



NSW Budget Submission 2026-2027

December 2025

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

22 December 2025

Dear Mr Mookhey, MLC

Re: Recommendations to inform the 2026-27 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 2026-27.

The Hunter JO 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 core statutory functions established by the NSW Government for the Hunter JO and joint organisations more broadly across NSW include:

1. Strategic planning and priority setting
2. Intergovernmental collaboration
3. Shared leadership and advocacy

Context of the Hunter region

Economic contribution

The Hunter Region is the largest regional economy in Australia, driving around 28% of regional NSW's total economic output (valued at \$96B in 2025) and a population exceeding 800,000. There are enormous social and economic ramifications facing the Hunter region and the NSW economy more broadly arising from the Region's economic transition away from coal, a transition that is already underway. These impacts include a decline in coal royalties currently contributing over \$3 billion annually to the NSW budget.

Major job losses

According to coal industry modelling shared with our Member Councils, by 2030 nearly 12,000 direct and indirect jobs will be lost in the Hunter region with the closure of two mines alone. Over the next few decades, 22 further coal mines are due to close with no mining

approvals currently granted beyond 2048. This will impact almost 50,000 direct and indirect jobs in the Hunter region (FIJA Issues Paper, 2023).

Local Government financial sustainability

Government Inquiries at both Federal and State levels have recognised the financial concerns and constraints facing Local Government. With limitations on their ability to generate revenue, Local Governments across Australia, especially in regional areas, are facing mounting financial risks that threaten their long-term sustainability.

Our submission

The recommendations outlined in our budget submission have been prioritised based on:

- Their alignment with State and Federal Government priorities
- The opportunity to leverage and build upon existing significant Government and partner resourcing and investment
- The opportunity to enhance outcomes via a more integrated partnership approach to delivery across all three levels of Government.

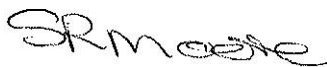
These priorities focus on:

- **Jobs/Net Zero** - Support the transformation to net zero by diversifying the Hunter economy and increasing jobs in the region.
- **Housing** – Unlock existing barriers to housing development.
- **Community infrastructure** – providing essential services for our local communities.

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.

Should you have any further queries please don't hesitate to contact Kim Carland, Advocacy and Government Relations Lead, Hunter JO at kimc@hunterjo.nsw.gov.au or on 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 2035](#) and [Advocacy Priorities](#).

SUBMISSION

Thank you for the opportunity provided to provide a pre-budget submission to inform the NSW Budget 2026-27.

Each year the Hunter JO Board, comprising the region’s ten democratically elected Mayors, identify and prioritise their shared advocacy priorities for the region. The priorities included in this submission reflect those shared priorities, and comprise funding, policy or staff resource requests of regional significance that would benefit over 800,000 people in the Hunter region directly and the NSW economy more broadly.

Summary

NSW Government priority	Description	Request
Jobs	Government coordination of the economic transformation	\$200,000
	Strategic Planning for re-use of mining lands for employment	\$10m
	International tourism – catalytic investment to launch trade marketing	\$3.85m
	Aviation Attraction for Newcastle International Airport	\$35m (3 years) \$185m (5 years)
	Hunter Region International Air Freight Precinct – detailed precinct design	\$1m
	Shiraz to Shore cycle trail – construct the ‘Shiraz’ section.	\$23m
Housing	Enabling infrastructure – noncompetitive criteria-based contribution fund to councils to unlock development ready land	\$200m
	Biodiversity - Strategic Conversation Planning and Bio-certification for high growth areas	Staff resources
	Density - Lead the coordination and investment outlined in Masterplans to activate TODs.	Funding and resources
	Integrated planning – NSW Government led integrated land use and infrastructure planning for significant growth areas in the Hunter.	Staff resources
	Increasing diversity - Housing preferences study and raise awareness of benefits of density.	Staff resources

NSW Government priority	Description	Request
	Cost of construction - Increase research and development into alternative housing options including modular homes	Staff resources
	Shortage of skills - Continue to fund TAFE fee-free courses in building and trades.	Funding
	Social and affordable Housing - Repurposing of temporary worker accommodation in Renewable Energy Zones and designing new developer incentives that deliver affordable housing in perpetuity.	Staff resources
	Water infrastructure - Limited funding for large-scale infrastructure maintenance and upgrades is limiting housing development in regional areas.	Funding
	Community Benefit Schemes – Ensuring regional communities impacted by the energy transition, including transmission and transportation routes through the Hunter region, receive legacy community benefits.	Funding and resources
Roads and Transport	Equitable funding - Update funding allocation formulas to reflect road length, freight load, weather vulnerability and connection to State infrastructure.	Funding and resources
	Re-categorisation - Prioritise re-categorisation of Local and Regional roads to State Roads where the road services significant assets to the state including housing water and energy infrastructure assets and facilities.	Funding and resources
	Regional Transport Plan Delivery - Transparent four-year Delivery Program provided to Local Government to deliver the Hunter Strategic Regional Integrated Transport Plan.	Staff resources
Disaster resilience	Non-competitive funding – Aligned with councils' four-year Integrated Planning and Reporting (IP&R) cycles to reduce administrative burden and enable proactive, long-term adaptation planning.	Funding
	Water infrastructure – urgently review disaster recovery funding rules to include repairs to community water infrastructure impacted by natural disaster events.	Policy change

NSW Government priority	Description	Request
Water security	Water supply and treatment infrastructure - Increase NSW Government investment in regional water and wastewater infrastructure, including funding models co-designed with councils.	Funding
	Catchment area impacts - Ensure a fairer distribution of Hunter Water dividends to support impacted Councils and standardise planning controls across drinking water catchments to ensure consistency and fairness.	Funding and policy change
	Waterway health - Establish a lead agency for coordinating waterway health and drinking water quality management in the Hunter region.	Policy change and resources
Waste management	Waste Levy – return a greater percentage of NSW waste levy to councils to implement waste and circular economy initiatives, and provide greater transparency in the allocation of the levy funding.	Funding and resources
Addressing cost shifting	Rate exemptions - Reduce rate exemptions for state-owned entities	Funding and policy change
	IPART Rate-Pegging - Rates aligned to inflation for council service delivery activities (as opposed to traditional CPI calculations).	Policy change
	Funding Joint Organisation's or other regional collaborations of councils that provide benefit to NSW Government.	\$492,000
	Financial Assistance Grants – advocate to Federal Government to increase Grants to 1%.	Staff resources
	Financial Assistance Grants – Update FA Grants methodology to provide greater equity.	Staff resources
	NSW Grants - Long-term grant funding aligned to NSW Integrated Planning and Reporting timelines (4yr Delivery Program).	Staff resources
	Audit fees – Use tiered compliance or risk and capacity-based compliance models.	Staff resources

JOBS

Government Coordination for Economic Transformation

Ask: \$200,000

Coordination of participation of the ten Local Governments in the Hunter region to provide a conduit for working with various State and Federal Government Departments to develop a whole-of-government plan and communications to support coal mining communities transform their local economies.

To help State and Federal Government work with the ten Local Governments in the Hunter region transform their communities as coal mining demand declines, we're seeking direct financial support to assist with coordination across all levels of Government to develop a plan with agreed set of commitments to assist the Hunter region transform as coal demand declines impacting 50,000 jobs.

The investment would provide a dedicated resource as a conduit between all three levels of Government to gather information and develop communications to help local communities and government agencies understand roles, responsibilities and timelines.

We know from international experience that successful transition of mining regions requires all levels of government to effectively collaborate to deliver shared plans and objectives. The ten councils of the Hunter region are firmly committed to partnering with both the Federal and NSW governments to deliver outcomes for our communities, to successfully transform our economy.

We understand the significant extent of work that is underway across multiple agencies at both State and Federal levels, however there is a lack of dedicated and ongoing coordination and communications across these, that draws all of the relevant information and activity together.

Revenue from mining royalties provides an opportunity to catalyse investment in this approach to support mining impacted communities above what is already committed.

Our budget request will assist NSW Government in undertaking coordination across ten Local Governments, and communications to help build trust within our communities.

Objectives for this ask:

- Coordinated Federal, State and Local Government activity to develop a whole-of-government plan and set of commitments to:
 - Creating 50,000 new jobs to offset those expected to be lost from the global decline in coal over the coming decades.
 - Coordinated business incentives and investment attraction programs.
 - Reskilling our mining related industries for future industries.
 - Repurposing mining lands to create the new industry and jobs.
 - Planning partnerships to support housing growth to meet the NSW targets.
- Improved and ongoing communications both internally across all levels of government, and externally with industry and community, on roles and responsibilities to build trust and understanding of the activities underway.

Strategic Planning for Re-use of Mining Lands for Employment

Ask: \$10m

Funding or in-kind support to deliver regional scale land use planning and actions that directly support local communities transform their economies as coal declines.

We're advocating for investment to guide strategic land use planning to unlock economic opportunities for post mining land use across the broader Hunter region.

We appreciate the in-kind support being provided for two pilot projects in Lake Macquarie and Muswellbrook, developing Masterplans for two mine sites, however there is currently a lack of planning for over 20 mine sites and thousands of hectares of mining related lands across the Hunter region.

There is currently 92,000ha of mining-related land in the Singleton LGA alone that does not have a strategic land use planning framework in place to facilitate the repurposing of these lands, thereby inhibiting the enormous potential of these assets for supporting the region's economic transformation and jobs.

We acknowledge and appreciate the NSW Government's full support for all recommendations arising from the "Inquiry into the Beneficial and Productive Post Mining Land Use". The need to implement the recommendations is urgently needed to accelerate the reuse and redevelopment of mining related lands to create new industry and jobs in the Hunter.

Objectives for this ask:

- Region-wide mapping of all Hunter mine sites, creating a unified dataset to inform strategic planning, infrastructure investment, investment attraction, environmental management, and post-mining land-use decisions.
- Identifying future land-use options, economic diversification opportunities, environmental rehabilitation pathways, and community benefit outcomes.

International Tourism Trade Marketing

Ask: \$3.85m

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

We're advocating for catalyst funding to help launch a new international brand for the Hunter region, to leverage the once-in-a-lifetime opening of the Newcastle Airport international terminal.

The Hunter region needs to diversify its economy as coal demand declines and 50,000 direct and indirect jobs are at risk. We have an opportunity to market the region to attract high-value international visitors and create new jobs in the tourism industry.

We have undertaken a Business Case and have full support for an international Hunter region brand for trade audiences from various local destinations in the Hunter region including Destination Port Stephens, Hunter Valley Wine Tourism Association, Newcastle tourism, Destination Sydney Surrounds North (DSSN) and Newcastle Airport.

The investment demonstrates a benefit cost ration (BCR) of 68 to 1, backed up by an economic assessment and Business Case.

Objectives:

- An additional \$268m in Hunter economy in the first three years.
- Increase international visitors by 1-3% and spend from \$72 to \$130 per night.
- Stimulate business growth and local jobs through training and mentoring programs, especially with First Nations.
- Support the economic diversification required in the Hunter region



Aviation Attraction for Newcastle International Airport

Ask: *\$35 million over 3 years for 6 destinations including Fiji, South Korea, Singapore, Japan, New Zealand and North America (NB an additional \$32 million will be funded by Newcastle Airport to bring this investment to \$67 million).*

\$185 million over 5 years for Newcastle Airport Accelerated Aviation Growth Program to unlock 1,000,000 incremental seats into NSW as part of the NSW Visitor Economy Strategy (VES) 2035

Air route development is highly competitive, with Australian state governments and other countries actively contributing to the attraction of new air services to their regions. Partnerships are essential, yet NSW remains the only state without ongoing, long-term airline attraction funding. With airlines constrained by limited fleet availability, this gap puts NSW and the Hunter at a significant disadvantage. Ongoing, sustainable long-term funding through the Aviation Attraction Program would grow airline routes and capacity through Newcastle Airport, contributing directly to the region's broader economic diversification and evolution.

The Newcastle Airport Accelerated Aviation Growth Program would unlock 1,000,000 incremental seats into NSW as part of the NSW Visitor Economy Strategy (VES) 2035. This accelerated program will stimulate airline activity and meet NSW inbound tourism objectives which includes 8.5M additional airline seats (3.7 million international and 4.8 million interstate). This ask will build the network and connectivity into the Hunter region, help NSW VES 2035 achieve its targets and support local manufacturing, business, tourism and defence industries. Growth in capacity to the Hunter catchment has a greater ROI than increasing capacity into the Sydney catchment which is already saturated by flights into SYD and shortly into WSI. The Hunter is an incremental destination for the State of NSW to attract international visitation as it has all the attributes to be a significant destination but is currently unserved by international airlines.

Hunter Region International Air Freight Precinct

Ask: \$1m for detailed precinct design (Stage 2)

The Hunter International Air Cargo Facility is the missing link in the Hunter's air-based supply chain. Capital investment is critical to unlock this economic opportunity for the region, as part of a staged approach:

Stage One – The high-level feasibility study has been completed by Hunter Joint Organisation, funded by the NSW Government. This study identified the need for the Hunter Region to have an international air freight capability at Newcastle Airport ([Hunter Airports Strategy Summary Report](#))

Stage Two - Detailed precinct design. Planning to define, value and design the precinct, making it shovel-ready for future activation.

Stage Three: Delivery of infrastructure to fully activate the precinct. Indicative costings include:

- \$27 million – International Air Cargo Terminal
- \$22M – Supporting Infrastructure

Capital investment will be critical to unlock this economic opportunity. Staffing and operations will be covered by a specialist cargo operator, making government investment catalytic rather than ongoing. This project complements investments at the Port of Newcastle, collectively enabling the Hunter to become a nationally significant logistics hub. It also unlocks precinct infrastructure for aeromedical and patient transfer, ground handling, maintenance and logistics.

Expected Outcomes:

- \$6.5B in gross regional product through freight opportunity
- 106 direct jobs in construction and operation
- 4,410 jobs across the freight and visitor economy

Shiraz to Shore Cycle Trail

Ask: \$23m for the 'Shiraz' section

To celebrate the oldest wine region in Australia with its bicentennial in 2028, and stimulate the tourism industry, an opportunity exists to build a 100km cycle trail from the Hunter Valley vineyards to the coast of Newcastle and Lake Macquarie. In the next budget, we can design and schedule construction of the Hunter Valley 'Shiraz' section of the recreational trail. Without funding, the project cannot progress to a nationally significant tourism asset.

Objectives:

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

HOUSING

Enabling Infrastructure in the Hunter

Ask: \$200m

Non-competitive, criteria based fund to support Local Councils invest in enabling infrastructure in the Hunter Region to accelerate housing delivery.

We are recommending a contribution towards Local Government enabling infrastructure specifically to unlock housing to help meet the NSW housing targets.

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 (eg transport and utilities).

Data from the ten Hunter councils indicates that approximately \$938 million in infrastructure investment would unlock 61,000 new homes across the Hunter region.

We appreciate the priority commitment and focus of the NSW Government to meet the Housing Accord targets and want to actively partner with the Government to achieve these across the Hunter region.

This budget would contribute to our broader shared objectives of:

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

Biodiversity

Ask: *Strategic Conversation Planning and Bio-certification for high growth areas in the Hunter*

The Hunter region's population is continuing to grow rapidly, including Maitland and Cessnock who are the two fastest growing LGAs in NSW. In these two LGA's alone, an expected population increase of 100,000 and accompanying housing development is expected over the coming decades.

Strategic Conversation Planning and Bio-Certification of high growth areas within the Hunter Region would assist with both streamlining the development process, provide industry and community certainty, and deliver strategic biodiversity conservation outcomes. It would also support the alignment of biodiversity planning with the NSW Plan for Nature and the Commonwealth Nature Positive Plan, which are expected to guide future policy and investment.

An Independent Review Panel 2023 found that the *Biodiversity Conservation Act 2016* is not meeting its objective of maintaining a healthy, resilient environment—and is unlikely to do so.

Both councils and developers report continued uncertainty and duplication in biodiversity mapping. This inhibits housing development and creates approval delays. It is also inhibiting effective biodiversity conservation outcomes being realised.

Current offset schemes place significant financial obligations on councils and proponents to secure environmental clearances. The difficulty in acquiring suitable offset land and navigating complex regulatory processes leads to costly delays in development. There is an opportunity to streamline offset processes and provide dedicated support to councils, including improved access to offset land and clearer regulatory pathways, to reduce delays and cost barriers to housing delivery.

Density – TOD Activation Leadership

Ask: Funding and resources

NSW-led coordination and investment to activate Transport-Oriented Development (TOD).

While NSW Government policy supports increased housing density through Transport-Oriented Developments (TODs) and Low-Rise Medium-Rise (LRMR) housing, there is limited support for their practical planning and implementation in the Hunter region.

The Hunter contains nine TODs, yet Tier 2 TODs have no infrastructure funding and no development uptake since controls commenced. Fragmented land ownership, outdated voluntary planning agreement processes, and lack of coordinated state leadership are constraining density outcomes.

In addition, funding mechanisms for delivery of the infrastructure upgrades to support infill housing could be explored on a regional scale. This could include investigating how to reform voluntary planning agreements and processes to support renewal of infill precincts with multiple landowners.

In summary, to support increased housing density and diversity the NSW Government could consider:

- Incentivising infill housing
- Reforming Voluntary Planning Agreements to enable coordinated renewal across fragmented ownership.
- Allocating funding and leadership for planning and delivery in Transport Oriented Developments and Low-Rise Medium-Rise areas.
- Exploring the expansion of Low Rise Mid Rise zones with due consideration of environmental constraints.

Integrated Planning for High-Growth Areas

Ask: Staff resources

State-led integrated land-use and infrastructure planning for major growth corridors, including Anambah–Branxton.

The Anambah to Branxton Regionally Significant Growth Area across the three local government areas of Singleton, Cessnock and Maitland has the potential to accommodate a substantial population increase of up to 100,000 people, justifying high level coordination to ensure integrated planning.

Leadership of an integrated planning approach between various Government agencies and the three Councils involved in this significant urban growth area will be critical to achieving timely delivery of housing targets and creating liveable and connected communities. However, the NSW Government resourcing to support an integrated approach to planning this high growth area has been withdrawn, leading to sub optimal planning outcomes and delays in providing housing. We are asking that these coordination resources be reinstated.

Increasing Housing Diversity

Ask: Staff resources

Support for a region-wide housing preferences study and for communications to increase public acceptance of density.

Greenfield development areas across the Hunter region are characterised by a dominance of four-bedroom homes, resulting in a lack of housing diversity and limiting opportunities for a broader cross-section of the community. This presents a challenge in meeting the needs of an ageing population, students, and young adults who increasingly require smaller, more affordable housing options such as units or one- to two-bedroom dwellings.

Port Stephens Council has demonstrated the value of localised housing research through a recent preferences study, which identified clear gaps between housing demand and supply.

We are asking for a region-wide housing preferences survey to better understand intra-regional mobility and inform more tailored, evidence-based housing targets within the Hunter Regional Plan.

In addition, despite the efficiency of apartment-style housing in terms of infrastructure provision, social perceptions in Australia continue to undervalue these forms as viable and desirable investments. We see benefit in the NSW Government implementing a communications campaign to increase social acceptance and to raise awareness of the benefits of greater density to reduce the urban sprawl.

Cost of Construction – Modern Methods of Construction (MMC)

Ask: *Staff resources*

Support for R&D and pilot programs in modular, prefabricated, and other innovative construction methods.

Cost of construction materials has increased reducing the feasibility of development (among a range of other increasing costs).

There is an opportunity to reduce construction costs, accelerate housing delivery, and diversify the supply of dwellings by increasing research and supporting the uptake of innovative Modern Methods of Construction (MMC), such as modular and prefabricated housing.

Supporting pilot programs in regional areas, such as the Hunter, would provide practical demonstrations of the feasibility, cost-effectiveness, and efficiency of these approaches.

These pilots could also help build industry capacity, attract new manufacturing investment to the region, and showcase how MMC can contribute to faster, scalable, and more sustainable housing solutions across the Hunter.

Skills Shortage in Construction

Ask: *Funding*

Continued investment in fee-free TAFE training to address workforce shortages.

According to Department of Employment and Workplace Relations, the current workforce does not have enough skilled construction workers to meet housing targets across NSW.

To help meet housing delivery targets, we support the NSW Government in their continued funding of fee-free TAFE courses in construction and building trades, while also increasing the availability of skilled migrant visas to bolster the housing workforce.

Social & Affordable Housing – Perpetual Incentives/Partnerships

Ask: *Staff resources*

Repurposing of temporary worker accommodation in Renewable Energy Zones and designing new developer incentives that deliver affordable housing in perpetuity.

Repurposing of temporary worker accommodation

In the Hunter, we are concerned with rising levels of homelessness and the social impacts this can generate in communities, with thousands of people on the waiting list for social housing. Amidst rising housing costs across the Hunter, there is also a need for greater levels of affordable housing.

We are proposing innovative approaches to addressing these challenges, including:

- The use of modular temporary worker accommodation for construction activities within the Hunter REZ, that can be relocated and repurposed to provide long term social and affordable housing stock once construction is finalised.

- A partnership between Homes NSW and development proponents within the REZ, where housing construction could be accelerated (and co-funded) by proponents to provide worker accommodation in the short term, to then become available for social and affordable housing in perpetuity.

Developer Incentives

We appreciate the NSW Governments incentives for developers for 15% affordable housing in their developments for 15 years, however this causes a strain on the affordable housing market when these properties are removed. We recommend that alternative models to accelerate the provision of affordable housing be explored. For example, an alternative model that could include reducing the 15% requirement but maintaining the affordable housing stock in perpetuity.

Water Infrastructure for Housing Growth

Ask: Funding

Increased investment in regional water and wastewater infrastructure to enable new housing.

Regional councils face upgrades costing up to \$80 million, with ageing systems reducing service reliability and constraining opportunities for housing and economic (and jobs) growth.

Community Benefit Schemes

Ask: Funding and resources

Ensuring regional communities impacted by the energy transition, including the transmission and transportation routes through the Hunter region, receive legacy community benefits.

Local councils across regional NSW are experiencing or are anticipated to experience increased development of renewable energy projects such as wind farms, solar farms, battery storage facilities, pumped hydro, energy distribution and transmission and waste-to-energy projects.

Many energy projects are state significant developments and, while all energy consumers will benefit from renewable energy projects once constructed, local communities where energy developments and operations are located will bear a disproportionate burden associated with hosting the ongoing energy operations.

Despite this, many energy developments are proceeding, both within and outside of renewable energy zones, without suitably commensurate arrangements in place to ensure local communities can experience a net positive benefit as a result of infrastructure and operations being located in their area.

Recognising this, the NSW Government published (2024) a benefit-sharing guideline for large scale renewable energy developments, specifically solar and wind energy generation projects and battery storage projects on rural properties. While these guidelines are a very positive step

towards establishing appropriate long-term community benefits-sharing for energy projects, there is still much to be understood and considered by NSW councils, including:

- how the guidelines should be applied by councils and the state via the planning process,
- development of individual council policy positions and procedures regarding negotiation of community benefits-sharing arrangements, which may include agreements with local governments, as distinct from traditional developer contribution agreements and specific infrastructure agreements between energy companies and local governments,
- how the benefit-sharing guidelines, and associated planning processes apply to other types of energy developments.

We're advocating for a coordinated statewide approach to building councils' capabilities, developing policies and procedures with respect to processes for establishing appropriate community benefits-sharing arrangements, with a view to:

- More clearly and consistently communicate to energy companies, to the NSW Government and to local communities what councils are seeking by way of fair contribution towards broad community benefits, above and beyond negating direct construction impacts, and
- Enhancing the capacity and capability of local councils across NSW to more consistently and equitably negotiate with energy companies and the NSW Government to secure legacy benefits for their local communities.

ROADS & TRANSPORT

Equitable Road Funding Formulas

Ask: Funding and resources

Reform road funding formulas so they properly account for regional realities such as longer road networks, heavier freight use, and higher weather vulnerability.

Councils across the state are struggling to maintain road networks following three years of extreme weather.

Recent NSW and Commonwealth Inquiries demonstrate local governments across Australia are facing mounting financial risks that threaten their long-term sustainability.

We appreciate the NSW Government's Budget pledge in 2024-25 of \$3 billion over 10 years (equivalent to \$300 million per year) for road safety and weather-related transport infrastructure recovery in regional NSW.

By comparison, in the 2024–25 NSW Budget \$150m has been allocated to road infrastructure in Western Sydney alone.

In 2025–26, the Commonwealth will contribute \$630 million in road funding to 128 NSW councils through programs such as Roads to Recovery and Safer Local Roads and Infrastructure. Whilst the funding support is welcomed, it will not adequately address the backlog in road repairs. In May 2025, the NRMA reported that NSW councils are facing a \$3.4 billion backlog in road repairs.

Existing state and federal road maintenance programs often use legacy formulas that fail to account for actual condition, usage, or network scale in rural areas.

Metro versus regional road network

Metropolitan councils manage a much smaller road network, meaning their funding needs are significantly lower. To put this into perspective, if 5% of the road network were renewed to the same standard each year, the relative cost would be about \$75 per ratepayer in Sydney, compared with over \$250 in Newcastle, \$1,800 in Singleton and more than \$3,800 per ratepayer in Dungog. This clearly disadvantages the affordability and capacity of regional and rural councils and their communities to maintain their road networks.

Equitable wellbeing outcomes

Well-maintained and upgraded roads contribute to the overall liveability of regional communities. Maintaining and improving regional road networks is critical for economic activities, connectivity, and community wellbeing.

This lack of equitable funding in roads further isolates communities that are already impacted by limited access to essential services.

We are calling for additional, ongoing, recurrent funding that is not dependent on competitive or complex grants processes. Local councils need predictable, direct investment to manage and maintain essential road infrastructure.

Re-categorisation of Key Regional Roads

Ask: *Funding and resources*

Reclassify local and regional roads that service state-significant assets such as water, energy, housing and freight infrastructure as State Roads.

Several critical regional connector roads currently categorised as local roads in the Hunter are deteriorating faster than councils can afford to maintain them. These roads not only serve local communities but underpin infrastructure and assets of significance to the NSW Government (e.g. water supply and Renewable Energy Zones), key state and regional economic assets (e.g. Port of Newcastle and Newcastle Airport) and link large regional population centres. Yet the limited revenue base of local councils makes it impossible to fund the necessary maintenance of these road assets. Key examples include:

- Maintenance of local roads to provide heavy vehicle access by Hunter Water to Chichester Dam and other water infrastructure in the Dungog Shire
- Medowie Road provides an increasingly utilised transport link between the Pacific Highway and Newcastle, including to Newcastle Airport and the Port of Newcastle. This route is used by thousands of commuters every day. While the recent \$10 million commitment from the NSW Government to upgrade Medowie Road is welcomed, council cannot fund the remaining \$70 million required to bring this road up to the standard the region and State needs.

The continued classification of these types of key roads as local roads is leaving councils with an unsustainable financial burden. A practical solution is for the NSW Government to reclassify key regional connector roads as state roads. This would transfer responsibility for funding, upgrading, and ongoing maintenance to the State, reflecting their true strategic and economic importance, while freeing local councils to focus on the local road network they can realistically support.

Regional Transport Plan Delivery Program

Ask: *Staff resources*

Develop a transparent four-year delivery program for the Hunter Strategic Regional Integrated Transport Plan (SRITP).

While the development of the Hunter Strategic Regional Integrated Transport Plan is welcomed by the region's councils, it needs to be supported by a clear, transparent delivery program to prioritise, drive and monitor its implementation.

A transparent, four-year Delivery Program would provide the opportunity for local government, other agencies and regional business and industry to align planning and investment decisions to create opportunities for communities and economic development across the region.

DISASTER RESILIENCE

Non-competitive, Long-term Resilience Funding aligned to IP&R

Ask: Funding

Commit to ongoing, predictable disaster resilience and adaptation funding aligned with councils' four-year Integrated Planning & Reporting cycles.

The Hunter is predicted to experience increased extreme weather and natural hazards, with the effects of this already impacting the region. Many of the region's communities are struggling to recover from the continual and combined impacts of more frequent and severe disasters.

The May 2025 NSW East Coast severe weather events again demonstrated both the essential role of councils in disaster response and recovery, and the critical need for strong, consistent, and collaborative leadership from state and federal governments. We welcome the opportunity to continue working with the NSW Reconstruction Authority towards regional-scale Disaster Adaptation Plans (DAPs) for the Hunter, to strengthen preparedness, recovery, and long-term adaptation.

Local government involvement is crucial - councils hold the local presence, knowledge, skills, and systems required to deliver place-based adaptation, capabilities that no other level of government can provide.

Local Government is heavily reliant on grant funding to cover disaster recovery costs and implement long-term risk reduction measures:

- 97% of disaster funding still goes to response and recovery, not risk reduction.
- Short-term, competitive grants undermine long-term resilience.
- Many programs require up to 50% co-contributions, excluding smaller councils.

Regional and rural councils often lack capacity to apply, co-fund, or meet evidence requirements, further exacerbating vulnerability and inequity.

Water Infrastructure Eligibility for Disaster funding

Ask: Policy change

Amend disaster recovery funding rules to allow repairs to council owned water and sewer infrastructure.

Under current disaster recovery funding arrangements, the repair of water and sewer assets is ineligible for cost recovery under natural disaster declarations, due to their classification as "commercial activities". In rural and regional communities however, council managed water and sewer infrastructure are vital public assets, every bit as essential as roads, bridges, or community facilities that do qualify for recovery funding.

These Council managed water and sewer services are fundamental to public health, safety, and liveability. With natural disasters becoming more frequent and severe, the lack of financial support risks undermining councils' ability to maintain these essential services.

WATER SECURITY

Regional Water Supply and Treatment Infrastructure

Ask: Funding

Increase NSW Government investment in regional water and wastewater infrastructure, co-designed with councils.

Regional councils outside the Hunter Water service area are solely responsible for delivering safe, reliable water and wastewater services to their communities. These councils face growing challenges due to ageing infrastructure, increasing regulatory expectations, and reduced NSW Government funding support.

The cost of necessary upgrades to treatment facilities, pipes, and distribution networks far exceeds local government resourcing capacity. Support is urgently needed from the NSW Government to work with regional councils on long-term planning, equitable investment, and coordinated water infrastructure solutions.

We appreciate the NSW Government's Town Water Risk Reduction Program boost of \$15m on top of the existing \$32.8m for all water utilities in NSW.

However, with one upgrade in the Hunter requiring \$80m to be shared by a small population base, greater levels of funding support from the NSW Government is required.

Health risks

Ageing infrastructure is creating service reliability and public health risks. For example, Upper Hunter Council has been required to issue boiled water alerts two separate times during 2025 totalling three months in duration, caused by excessive rain events.

Restrictions to housing development & economic growth

In addition to providing safe and reliable water supply and treatment for existing communities, limited funding for large-scale infrastructure maintenance and upgrades is constraining opportunities for housing and economic (jobs) growth.

Catchment Area Impacts and Hunter Water Dividends

Ask: Funding and policy change

Provide a fairer share of Hunter Water dividends to affected councils and standardise planning controls across drinking water catchments.

A significant portion of Hunter Water's river and dam catchment lies within the Dungog Local Government Area (LGA).

Strict and inconsistently applied planning controls in the drinking water catchment is limiting Dungog Shire Council's ability to support development and economic growth.

In addition, Hunter Water dividends are paid to the NSW Government, yet Dungog Shire Council and impacted local communities receive no share, despite experiencing the costs of catchment restrictions, loss of rate revenue capacity and infrastructure impacts such as heavy vehicle traffic servicing water assets and infrastructure of significance to the State.

Waterway Health Governance

Ask: *Policy change and resources*

Establish a single lead agency to coordinate waterway health and drinking water quality management across the Hunter.

No single authority is responsible for coordinating waterway health across the Hunter Region.

Sediment erosion and algal blooms are degrading water quality, particularly in the Williams, Hunter and Paterson Rivers, and Grahamstown Reservoir.

Lack of coordinated investment and management is threatening drinking water supplies and resulting in environmental decline, unclear accountability, and inefficiencies.

Improved inter-agency coordination and funding mechanisms are necessary to support holistic waterway management, water quality, and long-term sustainability of critical natural resources.

WASTE MANAGEMENT

Waste Levy Reinvestment and Transparency

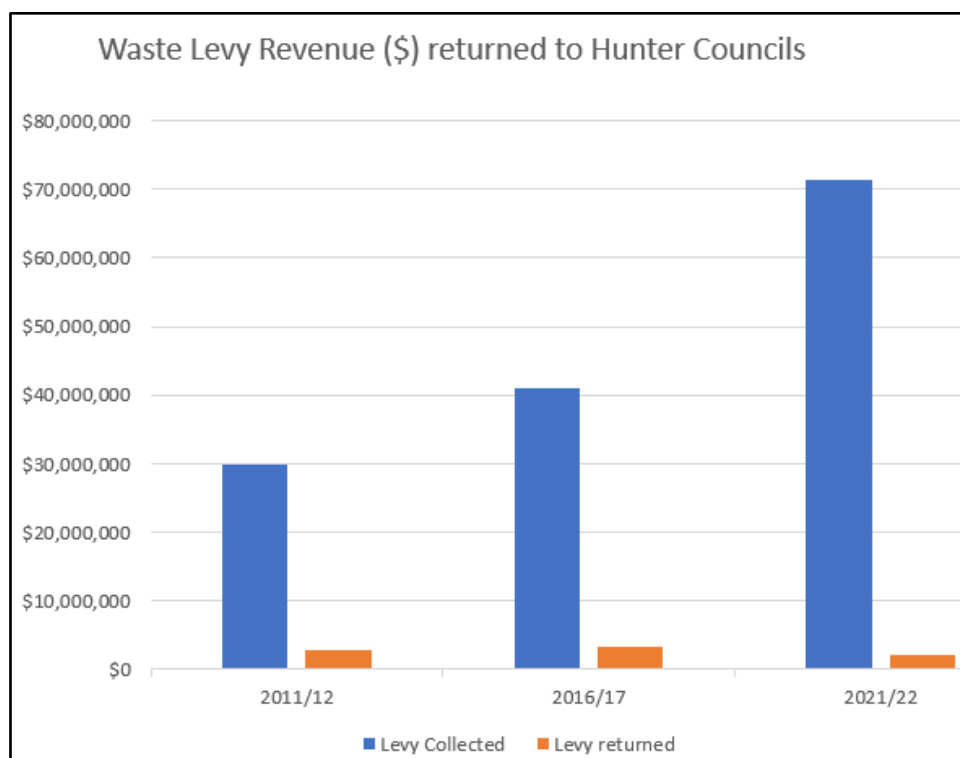
Ask: Funding and resources

Return a greater proportion of the NSW waste levy to councils and increase transparency around fund allocation.

The State Government’s waste levy collects significant revenue from councils, with minimal reinvestment back into local waste infrastructure, recycling, education or circular economy initiatives.

The return of the waste levy to Local Councils has been decreasing. In 2011/12, 9% of the waste levy was returned. In 2021/22, NSW Government collected over \$71M from Hunter councils, yet only 3% of the levy, or \$2.1M was returned to councils to invest back into waste management initiatives.

A greater reinvestment of the waste levy back to Councils in the Hunter Region is needed to develop structures, systems and infrastructure to achieve more efficient resource use and to support them meet NSW Government waste reduction and net zero targets.



ADDRESSING COST SHIFTING

Local governments across Australia are facing mounting financial risks that threaten their long-term sustainability;

- In November 2022 in the lead-up to the 2023 State Election, NSW Labor formally [recognised that cost shifting had undermined](#) the financial sustainability of the local government sector.
- In November 2024, the [final report](#) of the Inquiry into the ability of local governments to fund infrastructure and services recommended that the NSW Government identify opportunities to reduce cost shifting to local government.
- The [2024 Intergovernmental Agreement](#) between LGNSW and the NSW Governments includes a commitment to minimise the impact of cost shifting on local government
- In May 2025, the [NSW Government responded](#) to this cost shifting recommendation reinforcing “its commitment to the Intergovernmental Agreement with Local Government NSW”.

Both Federal and State Parliamentary Inquiries have recognised cost shifting as one of the most significant contributors to the financial concerns of local government. Alignment between these findings reinforces the need for cross-jurisdictional concern that requires coordinated action.

NSW Government Inquiry

- Standing Committee on State Development – Inquiry into ‘Ability of local governments to fund infrastructure and services – Report 52 (Nov 2024)
- NSW Government Response (May 2025)

Federal Government Inquiry

- House of Representatives Standing Committee on Regional Development, Infrastructure and Transport Inquiry into local government sustainability (March 2024).
- Interim report into local government sustainability (Feb 2025).

The independent report by Morrison Low in 2025 demonstrates that cost shifting imposed onto NSW councils amounted to \$1.5 billion in 2023-24. Alarming, this is the equivalent of almost \$500 per ratepayer per year across the state. Reference: [2025 Cost Shifting Report: How State Costs Eat Council Rates](#)

The most significant areas of cost-shifting include:

- Rate exemptions (ie: non-rateable or State-owned properties at discounted rates)
- Increased requirements for administration of development applications and regulatory functions.
- The NSW EPA waste levy

A tangible example of cost shifting is changes in the NSW Planning Portal, which Lake Macquarie City Council calculates has required an additional two fulltime positions in their council alone to absorb additional workload, an additional impost that has not had an impact on reducing processing times.

Funding for Joint Organisations

Ask: \$250,000

Contribute to stable, ongoing funding for Joint Organisations that support delivery of NSW Government priorities.

The benefits arising from the establishment of Joint Organisations by the NSW Government are shared between both the NSW Government and Local Government, however at present Joint Organisations are funded by Member Councils only, with funding contributions from the NSW Government predominantly comprising short term, project-based grants that do not support delivery of core statutory functions.

A contribution of annual recurrent funding from the NSW Government to the core operations of JO's (and other similar regional collaborations of Councils) is recommended to support them effectively meet the statutory mandate that has been established and to recognise the significant support and efficiencies JO's deliver that directly benefit NSW Government agencies.

An example of the core operating costs for a JO that are currently being completely funded by Member Councils includes:

Indicative core annual operating costs for a Joint Organisation

1 x Executive Officer

1 x project officer / admin

1 x vehicle

Admin: Salary oncosts, rent, IT, HR,
finance

TOTAL \$491,900

Reduce State-owned Rate Exemptions

Ask: *Funding and policy change*

Reform rate exemption arrangements that shift substantial financial burden onto local government.

Current rate exemptions for State entities (ie: non-rateable or State-owned properties at discounted rates) erode councils' revenue base while demands for service delivery and infrastructure continue to grow. Reducing or restructuring exemptions would restore a more balanced financial relationship between state and local government and ensure that state entities are fairly contributing to Council managed assets from which they derive a direct benefit.

IPART Rate-pegging Reform

Ask: *Policy change*

Align the rate peg to actual cost drivers for local government services, rather than standard household CPI.

The Independent Pricing and Regulatory Tribunal (IPART) caps council revenue through rate pegging, limiting councils' financial flexibility. Special Rate Variation (SRV) processes are complex, time-consuming, and uncertain.

Whilst we appreciate the recent NSW Government review of the rate pegging methodology, concerns still exist, given the need to enable longer-term financial planning aligned to inflation cost pressures.

The current Special Rate Variation (SRV) process is burdensome for councils. Despite already engaging in robust community consultation through the Integrated Planning and Reporting (IP&R) framework, councils must still seek approval from IPART to raise rates beyond the cap, limiting local autonomy and responsiveness to the needs of local communities.

Councils are unable to adjust rates within a reasonable margin (e.g. a small percentage above the cap) without triggering a full SRV process, making it difficult to respond to rising service costs or unexpected financial pressures.

While a modest increase in the rate peg from 3.8% to 4.1% has been introduced, it may still fall short of what is needed to maintain long-term financial sustainability, especially amid inflationary cost pressures and growing community expectations.

We also encourage indexation linked to CPI for real cost drivers for local government services, as opposed to the current methodology measuring household goods and services.

Financial Assistance Grants – Advocacy to Increase to 1%

Ask: *Staff resources*

Support national advocacy efforts to lift Financial Assistance Grants from 0.51% to 1% of Commonwealth taxation revenue.

Financial Assistance Grants have not kept pace with inflation and rising costs for essential services and infrastructure. Inequitable distribution leaves regional and remote councils under-resourced compared to metropolitan counterparts.

Nationally these grants remain at 0.51% of Commonwealth taxation revenue. LGNSW, ALGA and Hunter JO have long been calling for these grants to return to the 1% of Commonwealth taxation revenue that was last achieved in 1996. The lack of investment in our communities is a missed opportunity and a significant contributor to the financial sustainability challenges faced by councils.

Financial Assistance Grants – Update NSW Distribution

Ask: Staff resources

Reform the NSW FA Grants distribution methodology to better reflect regional service delivery costs, disaster exposure, network length and infrastructure needs.

The NSW Government has an opportunity to address the distribution methodology to ensure they're meeting the Federal Principle of Horizontal and Fiscal Equalisation by providing a greater allocation to councils in need, resulting in greater equity.

We appreciate the NSW Government has committed to a review of the distribution methodology. Our submission to the Local Government Grants Commission included the recommendations below.

NSW FA Grants methodology recommendations:

Distribution should include consideration of:

- The difference between a council's potential to raise revenue and its actual capacity to raise revenue given the limitations imposed by legislation, or the economic conditions within their jurisdiction.
- Allowing for the difference in costs in providing services in rural and regional areas instead of state averages on a per capita basis.
- Cost factors that better reflect an individual council's operating environment in relation to climate change impacts, natural disasters, management of public infrastructure and provision of water/sewerage.
- A significant increase in the proportion of annual CPI adjustments quarantined for councils facing the greatest relative disadvantage.
- Any increases in the total FA Grants allocation are quarantined for councils facing the greatest relative disadvantage.

We also recommend that the Local Government Grants Commission:

- Undertake extensive consultation with metropolitan councils on the challenges faced by regional councils under the current methodology, to build a broader understanding and grow support for a more equitable redistribution of FA Grants in favour of councils with a greater need.
- Provide greater certainty in the timing of FA Grants payment to allow councils to strategically plan for current and future years.
- Develop improved communications materials that provide greater transparency in the calculation methodology for distribution, including information on the:
 - Annual percentage variances in distribution and how these can be anticipated and incorporated into planning.
 - Criteria within the cost adjustment factors (20 expenditure functions and 47 disadvantages factors)
- Changes that have been made annually to address the inequities of distribution, and examples of the challenges faced by rural and regional councils.

Long-term NSW Grants Aligned to IP&R

Ask: Staff resources

Transition from fragmented, short-term competitive grants to multi-year funding aligned with councils' four-year Delivery Programs.

Local governments rely on grant funding to deliver up to 60% of their assets and services in regional areas, however there are many challenges in the system.

Many grants are short-term and misaligned with councils' NSW legislated plans, such as their Community Strategic Plans. This creates pressure to deliver projects that don't match local priorities, undermining strategic direction and reduce efficiencies in delivering services.

Applying for competitive grants also absorbs significant staff time and resources and takes skilled staff away from delivering core services. For many smaller regional councils this inherently disadvantaged them from the start in accessing funds as they simply do not have the staff to apply for competitive grants. The focus on short-term funding also causes staff turnover, skill loss, service disruption when projects end, and inflated contractor costs arising from boom bust grant cycles. Different reporting and governance requirements across grants add to the administrative burden.

Over time, this weakens councils' capacity, creates community frustration, and leads to fragmented outcomes, especially in regional areas where councils may be competing rather than collaborating.

Instead of supporting long-term planning and delivery, the current grant system often builds vulnerability, distracts from core responsibilities, and reduces the ability of local governments to invest in sustainable, community-led outcomes.

Councils and Joint Organisations require stable, predictable funding to plan and deliver long-term, place-based outcomes.

A shift to non-competitive, multi-year block funding would:

- **Enable strategic delivery:** Funding tied to CSP priorities ensures investments are community-driven, locally accountable, and aligned with legislated goals.
- **Reduce inefficiency:** Removing the need for repeated, competitive grant applications would free up staff time and reduce administrative burden.
- **Build capability and resilience:** Longer funding terms support workforce retention, innovation, and continuity in service delivery.
- **Encourage collaboration:** Regional councils can plan jointly without competing for limited funds.
- **Strengthen trust and transparency:** Communities see lasting, locally relevant outcomes, not short-term, externally imposed projects.

This approach would empower councils to deliver lasting, community-led change efficiently, strategically, and sustainably.

Audit Fees and Compliance Burden

Ask: Staff resources

Implement tiered, risk-based audit and compliance models to reduce escalating audit fees and administrative load.

Increasing fees

Since 2017/18 Hunter Councils have experienced a cumulative 73.7% increase in audit fees, including a stepwise increase of 53.4% in the 2022/23 financial year. This far exceeds the cumulative rate peg increase of 10.6% that has been applied to Councils over the same period.

There has been limited opportunity or capacity for Councils to negotiate these ongoing increases.

Council	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
MidCoast	\$185,000	\$283,000	\$195,000	\$216,700	\$217,200	\$225,000
Port Stephens	\$76,000	\$82,000	\$98,900	\$80,800	\$87,150	\$100,505
City of Newcastle	\$119,000	\$126,500	\$148,600	\$134,250	\$138,100	\$200,000
Lake Macquarie	\$86,903	\$89,000	\$110,125	\$96,650	\$106,300	\$300,301
Cessnock	\$39,000	\$48,000	\$56,000	\$52,000	\$58,000	\$106,000
Maitland	\$67,058	\$68,000	\$78,700	\$74,150	\$84,900	\$109,600
Singleton	\$75,700	\$77,200	\$88,500	\$84,050	\$92,000	\$105,300
Dungog	\$36,000	\$43,200	\$47,000	\$55,000	\$60,000	\$110,000
Muswellbrook	\$78,230	\$53,600	\$72,218	\$91,082	\$82,465	\$200,000
Upper Hunter	\$64,450	\$47,500	\$58,000	\$59,700	\$79,200	\$85,200
TOTAL	\$827,341	\$918,000	\$953,043	\$944,382	\$1,005,315	\$1,541,906
Annual % change		11.0%	3.8%	-0.9%	6.5%	53.4%
Annual rate peg % increase		2.3%	2.7%	2.6%	2.0%	1.0%

Councils' have also been experiencing a steady and significant increase in the level and nature of information being requested by the auditor, often with a very short turnaround period, placing an administrative burden on staff.

The Office of Local Government releases a Local Government Code of Accounting and Financial Reporting each financial year that councils are required to use as their basis for year-end financial reporting. The applicability of this code has been challenged due to its timeliness and recommendations.

Local government has requested that the code be released by the commencement of the financial year, to ensure sufficient time to comply, or alternatively that it be released for an extended period – for example, three years.