



Federal Budget Submission 2026-2027

January 2026

The Hon. Dr Jim Chalmers MP
Treasurer, Federal Government
prebudgetsubmissions@treasury.gov.au.
Uploaded via form online

30 January 2026

Dear Dr Chalmers

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

The Hunter JO is the statutory Local Government entity established 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, State and Federal 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 for the Hunter JO and all Joint Organisations 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, NSW is the largest regional economy in Australia, valued at \$96B in 2025 and a population exceeding 800,000. There are enormous social and economic ramifications facing the Hunter region and Australia's economy more broadly arising from the Region's economic transition away from coal, a transition that is already underway.

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, 20 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 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 region in NSW, Australia.

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 to provide a pre-budget submission to inform the Federal 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 Australian economy more broadly.

Summary

Government priority	Description	Request
Jobs	Government coordination of the economic transformation	\$300,000
	Strategic Planning for re-use of mining lands for employment	\$10m
	International tourism – catalytic investment to leverage Commonwealth funding to launch Hunter trade brand and marketing.	\$3.85m
	Hunter Region International Air Freight Precinct – detailed precinct design	\$1m
	Shiraz to Shore cycle trail – construct stage 1 the 'Shiraz' section.	\$23m
Housing	Enabling infrastructure – noncompetitive criteria-based contribution fund to councils to unlock development ready land	\$200m
	Increasing diversity – communications to raise awareness of benefits of density/apartment living	Staff resources
	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
	Water infrastructure - Increase funding for large-scale infrastructure maintenance and upgrades	Funding
	Biodiversity – Partner with NSW Government to implement Bio-certification for high growth areas	Staff resources
	Density - Partner with NSW Government to incentivise density in regional cities.	Funding and resources

Government priority	Description	Request
	Community Benefit Schemes – Ensuring nationwide approach to support communities impacted by the energy transition.	Funding and resources
Roads and Transport	Equitable funding - Update funding allocation formulas to reflect road length, freight load, weather vulnerability and connection to significant infrastructure	Funding and resources
Disaster resilience	Non-competitive funding – Aligned with councils’ four-year planning cycles, or Commonwealth election cycles.	Funding
	Water infrastructure – urgently review disaster recovery funding rules to include repairs to council owned water infrastructure impacted by natural hazards and disaster events	Policy change
Water security	Water supply and treatment infrastructure - Increase Australian Government investment in regional water and wastewater infrastructure, including funding models co-designed with councils	Funding
Waste and circular economy	Productivity Commission Recommendations for Circular Economy Direct Local Government Investment to implement Recommendation 7.2 - Develop place-based circular economy plans and pilot place-based circular economy transition brokers	Funding
Financial sustainability	Funding Joint Organisation’s or other regional collaborations of councils that provide benefit to Commonwealth and NSW Government.	\$492,000
	Financial Assistance Grants – increase FA Grants to 1%	Funding
	Financial Assistance Grants – Advocacy to NSW Government to update FA Grants methodology to provide greater equity.	Staff resources
	Commonwealth Grants - Long-term grant funding aligned to councils’ four-year planning cycles or Commonwealth election cycles.	Staff resources

JOBS

Government Coordination for Economic Transformation

Ask: \$300,000

Coordination of participation of the ten Local Governments in the Hunter region to provide a conduit for working with various 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, available assistance and timelines for change.

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.

Our budget request will assist Federal Government's Net Zero Economy Authority in having one point of contact by undertaking coordination across ten Local Governments. The investment would also assist in providing communications through Local Government channels 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 as part of the Future Made in Australia plan 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.

This request would meet the Australian Governments recommendation 4.1 from the Productivity Commission Report into Circular Economy.

We appreciate the \$5m investment 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 Local Government Area 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.

Objectives for this ask:

- Region-wide mapping of all Hunter mine sites, creating a unified dataset to inform timelines and determine which mine sites should undergo a detailed Masterplan process to identify investment attraction, environmental management, and post-mining land-use decisions.
- At a regional scale, identify 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.

We appreciate the Commonwealth Government investment of \$121m to the \$250m upgrade to the Newcastle Airport, and seek to optimise this investment to ensure the investment realises its full potential.

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



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 (complete) – The high-level feasibility study has been completed by Hunter Joint Organisation, and funded by the NSW Government's Business Case grant program. 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 (current request) - 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.

Detailed design for a small portion of the 'Shiraz' section is underway through funding from Developer Contributions for nearby housing development, however this limited and does not include construction.

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 national 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 housing lots across the Hunter region.

We appreciate the priority commitment and focus of the Australian Government to meet the Housing Accord targets, and we 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 housing lots across the Hunter
- 60,000 jobs and \$37 billion in economic benefits
- \$20 billion in direct housing development across the region.

Increasing Housing Diversity and Density

Ask: Staff resources

Implement communications to increase public acceptance of apartment/units.

Greenfield development areas across Australia 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.

Despite the efficiency of unit or apartment-style housing in terms of infrastructure provision, social perceptions in Australia continue to undervalue these forms as viable and desirable investments.

As part of the Housing Accord commitments, we see an opportunity for the Australian Government to implement 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. Construction in one location i.e. factory setting also opens up the workforce to cater for people with childcare arrangements or other responsibilities.

Supporting pilot programs in regional areas, such as around Newcastle and 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, and showcase how MMC can contribute to faster, scalable, and more sustainable housing solutions across Australia.

Skills Shortage in Construction

Ask: *Funding*

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

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

To help meet housing delivery targets, we support the Australian 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.

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 \$160 million, with ageing systems reducing service reliability and constraining opportunities for housing and economic (and jobs) growth. Local Governments are advocating for an increase in the National Water Grid Fund to allow essential services to continue to regional areas.

Biodiversity

Ask: Partner with NSW Government to undertake 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 years.

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 – Activation Leadership

Ask: Funding and resources

Partnership with NSW Government to invest in supporting infrastructure to activate higher density living in regional cities

Australian government policy is undergoing a significant shift to support greater housing density, driven by a national imperative to address the housing shortage and accommodate a growing population, however there is limited support for their practical investment into supporting infrastructure that encourages development.

In addition, funding mechanisms for delivery of the infrastructure upgrades to support infill housing could be explored on a national scale. This could include working in partnership with NSW Government to investigate 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 Australian Government could partner with NSW Government to 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.

Community Benefit Schemes

Ask: Funding and resources

Nationwide approach to ensure regional communities impacted by the energy transition, including the transmission and transportation routes, receive legacy community benefits.

Local councils across Australia 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.

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.

We're advocating for a coordinated nationwide 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 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 and mounting financial pressures.

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

In 2025–26, we appreciate the Commonwealth’s contribution of \$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.

To further add to the challenges, 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.

DISASTER RESILIENCE

Non-competitive, Long-term Resilience Funding Aligned to Election Cycles

Ask: Funding

Commit to ongoing, predictable disaster resilience and adaptation funding aligned with councils' four-year Planning & Reporting cycles, or Commonwealth election 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 through the National Emergency Management Agency funded Disaster Ready Fund 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, however 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 Commonwealth Government investment in regional water and wastewater infrastructure, co-designed with councils.

Regional councils outside the metropolitan 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 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 Commonwealth Government to work with regional councils on long-term planning, equitable investment, and coordinated water infrastructure solutions.

We appreciate the Commonwealth Government funding provided through the National Water Grid Fund to the NSW Connections Package valued at \$10.5m. However, with one upgrade in the Hunter requiring \$160m to be shared by a small population base, greater levels of funding support from the Commonwealth Government is required.

Case study of health risks

Ageing infrastructure is creating service reliability and public health risks.

As an 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.

WASTE MANAGEMENT

Productivity Commission Recommendations for Circular Economy

Ask: Funding

Direct Local Government Investment to implement Recommendation 7.2 - Develop place-based circular economy plans and pilot place-based circular economy transition brokers

In line with the recommendations of the Productivity Commission's 2025 inquiry, *Australia's Circular Economy: Unlocking the Opportunities*, Local Government is advocating for appropriate funding to prevent further instances of cost shifting.

The Australian Government is asking Local Governments to identify circular economy opportunities relevant to their area. To realise these opportunities, they should develop place-based plans and/or integrate actions into their other plans and budgetary processes (such as service, infrastructure or community development plans). Plans should be co-designed with Aboriginal and Torres Strait Islander people, local businesses and communities to develop self-determined outcomes. Plans should be evaluated and refreshed every three years.

Given the current financial constraints facing Local Government, dedicated investment is essential to enable the effective implementation of these recommendations.

ADDRESSING FINANCIAL SUSTAINABILITY

Local Governments across Australia are facing mounting financial risks that threaten their long-term sustainability.

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.

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).

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)

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. Reference: [2025 Cost Shifting Report: How State Costs Eat Council Rates](#)

Funding for Joint Organisations

Ask: \$250,000

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

The benefits arising from Joint Organisations of councils, and other similar regional collaborations of Councils, are shared between both the Commonwealth and NSW Government, along with Local Government. However at present Joint Organisations are funded by Member Councils only. Funding contributions from the Commonwealth Government comprise short term, project-based grants that do not support delivery of core statutory functions.

A contribution of annual recurrent funding from the Australian Government to the core operations of JO's (and other similar regional collaborations of Councils) is recommended to support Government agencies in consolidating council views and perspectives at a regional scale.

An example of the minimum 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 pa
(consolidating 10 Local Government views and perspectives)

Financial Assistance Grants – Increase to 1%

Ask: Funding

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.

Both Federal and State Parliamentary Inquiries have recognised the financial concerns of Local Government. Increasing Financial Assistance Grants to 1% is an efficient way of addressing this issue.

Financial Assistance Grants – Advocate to NSW Government for a Fairer Distribution

Ask: Staff resources

Implement a dedicated advocacy program to encourage NSW Grants Commission to reform the FA Grants distribution methodology to better reflect regional service delivery costs, disaster exposure, network length and infrastructure needs.

The Commonwealth Government has an opportunity to incentivise NSW Government 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 Commonwealth Grants Aligned to Election Cycles

Ask: Staff resources

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

Local Governments rely on grant funding to deliver up to 60% of their assets and services in regional areas, yet the current system creates significant challenges.

Many grants are short-term and misaligned with councils' legislated four- and ten-year 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.