KPMG

From foundation to innovation: financial resilience in local government

PSN Local Government Roadshow 2025

Proudly supporting:

PUBLIC SECTOR NETWORK

The 2025 Public Sector Network (PSN) Local Government Roadshow was held between May and September in Adelaide, Perth, Brisbane, Melbourne and Sydney. Co-hosted with KPMG, the events were attended by executives and managers from representative metropolitan, peri-urban and regional councils, as well as private industry specialists and leading experts in local government solutions.

The 2025 roadshow highlighted that financial sustainability continues to be a critical priority for local governments across Australia. Drawing on insights and poll responses shared by participants at each event, this report presents a strategic framework to enable financial resilience through three key pillars: Back to Basics, Invest Purposefully, and Adapt and Innovate. Each pillar is supported by practical insights and top tips to guide councils in strengthening their financial foundations and delivering long-term value to their communities.

Brisbane

Perth

Adelaide   Sydney

Melbourne

2

What's inside

SECTION 1   INTRODUCTION

From budget squeeze to financial resilience

Local government in Australia faces a deepening dilemma – how to deliver higher levels of service with fewer resources?

Councils are responsible for providing a wide array of community services, maintaining ageing infrastructure, and meeting the increasing demands of residents - all while navigating shrinking revenue streams as rate rises are constrained and grant funding diminishes.

The challenges are significant, but innovative ideas for tackling these issues offer a way forward. Smart use of digital systems, targeted investment, and workforce upskilling can help achieving greater efficiencies while delivering better service.

Feedback from participants at the 2025 PSN Roadshow highlights the differing approaches taken by councils to deal with these problems. However, irrespective of geographic, demographic and economic differences, the vast majority of councils agree that Artificial Intelligence offers exciting opportunities for achieving long-term financial resilience.

KPMG proposes a framework for enabling financial resilience through 3 key pillars – Back to Basics, Invest Purposefully, and Adapt and Innovate. As outlined in this report, councils can blend smart management of resources with a community-minded investment approach and fresh ways of thinking to chart a path towards a positive and sustainable future.

SECTION 2

2025 PSN Roadshow Poll

Participants at each 2025 Roadshow event responded to key questions about council priorities, challenges and opportunities.

69% budget constraints and financial sustainability are their most pressing challenge today

26% ongoing management of assets of greatest long-term concern and a further

26% nominate delivering services to the level demanded by the community in the same category

36% at the planning stage of building a service and process transformation program

26% are just starting

At what stage is your council in your AI adoption journey?

9% — Leading the pack - We are avid users using across multiple services

35% — Getting Started - We have just started implementing AI and training our people

48% — Thinking about it – We are in the early stages of looking into how AI can help us

8% — Not there yet – We have not started thinking about AI or taken steps towards identifying AI tools.

45% — 45% of **NSW** PSN attendees indicated they are in the early evaluation stages, with 40% just starting to implement

42% — 42% of **QLD** PSN attendees have started implementing AI and training people

56% — Over half of **SA** PSN attendees are thinking about AI and how it will be able to help

51% — PSN **VIC** participants said they were still thinking about how to use AI, while 41% had made a start

21% — 21% of **WA** PSN participants flagged that they had already adopted AI across multiple services

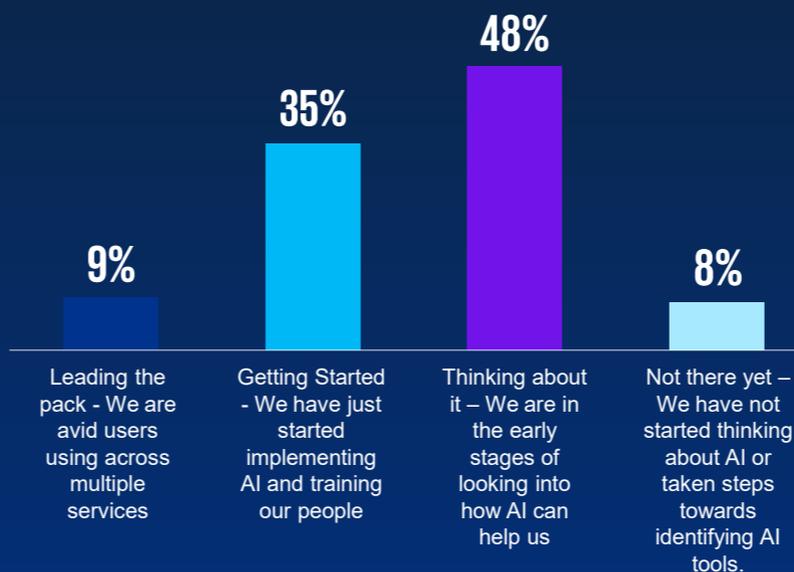## 91% actively thinking about using AI to improve operations and delivery

9% are avid users

48% Still in early stages

18% are very confident they could recover quickly from a significant cyber-attack

55% say they would struggle to recover

KEY INSIGHTS

+ Financial pressures and stretched budgets are pressing concerns for the majority of represented councils, while the need to manage ageing physical assets and meet rising community expectations stand out as longer-term challenges.

+ Transformation initiatives are on the agenda for most represented councils, however over half are still in the early thinking and planning stages, with just 9% having reached a steady state of maturity.

+ The vast majority of participants are looking to AI as a promising tool for greater efficiencies, however adoption remains patchy at this point - only a small fraction use it widely, and almost half are still experimenting.

+ Confidence in recovering rapidly from a significant cyber-attack is low, with the majority of respondents recognising the need to improve preparation.

SECTION 3

Key challenges and opportunities for local councils

In the face of increasing fiscal constraints coupled with expanding service demands, councils need to think in new ways.

KPMG proposes a 3 pillar approach to tackling these financial challenges – by turning obstacles into opportunities to improve.

Revenue channels fall short of covering operating costs

Local government infrastructure is deteriorating

Ageing populations boost demand for community welfare services

Skills shortages drive salary pressure and reliance on external labour

Pillar 1: Back to Basics

Strengthen the foundations of core operations and capabilities

- **Integrate technology, data and processes -** break down silos; start small; deliver impact.
- **Know your assets to unlock value -** invest in data-driven asset management for sustainable growth

Pillar 2: Invest Purposefully

Focus on clear community outcomes to maximise investment impact

- **Understand services and invest in service design -** clarity and evidence-based design drive better community services
- **Protect Assets -** proactive asset management prevents breakdowns and cuts costs
- **Invest in Cybersecurity -** protecting data and public trust in the digital era
- **Invest in AI -** Start small, deliver big impact

Pillar 3: Adapt and Innovate

Harness great ideas from within your organisation and the community

- **Foster a culture of innovation -** Empowered teams deliver faster, smarter innovation
- **Think outside the box -** Innovation demands breaking tradition and exploring new paths
- **Innovate at scale -** Start small and build confidence in Innovation

SECTION 4

Pillar 1: Back to Basics

Integrate systems and build skills to drive efficiencies and optimise operations

Many councils struggle with fragmented systems, outdated processes, and limited visibility into asset performance, all of which can lead to inefficiencies and higher long-term costs. These challenges demand a renewed focus on strengthening foundational capabilities to facilitate informed decision-making and sustainable service delivery.

TOP TIPS

Integrate technology, data, and processes

A large transformation program is not always necessary. Start with small, targeted improvements that deliver measurable benefits. Focus on breaking down silos and creating an end-to-end view of operations.

- ✓ **Audit existing systems** to identify gaps, redundancies, outdated tools, and opportunities to streamline workflows through smart integration.
- ✓ **Implement reliable platforms** that support real-time data access and decision-making, allowing improved responsiveness to customer and operational needs.
- ✓ **Standardise processes** across departments to reduce duplication and errors, improve efficiencies, and identify integration opportunities.
- ✓ **Invest in staff training** to build skills and improve outcomes – strengthen financial literacy and empower staff to make the best use of technology so they can help to drive continuous improvement.
- ✓ **Regularly review and update systems** to identify and address security vulnerabilities and prevent the costly disruptions of a data breach.

Know your assets to unlock value

Investing in processes and systems that create a clear and accurate picture of your assets enables better planning, smarter investments, and long-term value creation.

- ✓ **Maintain an up-to-date asset management system** to support smarter decisions about allocation, maintenance, and compliance.
- ✓ **Use lifecycle costing** to guide strategic investment and renewal decisions, prevent overspending on early replacements and make budgeting more reliable.
- ✓ **Conduct regular condition assessments** to prevent unexpected failures, reduce emergency repair costs and extends asset life.
- ✓ **Identify under-utilised assets** and explore options to repurpose or monetise them – this can unlock hidden value, support sustainability, improve efficiency, and even generate revenue.
- ✓ **Develop a clear depreciation and maintenance plan** to ensure control costs, provide accurate financial reporting and optimise long-term value.

KEY INSIGHTS

- **+** Councils with strong foundational systems in place are well positioned to make informed, pro-active decisions.
- **+** Accurate, data-driven decision-making is essential for identifying potential efficiencies and driving value.
- **+** Boosting skills in people strengthens return on technology investment.

Relevant Poll results

Top 3 most pressing challenge facing local governments:	Top concerns in relation to long term financial sustainability across all states:
1. Budget constraints and financial sustainability - 69%	• 'Ongoing management and maintenance of assets' - 26%
2. Rising demands and service expectations -16%	• 'Delivering to service levels being demanded by community' (26%) across all states.
3. Infrastructure maintenance and development - 10%	

Current Sector activities

MAV (Victoria): The Future is Local Report (April 2025)– Highlights the need for digital landscapes and infrastructure resilience, calling for councils **to leverage data and technology to manage assets** under climate volatility and demographic shifts. Promoting data-driven decision-making for asset resilience and service delivery, integrating foresight and analytics into planning. [Mav.asn.au]

SECTION 5

Pillar 2: Invest Purposefully

Focus on clear community dividends alongside financial returns to maximise investment impact.

When capital is scarce, councils need to invest in services and assets that clearly serve the community, while also delivering a solid financial return. This means understanding the why, what and how of optimal service design and delivery. Community well-being is also a major consideration when investing in robust cyber security controls - with threats constantly evolving, risk reduction and scenario preparation are essential for maintaining both operations and stakeholder trust.

TOP TIPS

Invest in service design:

Community services drive local government operations, but without clarity on what is delivered, to whom, and how well, meeting community needs is challenging.

✓ **Use evidence-based service design principles** to ensure services are built around actual user needs, not assumptions - this will lead to better outcomes, higher stakeholder satisfaction, and more efficient use of resources.

✓ **Regularly review service delivery performance** to help identify inefficiencies and gaps, while also enabling agile responses to emerging issues.

Protect assets:

A proactive approach to asset protection promotes longevity, reduces emergency costs, and supports strategic planning.

✓ **Adopt proactive maintenance** to reduce the likelihood of unexpected, costly and disruptive failures, help preserve asset value and functionality over time, and support long-term financial sustainability.

✓ **Regularly assess the return on investment** (ROI) for key assets – this helps prioritise funding and can inform decisions about upgrades, divestments, or re-purposing.

Invest in cybersecurity:

In an era of expanding digitisation, cybersecurity is not just about buying new technology systems - it's about protecting public trust and meeting legal and ethical obligations.

✓ **Implement robust cybersecurity strategies**, tools, measures and controls to identify vulnerabilities, protect critical systems and build trust with stakeholders.

✓ **Regularly review and update** cybersecurity protocols to maintain the effectiveness of defenses against evolving threats and meet updated standards and regulations.

✓ **Raise awareness about safe cyber practices** with staff, providing education that is tailored to roles and risk profiles.

Invest in AI:

AI can help local governments do more with less by automating routine tasks and improving decision-making.

✓ **Start small**, using low-risk pilots in areas like customer service or process automation, then scale over time.

✓ **Strong data quality** and governance are essential for reliable outcomes, and upskilling staff to embed AI into workflows will reduce resistance and maximise ROI.

KEY INSIGHTS

+ Councils are increasingly prioritising investments that deliver both community and financial returns.

+ Investing in protecting the community is a key consideration in the age of cyber security threats.

+ Strategic investment opportunities offered by AI require incremental implementation and strong governance.

Relevant Poll results

Cybersecurity readiness:

- Only **18%** of represented councils are 'very confident' about recovering from a cyberattack.

- 55% are 'somewhat confident

AI adoption:

- 91% of councils are 'actively thinking' about AI

- Most councils are in the early stages of exploring AI - **48%**

- **35%** have stated to implement AI and train their staff

Current Sector activities

ALGA (National): Policy Priorities: Financial Sustainability & Infrastructure – Advocates for reforms and funding to enable councils to deliver key community outcomes while maintaining financial viability. Aligns investment with measurable community benefits and long-term sustainability. [Local government financial sustainability – ALGA]

SECTION 6

Pillar 3: Adapt and Innovate

Harness great ideas from within the organisation and from the community to drive meaningful change.

Councils today face a rapidly changing environment where traditional approaches often fall short. But many organisations struggle to scale innovation beyond small pilots or embed new ways of working across teams. This calls for bold thinking, collaboration, and a will to experiment - leveraging creativity, leadership, and partnerships to deliver transformative outcomes that strengthen resilience and community trust.

TOP TIPS

Foster a culture of innovation:

When staff are empowered to share and test ideas, organisations adapt faster, improve services, and deliver lasting value.

- ✓ **Enable culture change** by encouraging a mindset shift where staff feel psychologically safe to experiment and fail without fear of blame - creating time and space and for creative thinking allows innovation to becomes part of everyday work.
- ✓ **Demonstrate leadership support** for creative efforts by providing resources, removing barriers, and signalling that innovation is a strategic imperative, not just a side project.
- ✓ **Establish idea-sharing platforms** through digital boards or innovation hubs to create visibility for ideas and encourage participation through reward and recognition.

Think outside the box:

Innovation requires breaking away from traditional approaches and exploring new possibilities.

- ✓ **Benchmark against other councils** to obtain insights into tested strategies and reduce the need for a trial-and-error efforts.

- ✓ **Explore partnerships** with other councils to enable sharing of resources, reduced duplication, and economies of scale, as week as access to specialised expertise and infrastructure.
- ✓ **Trial alternative shared service models** with other councils to pool costs and risk, improve efficiency, and deliver broader community benefits. Piloting new models allows feasibility testing without full-scale commitment.

Innovate at scale:

Pilot small-scale projects to test concepts quickly and cost-effectively before committing significant resources. This approach reduces risk and builds confidence in innovation by demonstrating tangible results.

- ✓ **Use data and community feedback** to guide project selection, enabling pilots to address real needs, build trust, and increase the chances of successful adoption.
- ✓ **Capture and share learnings by monitoring** performance, documenting lessons, and sharing insights.
- ✓ **Scale with a clear roadmap** that aligns resources, sets timelines, and builds leadership support and share measurable benefits.

KEY INSIGHTS

- ➕ Councils that foster a culture of innovation are more agile and better equipped to navigate change.
- ➕ Collaboration and experimentation are key to unlocking new solutions.
- ➕ Leader encouragement is critical for turning staff ideas into organisational innovation.

Relevant Poll results

Capability to review and optimise services:

- Only **11%** of councils are actively driving service improvement
- **36%** are in the planning stages
- **18%** are delivering service strategy

Top priorities for next 12 months:

- 'Investing in new technology and digital services - 9%
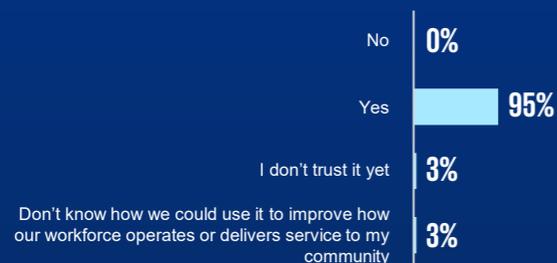- 'Transforming and automating processes - 18%

Current Sector activities

Innovation Funding (LGA SA) - June 25 published application closed August 25: Over **$1 million in funding** is available through the Local Government Research and Development Scheme to support projects that **trial new approaches, build partnerships, and tackle emerging challenges**. Past projects include workforce solutions, pest management strategies, and community fitness initiatives, all aimed at creating scalable, innovative models. [lga.sa.gov.au]

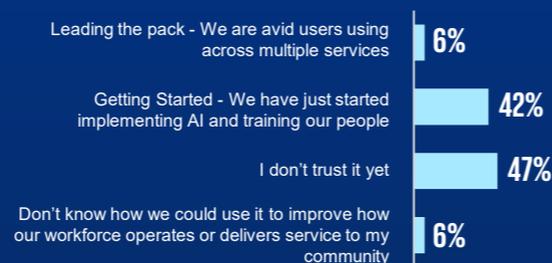# Appendix: 2025 PSN Roadshow Poll Results

Question 1.

Are you actively thinking about Artificial Intelligence (AI) to improve how your workforce operates and how you deliver services to your communities?
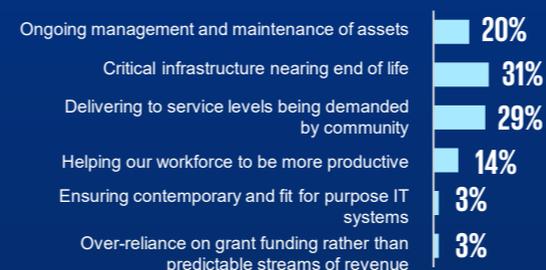
No	0%
Yes	95%
I don't trust it yet	3%
Don't know how we could use it to improve how our workforce operates or delivers service to my community	3%

Question 2.

At what stage is your council in your AI adoption journey?

Leading the pack - We are avid users using across multiple services	6%
Getting Started - We have just started implementing AI and training our people	42%
I don't trust it yet	47%
Don't know how we could use it to improve how our workforce operates or delivers service to my community	6%

Question 3.

When thinking about the long-term financial sustainability of your council what are the areas of greatest concern?

Ongoing management and maintenance of assets	20%
Critical infrastructure nearing end of life	31%
Delivering to service levels being demanded by community	29%
Helping our workforce to be more productive	14%
Ensuring contemporary and fit for purpose IT systems	3%
Over-reliance on grant funding rather than predictable streams of revenue	3%

Question 4.

What is your council's top priority over the next 12 months?*

Infrastructure maintenance and development	26%
Advancing workplace culture and upskilling the workforce	14%
Building resiliency and improving business continuity plans	3%
Becoming more data driven in decision making	31%
Transforming and automating processes	23%
Collaborating with other departments/levels of government	3%

Question 5.

What is the most pressing challenge facing local governments today?

Infrastructure maintenance and development	18%
Budget constraints and financial sustainability	71%
Environmental sustainability and climate change adaptation	3%
Social equity and community development	0%
Rising demands and service expectations	9%

Question 6.

How would you describe your organisation's capability to review and optimise services?

Just starting - ad hoc service reviews and processes	39%
Planning - building a service and process transformation program	27%
Delivering - we have a strategy, and it is underway	21%
Optimising - we are actively driving service improvement	6%
Continuous improvement - we have systems in place to track and inform next steps	6%
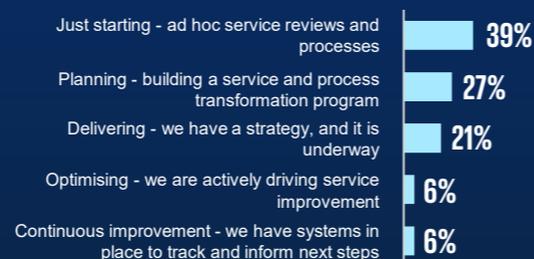
Question 7.

How confident are you that your council could recover quickly from a significant cyber-attack?

Very confident – we have a well-tested incident response plan	19%
Somewhat confident – we have plans, but they need improvement	47%
Not confident – we would struggle to recover effectively	19%
Unsure – we have no clear strategy for cyber resilience	14%
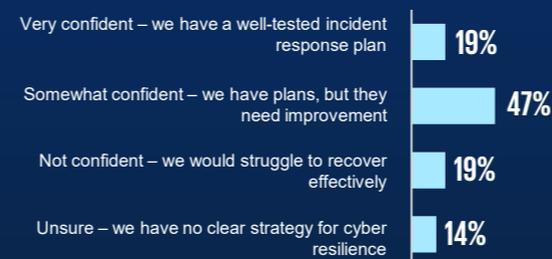
***Note – Question 4 was not asked at the NSW Roadshow Event**

PSN Local Government Focus Days 2026

Planning is underway for the PSN Local Government Focus Days 2026. The theme of this year's events is:

Reimagining how councils deliver : citizen-centric, AI enabled productivity.

State	Date
VIC	Thursday, 26 March
NZ	Thursday, 14 May
SA	Tuesday, **16 June**
NSW	Tuesday, 4 August
WA	Thursday, 27 August
QLD	Tuesday, 8 September

Register early to secure your spot at these exciting events. Visit PSN

Let's continue the conversation

From foundation to innovation: Financial resilience in Local Government

National Local Government Lead

Keirstyn Spencer
Partner
M: +61 406 685 945
E: kspencer2@kpmg.com.au

National Local Government Tech Lead

Kar Lim
Partner, VIC Local Government Lead
M: +61 403 579 811
E: karlim@kpmg.com.au

Local Government State Leads

Sarah Hicks
Partner, NSW & NT Local Government Lead
P: +61 474 700 037
E: sarahhicks@kpmg.com.au

Trent Adamson
Director, QLD Local Government Lead
P: +61 7 3225 6828
E: tadamson@kpmg.com.au

Michael Grant
Partner, WA Local Government Lead
P: +61 8 9278 2188
E: mgrant4@kpmg.com.au

Sharyn Delbridge
Director, SA Local Government Lead
P: +61 8 8236 7346
E: sdelbridge@kpmg.com.au

KPMG.com.au