise accommodation costs and cost-of-living pressures in remote regions. This should include consideration of dedicated rural and remote housing funding or finance streams, including through Housing Australia, that support the delivery of essential worker and service-related housing in regions where market solutions are not viable. Local governments should not be required to absorb housing market failures in order to sustain essential services.

Recommendation 9: Improve Program Coordination and Contract Design

That governments improve coordination of funding programs and service contracts at the local level, including longer contract durations and funding that more accurately reflects the full cost of service delivery in remote environments. Improved alignment would reduce duplication, support workforce stability and reduce the coordinating burden currently borne by local governments.

Recommendation 10: Treat Kimberley Local Government Sustainability as a National Priority

That the Australian Government recognise local government sustainability in the Kimberley as a matter of national importance, linked to Closing the Gap, disaster resilience, economic participation and service delivery effectiveness, and work collaboratively with state and local governments to develop funding arrangements that support long-term viability.