

## **BACKGROUND PAPER - 2024 ALGA National General Assembly**

Submission from Shire of Ashburton, 246 Poinciana Street, Tom Price West Australia 6751

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### **Category:**

7. Community Services

### **Motion Subject:**

Feasibility Study into a Local Government Bank of Australia

### **BACKGROUND PAPER**

The Shire of Ashburton located in the Pilbara Region in West Australia, is a driving economic force delivering 12% (approximately \$39 billion) of WAs Gross Regional Product in 2022<sup>1</sup>. The Shire is a nationally significant producer of Australia's export wealth, exporting \$20.26 billion of Goods and Services in 2021/22<sup>2</sup>. At almost half the size of Victoria, the Shire has four major towns including Tom Price, Onslow, Paraburdoo and Pannawonica, and five Aboriginal communities. The resident population in the Shire is approximately 7,800 people with an estimated Fly in Fly out workforce of 13,000 people.


Despite this immense economic contribution, the Shire's towns, like many Australian regional and remote towns, have been losing essential services including banking<sup>3</sup>. Access to financial services is a vital component of the liveability of regional and remote communities.

The Tom Price Westpac Bank branch, the only bank in the Shire, closed in 2022. There is now no physical banking presence across the entire Shire!

For the Shire, bank closures have resulted in residents being forced to make a return trip to Karratha to physically access banking services - some residents travelling for up to 9 hours. This is the equivalent of asking someone in Sydney who has a motor vehicle and is able-bodied to drive further than Canberra to do their banking. If they have a disability, or don't have access to a vehicle or public transport, their journey is unattainable!

In March 2024, BankWest announced closure of all 60 of its branches across West Australia by the end of the 2024, which results in another 17 regional communities losing face-to-face services. The Australian Prudential Regulation Authority stated in December 2023, that more than 2100 Australian bank branches have closed across the country since 2017, with regional areas suffering a 34% loss in branches and the number of ATMs across the country also reducing by 50% in regional areas. In 2023 alone, 420 bank branches have closed nationally<sup>4</sup>.

No discussion has been initiated by the banks with the local government sector or other potential intrants to explore contemporary solutions for communities in a changing world.



The Banking Royal Commission's final report in February 2019, amongst several other compelling statements, headlined that many Australians do not have adequate access to basic financial services. There is no consideration currently to banks mandating community consultation while deciding on closures or an undertaking to "maintain a rural presence" as part of their licence obligations.


The social, financial and economic impact of this accelerating inequality effects:

- Vulnerable members of our community
- Aboriginal peoples and their communities
- Sustainability and productivity of businesses
- Community safety, participation and wellbeing
- Survival of community groups and clubs
- Access to credit and other core financial services including insurance
- Reliance on technology already compromised due to the regional digital inclusion gap

No access to face-to-face banking services results in limited to no access to cash / cash deposits and security; limited to no financial relationships or financial education; impaired financial literacy; and reduced access to financial information relevant for credit assessment and decisions for business and personal needs.

In addition to the obvious impact of branch closures, there is also the hidden and more insidious impact that goes to the heart of how we live, our sense of place, safety and identity. Following are summaries drawn from the Shire of Ashburton's local community meetings outlining current lived experiences as an immediate consequence of the recent branch closure:

- Denied access to credit based on essential services closing. Residential lending capacity previously indicated as favourable now resulting in a credit limit of \$300,000 reduced from \$800,000 for a property purchase in Tom Price.
- Personal safety risks due to inability to clear cash from business/association trading.
- Aboriginal peoples denied access to privately owned ATM due to residential postcode.
- Older person's abuse (elder abuse) as a result of electronic banking access only and financial exploitation.
- Poor financial literacy and education particularly for women, children and youth.
- Language and cultural barriers resulting in financial exploitation.
- Workers, residents and students required to take a day(s) off and travel up to 9 hours return trip to open an account, identification purposes, have personal time to discuss financial matters/planning etc. This results in significant road safety fatigue, loss of pay, school absenteeism, consequential expenses ie overnight accommodation stays and high fuel costs (\$400 return trips) etc.
- Inequality due to higher fees/charges paid in relation to e-banking ie Tap and Go, EFTPOS, ATM.



The big four banks and large Community Bank-based banks are collectively a dominate force in the Australian banking sector and as a result, competition is lacking, risk aversion is evident and human inequality is fostered.

With ‘digital uptake and changing customer attitudes’ and ‘a new branch would not be feasible’ used as reasons for change, the obligation of social license is now at the forefront. With nearly 7 million people (approximately 28% of the population) living in regional and remote Australia, there is an urgent need to develop a practical and pragmatic solution that provides essential financial services, carries a more relevant risk profile, leverages not only the social license and tangible community trust afforded to the LG sector<sup>6</sup>, but leverages the sector’s mandate as a not-for profit organisation governing local communities. Thought leadership and innovation is at the core of local government with Council’s strategically positioned to support and strengthen not only community, but the 3-tier system of government nationally.

There are numerous options to explore including sharing of LGAs regional assets, existing distribution channels, infrastructure, back-office functions and shop fronts including co-location of service providers and partnership agreements to deliver banking services and processing responsibilities.

The participation of the LG sector in a regional financial services solution needs to be researched and modelled. Potentially manifesting as a Local Government Bank of Australia (the Bank), the primary purpose of the Bank could be to provide essential community banking services in regional Australia. The Bank, guided by a social licence benefit could facilitate surplus funds reinvested back into local communities, and could be geared at higher risk levels to promote investment in regional communities, businesses, tourism etc. Having this essential service ensures that regional Australia remains a real and viable destination for businesses, employees, families, residents and visitors.

Key benefits to having local government as part of the solution to accessible, relevant banking and financial services include:

- Funding reinvestment: profits can be invested back into local community assets and projects
- Liveability: address the long term impact of bank closures and centralisation, and the erosion of regional Australian’s quality of life
- Regional equality and accessibility: closing the financial inclusion gap, changing the risk profile of banking services, increasing financial literacy and access to information, products and services
- Business and economic growth: access to credit, advice and relationship banking
- Insurance: fundamentally changing the unattainable goal of asset protection and wealth creation both financially and practically – a scalable and more equitable platform; and providing alternative insurance options for communities and businesses in regional locations
- Workforce stability: attracting skilled migrants and people from metro and peri-urban areas to relocate to regional Australia. Leveraging the trend to move to regional Australia and improving the regional experience whilst addressing the crisis of regional workforce shortages
- Utilising and leveraging existing local government assets in regional communities

- Providing a competitive advantage to the banking sector

Regional and remote communities must not be marginalised and discriminated against due to their postcode and locality. There are innovative banking models used throughout the world that demonstrate that a structured solution is achievable and viable. In regional Australia, LGAs already have the core elements in place – social license and the governance mandate, scalability, infrastructure, partnerships, expertise, capacity and capability to resolve this escalating issue and in doing so, the LG sector can enable unprecedented social, community and economic reform across the nation.

This paper seeks the support of local government’s Australia-wide to consider an alternative community-centric financial services model. A model that provides regional communities with what they need and draws on the sector to be agile and innovative in how it can invest in community, and requests that the Australian Government considers leading a feasibility study for a new community platform for banking services and investment.

The Shire of Ashburton’s submission to the Senate Inquiry into Bank closures across Regional Australia is available on the Shire’s website: [Strategic Plans » Shire of Ashburton](#) - *other strategic plans and documents*.

**Motion:**

This National General Assembly calls on the Australian Government to investigate the feasibility of establishing a Local Government Bank of Australia or alternative model for regional Australia, which includes how the local government sector can facilitate or deliver face to face banking services; and requests that the feasibility report findings are presented at the Australian Local Government Association 2025 National General Assembly.

References:

<sup>1</sup> Shire of Ashburton Strategic Community Plan 2022-2023

<sup>2</sup> [Exports by industry | Ashburton | economy.id](#)

<sup>3</sup> Banks to assist customers in COVID-19 lockdowns - Australian Banking Association ([ausbanking.org.au](#)) stating Bank branches are an essential service.

<sup>4</sup> December 1, 2023 - NCA NewsWire reporting from the Senate Enquiry into Bank Closures.

<sup>5</sup> <https://www.royalcommission.gov.au/sites/default/files/2019-02/fsrc-volume-1-final-report.pdf> Hayne, 2019.

<sup>6</sup> SGS Economics and Planning - Local Government Productivity Inquiry (2022), local government has the highest level of community trust across Australia’s three tiers of government.