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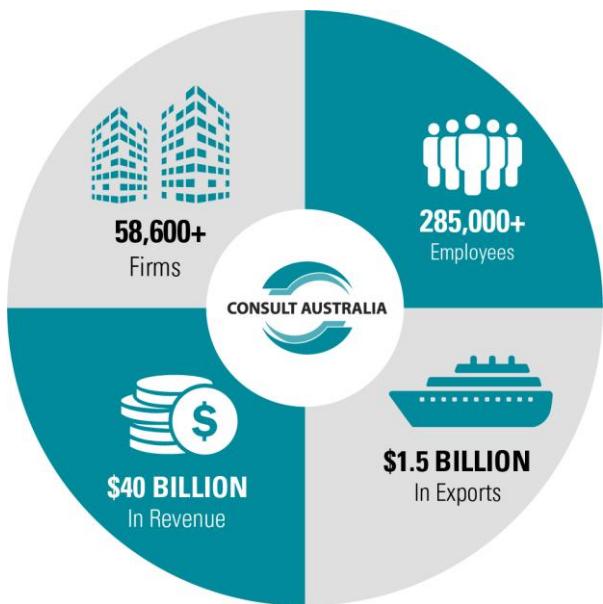
Inquiry into Local Government Funding and Fiscal Sustainability

**SUBMISSION TO STANDING COMMITTEE ON
REGIONAL DEVELOPMENT, INFRASTRUCTURE
AND TRANSPORT**

Consult Australia

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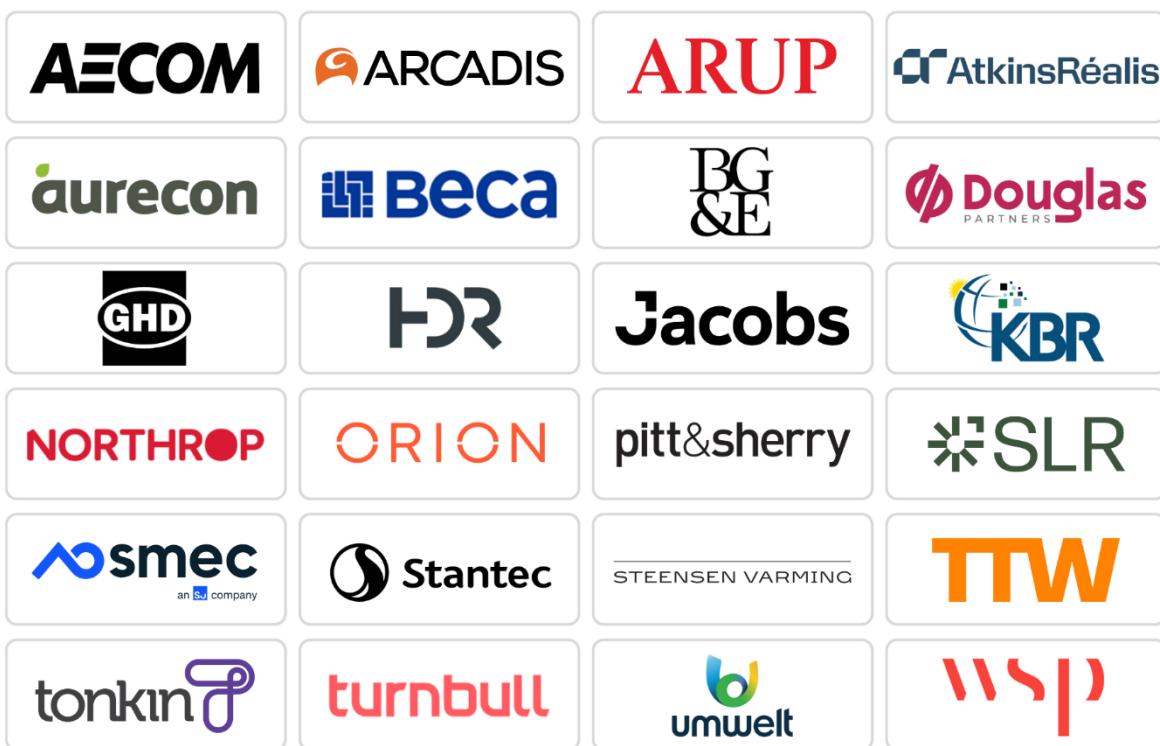
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About us

Consult Australia is the industry association representing consulting businesses in design, advisory and engineering, an industry comprised of over 58,600 businesses across Australia. This includes some of Australia's top 500 companies and many small businesses (97%). Our members provide solutions for individual consumers through to major companies in the private sector and across all tiers of government. Our industry directly employs over 285,000 people in architectural, engineering and technical services and many more in advisory and business support. It is also a job creator for the Australian economy, the services we provide unlock many more jobs across the construction industry and the broader community.

Our members include:



A full membership list is available on our [website](#).

Executive summary

There is a significant pipeline of infrastructure projects to deliver around Australia. Government funding for infrastructure should be understood not only as a capital contribution to individual projects, but as one of the government's most significant economic policy levers. Decisions about which projects are funded, how they are prioritised and sequenced, and the governance conditions attached to funding all materially influence productivity, inflationary pressures, workforce development, regional growth and long-term fiscal outcomes. This is just as important for local government as it is for federal, state and territory infrastructure.

Over the last decade, government procurement has evolved to focus on 'local'. For example, the [Commonwealth Procurement Rules](#) emphasise the use of Australian businesses and an assessment of positive outcomes for the Australian economy. Further, state and territory government procurement policies include specific requirements for local benefits and engagement of small / medium enterprises for project delivery. Local government also often has localism requirements. Unfortunately, such policies are not always realised in practice with Consult Australia small business members in particularly noting that these policies are '*all lip service*' and there are more barriers than ever for local and small businesses in procurement.

The responsibilities of local governments have changed over time, and the funding mechanisms and governance arrangements need to evolve for successful project delivery. The effectiveness of local government funding depends not only on project delivery, but on whether funding arrangements are designed to shape better economic outcomes overall.

This submission addresses the inquiry's terms of reference through that broader economic lens. This submission provides case studies of Consult Australia member businesses that demonstrate the barriers to infrastructure delivery. Drawn from those case studies and our experience with state/territory and federal infrastructure projects, Consult Australia's recommendations would improve coordination, consistency and delivery of local government infrastructure as well as uplift productivity more generally.

Consult Australia recommends that:

- funding should empower strategic planning by local government by funding the delivery of local plans instead of individual projects.
- reducing entry barriers to working with local government will increase capacity for infrastructure service delivery, including:
 - removing any 'joining fee'/'supplier verification fee' (or similar) for suppliers to join supplier programs, in line with panel arrangements at the state/territory level which have no fee to join.
 - ensuring that any 'contract management fee' (or similar) that is in place only applies where the local government/local government association can show that the work was awarded under the relevant program and the relevant contract was used.
 - ensuring that any 'contract management fee' (or similar) that is in place is capped at a reasonable rate, for example 0.75%
- simplifying and balancing local government contractual conditions will improve risk management for infrastructure service delivery.
- re-focusing 'small business friendly' programs to create real change and accountability to effectively encourage small business participation and create a lever to deliver the value of the investment in local government.
- uplifting procurement capability and consistency through the inclusion of procurement settings in local government funding arrangements will realise productivity improvements.

Recommendations

FUND TO EMPOWER STRATEGIC PLANNING

Federal and state/territory governments should allocate funding to empower strategic planning by local governments and allocate funds to deliver those plans holistically instead of on an individual grant basis.

The allocation and spending of funds for local government projects is subject to the rules of federal/state/territory government departments and ministers. Even where local councils are committed to early market engagement and planning, their efforts are stymied by the rules of funding schemes/grant applications. Funding schemes are based on individual grant applications, often in a specific stream, and this approach is resource heavy in administration with no surety of success. The time taken to undertake all these applications is a wasted resource better directed to more strategic work such as scoping the projects more fully.

Further, when funds are approved, they may not be approved for allocation to all projects identified in the application. Rarely, if ever, are similar projects grouped together in a work program to streamline the process and to create a smarter pipeline of projects. When funds are finally given to local councils, they must be spent within a set timeframe – which once again works against ensuring enough time is given to scoping and upfront design.

To increase transparency of the local council pipeline of projects for the industry, councils need greater certainty over funding allocation as well as the trust of federal and state/territory governments that local councils will apply those funds in line with their application. The improved governance of local councils around the country demonstrates that it is time to allow councils to make the decisions best for their region and unlock the productivity that is lost when too many restrictions are in place.

Several councils now publish local area plans which demonstrate how council will prioritise spending for the benefit of the local community. Instead of using government money to continually assess individual project applications from local councils, federal and state/territory governments should allocate funding to empower this type of governance and strategic planning by local government and allocate funds for the local council to deliver those plans holistically.

CASE STUDY – A PROGRAMMATIC APPROACH TO DELIVERY

Consult Australia's [Uplifting Productivity](#) highlights how the Victorian Level Crossing Removal Project is an exemplar in many aspects when it comes to managing a large number of similar projects into a single work program. With 85 level crossings in total to be moved, significant productivity would have been lost if each crossing removal project was tendered and contracted separately. More importantly than the cost saving of the work program developed in this case is the collaboration and process for continuous improvement by sharing outcomes between each level crossing removal. This approach would be of benefit to local councils that have, for example, a large number of bridges that need repair and replacement.

REDUCE ENTRY BARRIERS FOR SUPPLIERS

Entry barriers for suppliers should be minimised, to increase capacity for infrastructure service delivery, this includes:

- removing any 'joining fee'/'supplier verification fee' (or similar) for suppliers to join supplier programs, in line with panel arrangements at the state/territory level which have no fee to join.
- ensuring that any 'contract management fee' (or similar) that is in place only applies where the local government/local government association can show that the work was awarded under the relevant program and the relevant contract was used.
- ensuring that any 'contract management fee' (or similar) that is in place is capped at a reasonable rate, for example 0.75%

Local government infrastructure delivery is impacted by entry barriers for suppliers. Working for local government can come with a substantial cost to businesses, with no guarantee of work.

For example, localism obligations designed to support local business can fail due to the capacity and capital required to have a 'local office' and join the 'local buy scheme' or 'preferred supplier program'. Further, localism obligations that rely on local offices can often be met by large businesses over small businesses as big businesses have more capacity to open satellite offices to meet proximity criteria for 'local workforce'. This results in increased competition, but at different service cost offerings which is rarely considered in assessing bids. As one Consult Australia small business noted '*the very experienced people with niche skills in small business is often discounted and dismissed*'.

Depending on the jurisdiction, businesses may need to register or prequalify for local government procurement schemes, often paying initial and ongoing fees and having ongoing reporting obligations. The recovery of these costs by businesses depends on local government rules and may be restricted. These fees to join schemes and work with local government disproportionately impacts small business. Consult Australia supports the intention of such schemes, to streamline procurement and bring consistency to contracting with local governments. However, there are too many barriers to participate, and the streamlining is not always realised in practice. This is demonstrated in the case studies below.

CASE STUDY – QLD LOCAL BUY

In Qld, to work with local government businesses register with [Local Buy](#), paying an annual fee for 'supplier verification' and a 'contract management fee' (from 0.75% to 2% of the work fee) on any work awarded through a Local Buy Arrangement. There are different categories of Local Buy Arrangements under the scheme. There are also monthly reporting obligations on supplier businesses.

The Qld Local Buy scheme has over 50 arrangements and 4,500+ prequalified suppliers. The scheme is free to buyers (including 94 councils) and offers a simplified procurement model. Under Local Buy, the terms and conditions are pre-agreed, and buyers procure suppliers by requesting a quote rather than undertaking a tender process. Some Local Buy Arrangements have schedules of rates, which is the maximum that suppliers can charge.

In 2025, there was over \$1b spend through Local Buy in Qld. Using percentages above, the associated 'contract management fee' is between \$7.5-\$20m. This is paid by local businesses, not councils. Suppliers submit monthly reports of sales under the local buy arrangement and are issued an invoice for the contract management fee either on a monthly or quarterly basis.

Considering the supplier costs, the administrative burden of reporting and the level of competition, the benefits for businesses are questionable. Some councils do choose to only procure through a Local Buy Arrangement, which means businesses must 'pay to play' without any guarantee of work. Supplier lists cover all of Qld so need to be filtered by 'distance' if a buyer wants to procure within the local government area. Members have advised that this does deter some councils from using the Local Buy Arrangement.

CASE STUDY – WALGA PREFERRED SUPPLIER PROGRAM

In WA, the local government association has a '[Preferred Supplier Program](#)'. To participate in the program, a supplier must agree to a panel contract with WALGA as well as a standard contract that local governments are encouraged to use under the Program. Once a supplier is accepted under the scheme there is a 'management fee' (at 2% for engineering consulting services) payable on all work undertaken by a preferred supplier for local governments, not just on work acquired through the VendorPanel portal and/or using the standard contract developed by WALGA. There are quarterly reporting obligations on suppliers.

Through the Preferred Supplier Program, local government members can access over 1,100 suppliers across 12 panels which include over [150 categories](#) of different goods and services.

Consult Australia members have noted significant concerns with the WALGA Preferred Supplier Program including:

- unreasonable conditions in the WALGA's standard consultancy contract including unlimited indemnities.
- usual practices of the industry are not reflected in WALGA's standard consultancy contract (such as variations, fees and invoicing).
- unreasonable conditions in the WALGA panel contract, including on insurance and WALGA's involvement in meetings between the supplier and the local government client and a restriction on the supplier recouping the 'management fee' in its fees to local government.
- businesses securing work with local councils directly, and using the AS4122-2010 contract rather the WALGA standard consultancy contract are still required by WALGA to pay the 'management fee'.

In practice, the 2% 'management fee' on a small business working to local government could easily see the business pay around \$20,000 to WALGA on around \$440,000 worth of work.

SIMPLIFY CONTRACTUAL CONDITIONS

Local government contractual conditions should be simplified and balanced to improve risk management for infrastructure service delivery. This includes:

- having consistency in the contracts used by local governments
- removing terms of concerns, e.g. fitness for purpose, unreasonable liability limits and unlimited indemnities
- ensuring reasonable insurance requirements.

Consistency in contracts

Despite the schemes discussed above, there is still significant variation in local government contractual conditions. Local government could use:

- the standard form contract provided under a scheme (e.g. under a local buy arrangement)
- a bespoke contract created by the local government
- an Australian Standard contract such as AS4122-2010
- an Australian Standard contract such as AS4122-2010 with 'special conditions'.

Each contract has different risk profiles, and without consistent use of one standard contract, a business will often need to seek legal review and/or an insurance review of each contract before committing to the project. It should be remembered that while larger businesses usually have in-house legal teams, small businesses generally do not. These external reviews all add to the cost of doing business.

CASE STUDY – BESPOKE CONTRACTS AND LOCAL BUY E

A Consult Australia member business received a request for quote from a local government through Qld's Local Buy scheme. After providing the quote (based on the standard Local Buy Arrangement for the services requested), the business received a bespoke contract from the local government, complicating procurement.

The bespoke contract required the business to spend extra resources to evaluate the revised risk profile for the job against the quoted price. This is in addition to the unrecoverable costs the business had already incurred in:

- registering under the Local Buy scheme
- having a legal review of the standard Local Buy Arrangement suitable for the services the business specialises in
- preparing a quote for the services requested.

This can leave the business in a difficult position when the review of the bespoke contract reveals that the risk profile is beyond the business's usual margin. If the supplier revokes the quote at this time, there would undoubtedly be frustration from the local government and any expected time saving in using the Local Buy Arrangement is lost.

Terms of concern

Our members continually report problematic contractual terms in local government contracts that signal a failure by local government clients to:

- understand the market
- understand the difference between the role of consultants and constructors

- understand the limits consultant responsibilities
- conduct a preliminary risk assessment
- set appropriate liability parameters, including liability caps and indemnity clauses.

Terms of concern identified by Consult Australia and its members include (but are not limited to):

- unqualified fitness for purpose obligation
- a higher standard of care than the common law
- contracting out of proportionate liability
- significant carve-outs to any limit of liability
- unqualified indemnities.

All of the above clauses are generally not suitable for a consultant and/or are typically uninsurable under standard professional indemnity insurance policies. Such contract terms and conditions means businesses may take on risks beyond their control and influence. Quite often small businesses do not have the capability in-house and limited funds for legal reviews of contracts. Ultimately this impacts business insurance and the client's ability to remedy. Having a balanced contract for the nature and size of services being procured is important for all parties to effectively manage risk.

The presence of these terms of concern in local government contracts impede delivery of local government infrastructure because local businesses can often not sign up to such contracts.

Insurance requirements

Insurance requirements sought by local government on suppliers can directly impact participation and the costs of delivery depending on the suppliers' arrangements and overheads. Consult Australia members have shared examples of unreasonable insurance coverage amounts that demonstrate local government's lack of understanding of market conditions, risk management as well as standard procurement practices in other government sectors.

A common misunderstanding is the use of 'per claim' and 'aggregate' limits in insurance requirements. Professional indemnity policies are written on a 'claims made' basis. The appropriate language for stating the level of professional indemnity required is 'per claim', with an annual 'aggregate limit'. Members have raised concerns with local government contracts that specify a 'per claim' limit only, which results in unmanageable risk for the client and the supplier.

Consult Australia suggests that there be a guidance for local government on determining insurance requirements to ensure they are in line with market availability and the risk of the particular project. It is suggested that the guidance include a risk matrix, to determine professional indemnity insurance by level of exposure:

Set professional indemnity insurance coverage by level of exposure

Level of exposure	Professional indemnity insurance required (in the aggregate)
Low	\$1 million
Medium	\$2 million
High	\$5 million
Very high	\$10 million

CASE STUDY – UNREASONABLE INSURANCE COVERAGE REQUIRED

In 2026, a Consult Australia small business member advised that a local government has requested suppliers have professional indemnity coverage of \$50m, which is out of step with even the highest limits generally set on major state/territory government projects for consultants.

In 2023, a government client required consultant suppliers to have \$20m professional indemnity insurance coverage. This was out of step with other government agencies which usually had the highest coverage required set to \$10m. A Consult Australia business sought advice and noted that to increase its current coverage of \$10m to \$20m would cost the business \$50,000 per year on top of the existing cost of the policy. There would be no guarantee that the business would continue to be able to secure such coverage.

RE-FOCUS 'SMALL BUSINESS FRIENDLY' PROGRAMS

'Small business friendly' programs should be re-focused and revised to create real change and accountability to effectively encourage small business participation and create a lever to deliver the value of the investment in local government.

Small business commissioners in several jurisdictions, e.g. [Qld](#), [NSW](#), [Victoria](#) and [WA](#), have introduced small business friendly council programs to provide tools and networks for local government to help small businesses succeed. These programs typically require a council commitment to a set of principles that includes on-time payment, customer service/support and dispute management.

Consult Australia has found these programs lack impact to create real change and accountability and could be a lever to deliver the value of the investment in local government. If funding arrangements held local government to account on procurement strategies and risk settings, this would deliver benefits for the scope of the inquiry.

For example, the [NSW Small Business Guide](#) provides guidance on insurance and tendering requirements that if implemented by councils would encourage small business participation and positively impact productivity. Guidance includes:

- ensure there are no unnecessary requirements to become a supplier, for example onerous insurance coverage
- develop simple processes to enable small business friendly procurement
- provide clear tender documents that include all requirements and evaluation criteria
- remove unnecessary requirements in tender processes, for example:

Only ask for insurances that are necessary, reasonable and required at the time of awarding the tender, and only ask this of successful businesses.

- develop contracts which are concise, in plain English, and do not include any unfair contract terms or warranties.

Holding local governments to account on procurement strategies and risks settings for small businesses as part of funding arrangements will positively impact competition and overall costs of infrastructure service delivery.

UPLIFT PROCUREMENT CAPABILITY

Procurement capability and consistency should be improved through the inclusion of procurement settings in local government funding arrangements will realise productivity improvements.

Procurement is about assessment and allocation of risk. It is often the tool used by government to promote and assess regulatory compliance. However, procurement capability is a long-running challenge across Australia at all levels of government. Government reviews, including Infrastructure Australia's Market Capacity reports highlight recurring issues such as unclear scoping, over-reliance on contract transfer of risk, inconsistent commercial capability within agencies and rising dispute activity. These pressures are compounded by workforce tightness, project complexity, budget constraints and increasing expectations on value for money.

From Consult Australia's engagement with government and industry, similar themes continue to surface. Industry often has limited visibility of the compliance, assurance and audit requirements that shape government procurement decisions. Government has noted that consultants and contractors do not always appreciate the internal constraints that impact flexibility, timelines or documentation. At the same time, government teams can lack insight into the commercial imperatives of suppliers, especially the differences in operating models between constructors and consulting businesses. Misunderstandings around insurance coverage remain common, leading to unrealistic contractual requirements or expectations around 'back-to-back' liability that do not align with the realities of insurability. Although the language of risk-sharing is widely used, it is seldom practised in a way that supports predictable or collaborative project delivery.

These gaps in understanding create unnecessary friction, drive up transaction costs, limit innovation and can contribute to cost overruns, delays or disputes. They also inhibit the early engagement that is a key lever for better outcomes.

Local Buy Arrangements are also not working as intended. There is no incentive to streamline procurement within local government associations and the administrative burden for all parties could be reduced.

Local governments incur unnecessary costs by not correlating the volume of tender documentation with project value. For example, for a \$50,000 project, the council tender documentation could be 40-50 pages. Based on member experience, this would be similar for a \$3m project. There is an opportunity to realise productivity benefits if local government is investing the same level of procurement effort to prepare tender documentation regardless of project size/value. Further, if the local government entity is procuring under a local buy arrangement with known suppliers and a set schedule of rates, there is also an opportunity to streamline procurement.

CASE STUDY – COMPARING PROCUREMENT EFFORT

Comparing a similar road design job for a private client versus a local government client, the effort and output required by a small business to tender is:

- 1-2 hours and 2 pages for the private client,
versus
- 1.5 days and 40-50 pages for the local government client.

In both situations, there is no guarantee of work however the business cost and administrative burden is significantly greater for the local government tender.

Government local benefit requirements can also be misused. Members report that in some instances local government have used 'local benefit' criteria to seek free services or benefits for the local community outside the project. This perversion of local benefits could be addressed by uplifting procurement practices of local governments.

To tackle these system-wide challenges, Consult Australia recommends the inclusion of procurement settings in local government funding arrangements as a lever to uplift local government procurement capability and realise productivity improvements.

Contact

We would welcome any opportunity to further discuss the issues raised in this submission.



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