

29 January 2026

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

Via email: rdit.reps@aph.gov.au

IPWEA Submission to the Federal Government's inquiry into Local Government Funding and Fiscal Sustainability

Dear Chair and Committee of Inquiry,

The Institute of Public Works Engineering Australasia (IPWEA) is pleased to submit its response to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry into the funding and financial sustainability of local governments in Australia.

This submission builds on IPWEA's evidence to the Committee's previous Inquiry into Local Government Sustainability (Submission 152, 2024) and on IPWEA's White Paper *Best Practice Asset Management of Essential Public Infrastructure*. It reflects updated evidence from IPWEA members working across metropolitan, regional, rural and remote Australia, and focuses on practical reforms to funding, asset management and workforce capability.

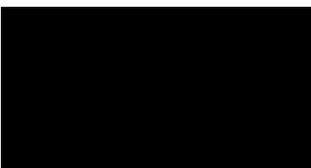
IPWEA represents the professionals responsible for planning, delivering, operating, maintaining, and renewing the infrastructure that underpins community wellbeing, productivity and regional development. Our submission emphasises how better alignment between funding mechanisms, asset management and long-term financial planning can materially improve outcomes without increasing regulatory burden.

IPWEA's submission does not specifically advocate for an increase in total funding to local government; instead, it emphasises the importance of improving the distribution, governance and life cycle effectiveness of existing funding to achieve better outcomes and reduce long-term cost and risk.

IPWEA would welcome the opportunity to appear before the Committee to expand on this evidence and provide practical, delivery-focused insights from across the local government sector.

Please do not hesitate to contact us should the Committee require further information.

Yours sincerely



Ben Clark
IPWEA President

Introduction

The Institute of Public Works Engineering Australasia (IPWEA) welcomes the opportunity to provide an updated submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport.

This submission builds on IPWEA's evidence to the Committee's previous Inquiry into Local Government Sustainability (Submission 152, 2024) and IPWEA's White Paper *Best Practice Asset Management of Essential Public Infrastructure*. That evidence remains valid. However, escalating pressures associated with climate-change resilience, disaster recovery, workforce shortages, population change and rising construction and operating costs mean the need for reform is now more urgent.

IPWEA represents the infrastructure asset management and public works professionals responsible for planning, and delivering infrastructure services that underpins Australia's communities, productivity and regional development. Most of Australia's local government infrastructure is delivered and maintained by IPWEA members.

The challenge is structural, not episodic

Local government is the most asset-intensive level of government in Australia, responsible for approximately one-third of all public infrastructure assets. While councils have made material improvements in financial reporting and long-term planning over the past two decades, the core sustainability challenge is structural: **long-life infrastructure assets are funded through short-term, fragmented and often misaligned funding mechanisms.**

The increasing reliance on competitive, project-based and time-limited grants has reduced certainty, increased administrative burden, and weakened the link between infrastructure investment decisions and long-term affordability. This bias is particularly acute for long-lived, largely invisible assets such as stormwater networks, drainage structures and underground pipes, where deterioration is incremental, risks are poorly understood until failure, and maintenance is easily deferred. The result is compounding capital renewal backlogs, escalating capital replacement costs, heightened flood and environmental risk, and reduced intergenerational equity.

For many regional, rural, and remote councils, grants are their main source of infrastructure funding. Complex administration and co-contribution requirements can significantly limit their ability to plan and deliver services in a practical way.

IPWEA submits that improving financial sustainability requires not only adequate funding, **but better alignment between funding mechanisms, asset management and long-term financial planning.**

Intergovernmental funding arrangements

Australian Government, state and territory funding remains essential, particularly for regional, rural and remote councils. However, current arrangements often:

- incentivise asset creation without adequately funding whole-of-life costs
- constrain councils' ability to prioritise the renewal of existing assets
- disadvantage smaller councils through complex co-contribution and application processes

Funding systems should reinforce long-term value, service outcomes and productivity, rather than short-term delivery metrics.

State policies such as rate capping can limit a local government's ability to generate revenue. Without predictable, needs-based funding from state and federal governments, some councils can lack sufficient revenue to meet their responsibilities, leading to greater reliance on project grants, higher administrative burdens, and long-term asset management challenges—particularly in areas with limited capacity to raise their own source revenue.

Asset management is the missing link

Successive national and state inquiries have identified prudent asset management as central to local government sustainability, as service expectations ultimately determine asset capacity, performance standards and long-term cost. Yet national data continues to show that a significant proportion of councils do not have current asset management plans for all major asset classes, or do not align those plans with their long-term financial plans.

This is not merely a leadership or compliance issue. It reflects skills shortages, inconsistent frameworks across jurisdictions, and funding systems that do not consistently reward sound life cycle decision-making.

IPWEA submits that **asset management plans should be treated as core infrastructure governance instruments**, linking community service expectations to asset investment decisions and long-term financial planning enabling governments to:

- assess funding requests against demonstrated maintenance and renewal need along with long-term affordability
- avoid sudden, high-cost capital shocks arising from deferred replacement
- reduce the creation of unfunded future liabilities and intergenerational transfer of risk
- improve coordination, productivity and value for money across programs

Greater national consistency in asset management and service planning terminology would materially improve transparency, comparability of funding needs, workforce mobility and the productivity of local government infrastructure investment.

Effective asset management planning is only possible where service planning, workforce capability and legislative frameworks are aligned. Community-based service provision relies on councils having the skills, tools and statutory authority to translate community needs and objectives into service levels, asset strategies and long-term financial decisions.

Education and training in strategic asset management, supported by enabling legislative and policy settings across local, state and Commonwealth governments, are therefore critical to ensuring infrastructure investment supports place-based outcomes rather than fragmented program delivery.

Workforce capability is a binding constraint

The Committee's focus on attracting and retaining skilled workers is critical. Infrastructure funding alone cannot deliver outcomes without people capable of planning, procuring, delivering and maintaining assets.

Local governments face acute shortages of staff such as accountants, engineers, asset managers, and technical professionals, particularly in non-metropolitan areas. Increased reliance on consultants and labour hire can provide short-term capacity but often erodes organisational knowledge and long-term capability.

Funding and reform efforts should therefore be accompanied by **targeted investment in workforce capability**, including nationally consistent training, professional development and knowledge retention within councils for staff and elected members.

Debt, productivity and better use of existing assets

Local governments generally avoid debt but using it responsibly for infrastructure investment can boost productivity, improve equity across generations, and lower long-term costs.

In some jurisdictions, the guidance and constraints applied discourage prudent borrowing even where councils have the financial capacity and robust planning procedures in place. Reforming these settings would better align local government investment with national productivity and regional development objectives.

Alignment with Australian Government policy objectives

IPWEA's evidence and recommendations align strongly with current Australian Government priorities, including:

- improving infrastructure productivity and value for money
- strengthening disaster resilience and recovery capability
- supporting regional development and liveability
- addressing skills shortages and workforce resilience
- ensuring public investment decisions are evidence-based and transparent

Improved asset management and funding alignment at the local government level directly supports these objectives.

Recommendations

IPWEA recommends that the Committee consider the following recommendations:

- 1. Link between funding and asset management**
Require Australian Government infrastructure funding – particularly grants relied upon by regional, rural and remote councils, but including metropolitan councils – to be supported by current asset management plans aligned with long-term financial plans. Funding assessment should reflect demonstrated asset management maturity and target education, support and simplified funding pathways where appropriate.
- 2. Prioritise renewal and resilience**
Enable capital programs to focus on renewal and resilient infrastructure, using needs-based allocations that consider service obligations, local capability, and community capacity to pay, rather than relying solely on short-term, project-specific funding.
- 3. Adopt nationally consistent frameworks**
Reinstate consistent approaches to asset management and financial planning, aligned with service objectives, to reduce administrative burden, improve comparability of funding needs, and streamline grant applications – particularly benefiting smaller or capacity-constrained councils.
- 4. Enhance transparency and accountability**
Encourage annual public reporting on the state of local government infrastructure using nationally accepted methodologies, to support evidence-based decision-making and public confidence.
- 5. Invest in workforce capability and enabling settings**
Support targeted education, professional development, and knowledge retention in strategic asset management and service planning, while ensuring legislative and policy frameworks enable councils to apply these capabilities consistently.

Conclusion

Local governments are essential delivery partners for national infrastructure, resilience and regional development outcomes. **IPWEA's experience demonstrates that financial sustainability is achievable when funding mechanisms reinforce sound asset management, long-term planning and workforce capability.**

IPWEA would welcome the opportunity to appear before the Committee to expand on this submission and provide practical, delivery-focused evidence.