



The Hon. Daniel Mookhey MLC
Treasurer, NSW Government
budgetsubmissions@treasury.nsw.gov.au

17 December 2024

Dear Mr Mookhey, MLC

Re: Recommendations to inform the 2025-26 NSW Budget.

The ten Member Councils of the Hunter Joint Organisation (JO) welcome the opportunity provided by the State Government to provide a pre-budget submission to inform the NSW Budget 2025-26.

The Hunter Joint Organisation is the statutory local government entity established by the NSW Government, through the *NSW Local Government Act 1993*, to support the ten member Councils of the Hunter Region to work together for better rural and regional outcomes, and to enhance the way local and state governments work together to plan and deliver important regional infrastructure and investment.

Member Councils of the Hunter JO include:

- Cessnock City Council
- Dungog Shire Council
- Lake Macquarie City Council
- Maitland City Council
- MidCoast Council
- Muswellbrook Shire Council
- City of Newcastle
- Port Stephens Council
- Singleton Council
- Upper Hunter Shire Council

The Hunter region is the largest regional economy in Australia, driving around 28% of regional NSW's total economic output, of which coal exports contribute around a third (\$24 billion) and approaching a population of one million people by 2040.

The ten Mayors of the Region, through the Hunter Joint Organisation, are strongly aligned in recognising the economic challenges facing the region with the global downturn in coal, and on the priorities and actions needed to evolve the Hunter's economy toward net zero.

The recommendations outlined in our budget submission are shared priorities of the 10 local governments in the Hunter, and have been prioritised because they:

- Support the transformation to net zero by diversifying the Hunter economy
- Will deliver significant employment, economic and social benefits
- Provide regional benefit to communities across the Hunter region and beyond
- Leverage significant partner and Government funding
- Align with national priorities.

We would welcome the opportunity to meet to provide a more detailed briefing and to discuss strategies for working more closely with you to progress these important initiatives for the Hunter.

To further discuss or to arrange a meeting, please contact Kim Carland, Advocacy and Government Relations Lead on kimc@hunterjo.com.au or 0460 034 614.

Yours sincerely,



Cr Sue Moore
Mayor, Singleton Council
Chair, Hunter Joint Organisation



Cr Leah Anderson
Mayor, Port Stephens Council
Deputy Chair, Hunter Joint Organisation

The Hunter Joint Organisation's statutory mandate includes identifying the key regional strategic priorities, advocating for these priorities and building collaboration with other levels of government, industry and community. More information on our shared priorities are outlined in our [Hunter JO Strategic Plan 2032](#) and [Advocacy Priorities](#).

What is the NSW Government doing well?

Collaborative grant funded programs

There have been several grant funded programs recently where the State Government Agency has emphasised and supported collaboration with local governments or joint organisations of councils, to achieve shared objectives. This has been valuable to both partners by ensuring stakeholder input and project outcomes are fed into the State Government agency, outputs are strategic, relevant, effective and cost efficient for both State and Local Government. This has also allowed the State Government to have a good insight of what does and doesn't work well in the grant administration practices to optimise the design of future programs.

Joint Organisations have advocated for a more effective partnership approach with the State Government to co-design grant funding programs with JOs and Councils and collaborate towards achieving project outputs. A partnership approach provides a mechanism to deliver better value from State programs, ensuring local / regional scale research and stakeholder input is fed to the State Government, and for local governments and JOs to ensure their outputs are strategic, effective and cost efficient. This also enables the State Government to have a good oversight of the grant administration practices to reduce the administrative burden placed on additional reporting.

Examples of good collaboration grant funded programs include:

- Joint Organization Net Zero Acceleration Program – NSW DECCW
- Disaster Ready Fund Round 2 – NSW Reconstruction Authority (co-design of project outputs is happening between JOs and NSW RA Delivery teams – not the grant program itself)
- 2023 Sustainability Partnerships Grant – NSW EPA

Business Case grants

The NSW Government should be congratulated for the Regional NSW – Business Case and Strategy Development Fund. The design of this funding program allowed for stakeholder consultation, research and data to identify the highest priority investment required to meet the objectives. This was overlaid with financial analysis to determine the economic feasibility for the project and has allowed for organisations to progress with a strong evidence base and fit-for-purpose projects.

What could the NSW Government do better?

Collaborative grant funded programs - shared objectives

Improvements can continue to be made to ensure that grant programs are accessible, equitable and productive for smaller local governments and joint organisations. Consultation to inform the design of grant programs, including the eligibility, objectives and administrative requirements is limited and this is directly reflected in the quality of outcomes.

We would encourage the State Government to consult local government and joint organisations early in the process to ensure grants are designed in such a way that they allow for *shared* objectives to be achieved, as opposed to the objectives of State Government alone.

For example, we would advocate for funds to be established for investment in projects or strategic goals contained in existing local government and joint organisation Strategic Plans that are developed in line with the NSW Government Integrated Planning and Reporting Framework. These plans are designed in consultation with the community, and reference Federal, State, and regional documents and therefore are reflective of priorities of other agencies of government beyond the funding body.

Remove co-contribution grants for Joint Organisations and smaller councils

The requirement of co-contribution to grants eliminate regional joint organisations and smaller regional and rural councils from being able to apply. Joint Organisations are a statutory entity set up by NSW Government, which rely on funding from local government for their operations to identify regional priorities. Once the regional priorities have been developed, there is no funding available to achieve these regional objectives, and JO's are required to apply for grants to implement the regionally significant projects.

The current design of co-contribution grant funded programs result in:

- Local, small scale projects compared to regionally significant projects that cross council boundaries.
- Greater success for larger councils who have more revenue streams to co-contribute compared to smaller councils where 70-90% of their capital works rely on grant funding.

Recommendations – NSW Budget 2025-26

Thank you for the opportunity provided to provide a pre-budget submission to inform the NSW Budget 2025-26. The shared recommendations of the 10 Hunter councils include:

- 1. Economic diversity** – support to drive the economic transformation with the global downturn in coal demand:
 - a. Re-use of mining lands for employment
 - b. Future Jobs Investment Authority action
 - c. International tourism trade marketing
 - d. Airfreight precinct at Newcastle International Airport
 - e. Shiraz to Shore cycle trail to celebrate Hunter Valley bicentennial
 - f. Circular Economy Futures Hub
 - g. Digital connectivity
- 2. Housing** – support for enabling infrastructure to unlock development ready land.
- 3. Financial sustainability of local government**
 - a. Roads - equitable funding for regional and rural councils
 - b. Grants funding – long term and aligned to the NSW Government Integrated Reporting and Planning timelines
 - c. Disaster resilience – predictable long term for adaptation
 - d. Waste levy – return a greater percentage to the current declining funding
- 4. Transport** – Reliable and frequent public transport, and safe active transport.

Economic diversification and growth

Re-use of mining lands

Planning reform so that mining lands can be re-used for employment, stimulating business growth, local jobs and a prosperous economy.

Ask: Planning reform and dedicated business attraction and investment focus

Outcome:

- Reduce the significant commercial risk currently deterring new and expanded investment in the reuse of mining and industrial lands.
- Re-use existing infrastructure on mining lands (e.g. connection to utilities, road and rail networks, industrial sheds).
- Re-use already disturbed land to remain productive for local communities, decreasing the need to clear undeveloped land and impacting First Nations.

Future Jobs Investment Authority

The size, scale and complexity of the Hunter's economy relative to other regions, will require an approach to economic development and evolution that goes beyond just the direct replacement of jobs in existing coal and energy sectors. Creating the future jobs in the Hunter region will require a fundamental shift in the focus and diversity of the Hunter's economy.

Ask:

- The engagement of regional communities to develop a clear whole-of-government plan with localised visions, directions, actions, timelines, accountability and governance.
- The alignment, coordination, efficiency and accountability mechanisms surrounding State and Federal government investment in the region's economic evolution.
- Reviewing grant delivery mechanisms to improve the efficiency and strategic planning for economic development.
- Urgency for action.

Outcome:

- Clarity on the strategic outcomes being sought, and consequently the opportunities, pathways and actions for driving economic change to achieve the ambitious 2050 net zero targets.
- Alignment, coordination and efficiency of State and Federal government investment.
- The engagement of regional communities needed to unlock the human and social capital that will underpin economic transformation in these areas.

International tourism trade marketing

Unify the tourism industry through a cohesive region-wide identity and associated trade marketing activities with businesses.

Ask: \$3.85m

Outcome:

- An additional \$268m in Australia's economy over three years.
- Increase international visitors by 1-3% and spend from \$72 to \$130 per night.
- 68 Benefit Cost Ratio.
- Stimulate business growth and local jobs through training and mentoring programs, especially with First Nations.

Air-freight precinct at Newcastle International Airport.

To leverage the \$250m investment in the Newcastle Airport upgrade, a cargo terminal and precinct needs to be built to unlock air freight capability to attract airlines and catalyse business growth.

Ask: \$50m

Outcome:

- \$155m total economic benefits over the asset life.
- 2.68 Benefit Cost Ratio for Air-freight cargo terminal.
- Catalyse economic outcomes through new investment, business diversification and local job creation.

Shiraz to Shore cycle trail

To stimulate the tourism industry, an opportunity exists to build a 100km cycle trail from the Hunter Valley to Newcastle and Lake Macquarie. In the next budget, we can design and construct the Hunter Valley section of the recreational trail to celebrate the bicentennial in 2028.

Ask: \$23m Business Case outcomes

Outcome:

- A return of \$1.40 for every dollar invested.
- An additional \$207m in economic benefit and 200 jobs after 10 years.
- A sustainable, safe active transport link for over 230,000 users.

Circular Economy Futures Hub

Establish a Circular Economy Futures Hub as a coordinating body to broker the growth of the region's circular economy ecosystem.

Ask: \$8.5m Business Case outcomes

Outcome:

- Better manage and extract economic value from the 2.2m tonnes of material landfilled in the Hunter and Central Coast annually.
- Validate and establish circular economy industrial precincts in the region.

- \$1.1 billion in Gross regional product and stimulate up to 1020 jobs (5% of current coal industry value).

Digital connectivity

Equitable and competitive digital communication technology that supports new work practices that are less dependent on the physical movement of labour (e.g. work from home), and which supports the growth of new industries and innovation that will directly support the region's economic evolution.

Ask: \$100m Business Case outcomes

Outcomes:

- A globally connected region whose residents enjoy systems that enhance their economic and lifestyle opportunities.

Housing

Support for enabling infrastructure

Significant areas of development-ready land exist (ie planning approvals are already in place), but construction cannot proceed due to delays in the provision of core enabling infrastructure (e.g. roads, drainage, sewers).

Ask: \$948m partnerships for enabling infrastructure support.

Outcome:

- 61,000 homes in the Hunter
- 60,000 jobs and \$37 billion in economic benefits
- \$20 billion in direct housing development across the Hunter region.

Financial sustainability of local government

Implement recommendation from the NSW Government Inquiry - Legislative Council Standing Committee for State Development - Ability of local governments to fund infrastructure and services

- Reviewing rate exemptions and concessions to achieve a better balance between local council financial sustainability, community benefits and principles of equity.
- Redesigning the rating system to provide councils with greater flexibility in setting rates, while keeping rates affordable for the community.

- Streamlining the special variation process.
- Advocating to the Australian Government to increase Financial Assistance Grants to councils from 0.5% to 1% of Commonwealth taxation revenue (a huge win for our sector!).
- Grant models that are more secure, sustainable and predictable.
- Changes to the developer contributions framework to better support councils to fund the ongoing costs of new infrastructure, and support development including of community facilities.
- More timely disaster recovery assistance to councils.
- Dedicated and ongoing funding streams for disaster mitigation and preparedness.
- Incorporation of betterment into disaster recovery funding programs.
- Appropriately recognising that Rural Fire Service assets are vested in the NSW Government, and not councils.
- Reducing cost shifting onto councils and consideration of how the Waste Levy can better support infrastructure and services that support the transition to the circular economy.

Funding for Joint Organisations

The benefits arising from the establishment of Joint Organisations by NSW Government are shared between both the NSW Government and local government, however at present the Joint Organisations are funded by local government only. Funding contributions from the NSW Government predominantly comprise short term, project-based grants, resulting in a lack of staff and knowledge retention.

Continued funding of the core operations of JO's are required by both State and Local Government to effectively meet the statutory mandate that has been established for them by the NSW Government.

Ask: Funding contribution to Joint Organisations to enact the statutory functions set up by NSW Government.

Outcome:

- A more strategic, efficient and cost-effective delivery mechanism for regionally significant programs and initiatives that help achieve State Government objectives.

Roads funding reform

Commit to a review of the calculation of funding for roads. Rural and regional councils have a backlog of road maintenance that they're not able to maintain with the level of funding provided by the NSW Government. They manage over 128,000kms of roads compared with only 18,000kms in metropolitan and outer Sydney (7 times more), yet will receive on average less than \$2k per km compared with \$11k per km in Sydney.

Ask: Equitable model for funding.

Outcome:

- Address the structural inequities where regional communities bear an undue road funding burden compared with capital city counterparts.
- Equitable funding will allow regional councils to undertake vital repairs due to severe weather events that has been experienced in recent years.

- Safer road conditions for a productive economy.

Grant funding reform

Commit to a more sustainable and strategic approach to grant funding aligned with councils' four-year statutory planning timeframes.

Ask: Predictable long term block funding

Outcomes:

- Improve the efficiency and effectiveness of funding to deliver the strategic plans developed by local government in consultation with their local communities.
- Provide greater certainty in the expectations level of funding available and sequencing of payments to align with council and EOFY budget cycles.
- Improved workplace planning and retention skills development/ availability and reduce the risk of escalating contractor and materials costs arising from the boom-and-bust cycle of grant funding.

Disaster resilience

While the state government has primary responsibility for preparing for and responding to disasters, Australia is becoming increasingly reliant on local government which has the least capacity and often limited capability to respond (*Independent Review of Commonwealth Disaster Funding - Final report 2024*).

Historically, over 97% of disaster related investment has been spent on response and recovery rather than risk reduction, leaving councils and communities carrying the burden of risk (*NSW State Disaster Mitigation Plan 2024*).

Ask:

- Commit to a more sustainable, strategic and consolidated place-based approach to local and regional recovery and resilience planning which allows for preparedness initiatives as well as reactive funding post disaster events.
- Provide funding that permits asset renewal and maintenance upgrades that "build back better" to ensure future infrastructure resilience and reduced need for disaster recovery funding.
- Evidence requirements and administrative burdens for disaster resilience and recovery funding is reduced, especially for road repair funding

Outcome:

- Local government is appropriately supported and resourced to prepare for, respond and adapt to disasters.

Waste levy reform

Councils in the Hunter region require a more equitable distribution of the waste levy revenue so that they can provide necessary waste management services to their communities. These services include adequate domestic waste infrastructure to cope with growing populations, recycling facilities, resource recovery programs that support a circular economy and the prevention of illegal dumping.

Ask: Full or part hypothecation of the waste levy (above the declining percentage in 2024) back to the local government areas from which it is collected.

Outcomes:

- Better planning of waste infrastructure to meet growing regions.
- Innovation in resource recovery towards a circular economy.
- Cleaner environments that boost community wellbeing and support tourism.

Transport

Public and active transport

Increased reliability and frequency of services are required across the Hunter region to give confidence in the services provided by public transport, supporting the high growth areas, movement of students to educational institutes, accessibility to healthcare services and employment areas.

Ask: Increase reliability and frequency of services of public transport, and support increase in safe active transport alternatives.

Outcomes:

- Integrated public transport linking key services and centres.
- A regional network of safe, connected and convenient cycleways and walkways that are accessible to all residents and visitors.