

2020-2021 STATE BUDGET

NSW Local Government Priorities

November 2020

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2020-2021 STATE BUDGET

Opening

Local Government NSW (LGNSW) is the peak body representing councils in NSW. We support, promote and advocate for our members, empowering them to build strong, liveable communities.

Collectively, NSW councils:

- + Spend more than \$12 billion each year
- + Manage and maintain infrastructure and land assets worth more than \$153 billion
- + Employ around 60,000 people. Many of these jobs are in rural and regional NSW, where councils are often the single largest employer and underpin the local economy.

The unique breadth of essential infrastructure and services delivered by local government to the people of NSW makes the sector a critical partner in the economic stewardship of this State.

The following document complements LGNSW's [Pre-Budget Submission](#) to the NSW Government which articulated strategic fiscal priorities. It drills down into specific budget funding priorities for the balance of the 2020-21 financial year and into 2021-22, as part of a plan to help drive a locally-led recovery and build a better NSW.

Background

LGNSW's [Pre-Budget Submission](#) focused on the ongoing need for investment in recovery, stimulus and strengthening resilience. LGNSW commends the NSW and Australian Governments on the exceptional level of expenditure on recovery assistance and economic stimulus in response to the natural disasters and the pandemic. The NSW Government's \$13.6 billion health and economic response to COVID-19, including \$3 billion in direct stimulus for schools, hospitals and roads, footpaths and cycleways, takes the total infrastructure pipeline to more than \$100 billion. LGNSW appreciates that a significant proportion of this funding will be channelled through local government, ensuring stimulus is distributed widely across the state. We also acknowledge the \$395 million Local Government Economic Stimulus package.

Overview

LGNSW urges the NSW Government to follow the lead set by the recent 2020-21 Federal Budget, which provided for unprecedented expenditure on economic stimulus and job creation. It is vital that the NSW Budget reinforces and extends these Federal Budgetary measures to put NSW in the vanguard of economic recovery.

Unsurprisingly, the biggest ticket budget item for local government relates to the construction and maintenance of roads, footpaths and cycleways. After all, Local Government is responsible for 90 percent of these vital and expensive public assets. But this category of local infrastructure is far from the only area of investment in which State and local government can work in partnership to drive a locally-led recovery from the economic ravages of drought, bushfires, floods and the COVID-19 pandemic.

Investment in water, affordable housing, tourism and waste and recycling management are all innovative ways to generate jobs, support businesses and simultaneously deliver public good. Funding for pressing social priorities in the areas of physical and mental health, drug rehabilitation, Aboriginal incarceration, childcare, and in arts and community services delivers similar benefits, while helping to prevent future remedial expenditure.

To date, NSW has led the nation in managing the economic and social impacts of consequential crises, both natural and otherwise. The 2020-21 State Budget is a prime opportunity to further cement this leadership, via collaborative and constructive partnerships between all levels of Government.

LGNSW BUDGET FUNDING RECOMMENDATIONS

Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
 <p>LOCAL INFRASTRUCTURE - ROADS</p>	<ul style="list-style-type: none"> + To deliver on the promised transfer of up to 15,000 km of Regional Roads + Invest at least \$1 billion in road safety improvements over the next five years. + Formally allocate ongoing funding for the Fixing Local Roads and Fixing Country Bridges Programs for the forthcoming financial year to improve local amenity and address freight access pinch points. + Increase Road Block Grant funding by at least the historical index of 2.0%. LGNSW estimates that this should result in an estimated allocation of at least \$162 million for the 2020-2021 financial year. 	<ul style="list-style-type: none"> + The process of identifying regional roads for transfer into State government ownership from various councils has commenced, but funding to complete the transfer or maintain the roads has not been allocated. + With 70% of road fatalities occurring on rural and regional roads, this investment is needed to begin the task of raising the standard of the most high-risk regional road corridors to an AusRAP rating of at least three stars. The economic cost of road trauma is estimated at \$30 billion annually, based on 2015 figures. Increased expenditure on road safety infrastructure will reduce road fatalities and trauma while delivering economic stimulus across the state. + Expenditure on these programs will boost economic productivity while delivering immediate economic stimulus across the state. + While \$250 million was recently allocated as part of the first round of project funding this included \$191 million from the Federal Government. The NSW Government promised \$500 million for this program and we look forward to the government detailing when and how the remaining \$441 million will be invested over the remaining four years of the program. + A minimum 2% increase is required to address the backlog in road maintenance on local and regional roads, estimated to be between \$2.1 billion and \$3.8 billion.
 <p>REGIONAL TOURISM</p>	<ul style="list-style-type: none"> + Commit \$50 million for tourism infrastructure + Commit \$5 million for a regional conferencing grants program 	<p>With borders closed and a heightened focus on local travel, this investment would bolster the capability of communities to attract tourists, driving local economic recovery and generating jobs while sustainably managing their visitor economies.</p> <p>As our communities recover from drought, bushfire and pandemic, this funding would ensure regions are supported to host and attract new events that drive local economies and support businesses.</p>

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 SECURE, SUSTAINABLE WATER	<ul style="list-style-type: none"> + Commit \$1 billion to renew funding for the Safe and Secure Water Program + Invest at least \$1 billion to develop the next tranche of dam projects outlined in the WaterNSW's 20-year Infrastructure Options to help ensure water security for communities in regional and rural NSW. 	<ul style="list-style-type: none"> + The original 2017 allocation of \$1 billion to the Safe and Secure Water Program is close to being fully expended. Accelerating the delivery of water infrastructure projects, including the construction of new dams and pipelines, will aid drought recovery and help future proof our communities against future droughts.
 OUTDOOR SPACES	<ul style="list-style-type: none"> + Allocate \$100 million in funding to councils and businesses in 2020/21 to make widespread outdoor dining, cultural and business spaces safe, practical and a reality in time for summer and to help manage crowds at beaches and parks. 	<ul style="list-style-type: none"> + Investment in local infrastructure such as streetscaping and lighting, and to facilitate reduced or waived permit fees for businesses, would enable councils to in turn support businesses and ensure the safety, access and inclusivity of public spaces. <p>Funding support for COVID-safe marshals would also assist councils in managing crowds and ensuring social distancing at beaches and parks across NSW.</p>
 BUSHFIRE RECOVERY AND RESILIENCE	<ul style="list-style-type: none"> + Commit to fully funding the costs imposed on local government in implementing the recommendations of Independent NSW Bushfire Inquiry. 	<ul style="list-style-type: none"> + Resources will be required to: <ul style="list-style-type: none"> + Upgrade training of Local Emergency Management Officers + Strengthen council capacity to undertake audit and enforcement activities to ensure asset owner compliance with Planning for Bushfire requirements + Improve protection of roads assets to maintain access and egress from Bushfire Prone areas + Update bushfire management plans and other activities to strengthen community resilience.

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 SAVE OUR RECYCLING	<p>Reinvest the Waste Levy, currently standing at almost \$800 million per year, to:</p> <ul style="list-style-type: none"> + Fund council development of regional waste plans which include infrastructure and circular economy solutions + Fund delivery of priority infrastructure and other projects needed to deliver the regional-scale plans, particularly where there is identified market failure + Increase local and state government procurement of recycled goods made with domestic content, by: <ul style="list-style-type: none"> a. adopting recycled content targets to help drive demand and provide incentives to deliver on these targets b. further research, development and delivery of recycling technologies and products generated from recyclables, particularly by local or regional councils. + Fund and deliver state-wide education campaigns on the importance of recycling to encourage the right way to recycle, the purchase of products with recycled content, and to promote waste avoidance 	<p>Recycling creates three times as many jobs as waste sent to landfill.</p> <p>The forecast Waste Levy revenue for 2022/23 is just over \$800 million, yet according to a NSW Parliamentary Inquiry only 26% of this is reinvested in environmental, waste or regulatory programs.</p> <p>The amount of waste generated in NSW over the next 20 years is forecast to increase by about 40%, while recycling and waste diversion rates stagnate.</p> <p>Existing waste management infrastructure is barely keeping up with current demand, and the Federal Government's waste export bans prevent the offshore shipping of recycling.</p> <p>This is a looming waste disaster that can be solved now, while helping create jobs and driving a locally-led recovery.</p>
 BETTER BUILDING STANDARDS	<p>Commit \$600 million to fix combustible cladding on private residential buildings, including:</p> <ul style="list-style-type: none"> + financial support for individual unit owners + funding to assist councils assess and issue remediation orders + additional engineering, building and fire safety specialists. 	<p>There are 242 residential buildings currently being investigated or already identified for remediation due to combustible cladding. The costs to remediate each of these buildings is estimated to be in the millions. Individual unit owners are being required to pay as much as \$15,000 to \$25,000 each for their share towards the remediation.</p> <p>Support and funding are needed to help reduce the significant financial stress and risk posed by non-compliant combustible cladding installed on public and privately owned buildings. A program of funding this critical work would also serve as economic stimulus by encouraging swift completion of this work.</p>

Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
 <h2 data-bbox="103 404 357 595">REDUCE THE COST OF LOCAL GOVERNMENT ELECTIONS</h2>	<p>Commit to funding any increase in the costs of the 2021 local government elections in excess of the rate peg imposed on councils.</p>	<p>The costs of holding local government elections are set to soar in NSW, despite past assurances by the NSW Government. IPART's decision to include a 0.2% component in the rate peg for 2021/22 to help fund this cost spike will only go part of the way towards funding increased election costs.</p> <p>Without further assistance, councils will have to cut funding from important local services and stimulus at a time when communities can least afford to do so.</p> <p>While councils seek action on the costs of local government elections, it is critical that the NSW Government does not harm voter participation by imposing universal postal voting on councils. Local democracy is too important to place at risk and the NSW Government must ensure voters retain choice in their method of voting.</p>
 <h2 data-bbox="103 1111 389 1212">ADDRESS SKILLS SHORTAGES</h2>	<ul style="list-style-type: none"> + Invest in financial incentives to attract new graduates and skilled workers to employment in regional areas (including employment in councils) where skills are in demand. + Significantly increase funding to TAFE NSW and the Vocational Education and Training (VET) system to increase access to training in areas of skill shortages and need, particularly in regional NSW + Work with the Commonwealth Government to investigate the removal or reduction of HECS liability as a possible incentive for graduates. 	<p>LGNSW research shows 80% of councils in regional areas are experiencing skills shortages, the most critical being engineering, asset management, planning, building surveying, IT and project management.</p> <p>The provision of financial incentives for graduates and skilled staff to work in regional areas would help to deliver a pipeline of talent, generate employment for young people and alleviate skills shortages.</p> <p>Reductions in funding to TAFE NSW and the VET system have reduced access to training in regional areas and in specialist qualifications that are low in numbers but critical to job roles in local government. For example, significant public health risks exist if training in the water industry is not adequately resourced.</p>
 <h2 data-bbox="103 1785 325 1875">AFFORDABLE HOUSING</h2>	<ul style="list-style-type: none"> + Invest \$2 billion in providing 5,000 additional units of social housing and support 18,000 construction jobs right across NSW in 2020/21. + Commit to a review of tax and transfer systems to understand how housing affordability is affected by taxation and limited government investment in social/affordable housing, and consider incentivising institutional investment. 	<p>The economic impacts of drought, bushfire and COVID-19 are exacerbating a pre-existing shortfall and adding to the numbers in need of affordable or social housing.</p> <p>A commitment by the NSW Government to set minimum targets and fund more social housing would stimulate the NSW economy and deliver enormous social and economic dividends, while contributing to the Premier's Priority to reduce street homelessness across NSW by 50% by 2025.</p>

Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
 <h2 data-bbox="100 406 317 496">HEALTH AND WELLBEING</h2>	<ul style="list-style-type: none"> + Fast track the \$2.8 billion announced in 2019/20 for 8,300 frontline health staff, with 45% of staff numbers to be located in regional NSW. + Provide \$6.4 million per year for four years to support long-term grant funding for every council across NSW (\$50,000 per council per year) to allow for specialised services supporting youth and community wellbeing, to improve the resilience of communities to bounce back post drought, bushfire and pandemic. 	<p>Years of drought, catastrophic bushfires and the COVID-19 pandemic have created a need for urgent action to ensure ongoing access to physical and mental health services and supports.</p> <p>Access to health services – including mental health services – is an ongoing matter of concern, particularly in rural and regional areas. Healthcare is a state and federal responsibility but councils take on additional responsibilities to meet the needs of their communities. Many rural and regional areas struggled to fill vacant medical, psychological and health and wellbeing positions even before being faced with the disasters of 2019/20. Their struggle is now much tougher.</p> <p>Regional communities also experience higher levels of youth suicide, worsened by a lack of youth counselling services, programs and centres. Councils across NSW operate youth centres and services, but often cannot fund these for full time staff or hours of operation. The need for these is greater than ever.</p>
 <h2 data-bbox="100 1260 377 1349">DRUG REHABILITATION</h2>	<ul style="list-style-type: none"> + Fund implementation of the recommendations of the Special Commission of Inquiry into the drug Ice, with a particular and urgent focus on expanding alcohol and other drug treatment and rehabilitation facilities across NSW. + Fund the expansion of the Magistrates Early Referral into Treatment (MERIT) program that provides the opportunity for adult defendants with substance abuse problems to work, on a voluntary basis, towards rehabilitation as part of the bail process. 	<p>The Special Commission of Inquiry into the drug Ice identified that long wait lists were a major barrier to entry into rehabilitation and called for an urgent increase in specialised alcohol and other drug health services to meet significant unmet demand for services across NSW.</p>
 <h2 data-bbox="100 1843 339 1933">ABORIGINAL COMMUNITIES</h2>	<ul style="list-style-type: none"> + Fund a regional expansion of the Youth Koori Court to improve access to culturally appropriate diversion programs for Aboriginal youth. + Fund implementation of the Walama Court proposal - Recommendation 61 of the Special Commission of Inquiry into the drug Ice. This would improve access to culturally-appropriate diversion programs for Aboriginal people. 	<p>Indigenous people make up 2.8% of the population in NSW but approximately 25% of the prison population.</p> <p>LGNSW joins the Police Association of NSW, Law Council of Australia and the Australian Law Reform Commission in supporting this proposal.</p>

Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
 E-PLANNING	<p>Commit \$40 million to assist councils to fund the development and implementation of integration platforms between the NSW Government Planning Portal and local government document management and application systems, provide staff training and community awareness.</p>	<p>The mandated council use of the NSW Planning Portal from 1 January 2021 requires integration of councils' document management and application systems and the NSW Planning Portal.</p> <p>Estimates of up to \$250k in upfront costs for each council to develop the platform, with ongoing costs of more than \$30k for annual licencing fees, staff/specialist training, community awareness education and system maintenance.</p> <p>Facilitating a smooth implementation of e-planning will increase productivity and contribute to economic recovery.</p>
 EARLY CHILDHOOD EDUCATION AND CARE	<p>Fund three-year old children to attend two days in all early childhood education and care settings, rather than limiting this funding to community preschools.</p>	<p>All children deserve support to access high quality early learning, regardless of the setting.</p> <p>Councils operate more early childhood education and care centres than any other provider in NSW, and in many regional and rural areas are the sole provider of this important service.</p> <p>Where there is only a council-run long day care service and not a preschool, three-year-olds miss out on this NSW Government support.</p>
 ARTS AND CULTURE	<ul style="list-style-type: none"> + Allocate \$10 million for a second round of the LGA Arts and Cultural Programs Multi Year Funding, fast tracked for 2020/21. + Commit \$100 million for a new round of the Regional Cultural Fund. 	<p>Local government is the primary source of funding for 75 per cent of small and medium cultural institutions in NSW, yet councils have finite revenue raising capacity, particularly in rural and regional areas.</p> <p>The latest round of the popular Regional Cultural Fund closed in 2018. There is an urgent need for greater arts and culture investment in the regions to stimulate local economies and contribute to their recovery following drought, bushfires and now pandemic.</p>
 COMMUNITY SERVICES	<ul style="list-style-type: none"> + Commit \$6.4 million per year for four years from 2020/21 to enable councils to develop and implement their second Disability Inclusion Action Plan. + Allocate \$2 million in grant funding to councils to maintain and expand the Lift & Change adult changing facilities program. 	<p>Just \$50,000 per council per year could help ensure some of the most vulnerable members of the community are supported by the NSW Government and councils.</p> <p>Accessible adult changing facilities promote inclusive tourism and community wellbeing as more members of the community are enabled to participate and engage.</p>

Other local government priorities

LGNSW's [Pre-Budget Submission](#) detailed several key priorities in relation to financial reforms sought by local government. In summary these are:

- + **Reform of Emergency Services Funding** – LGNSW calls for the introduction of a broad-based property levy to replace the Emergency Services Levies (ESL) on local government and insurance policies.
- + **Abolishing Rate Pegging** – to enable councils to deliver the infrastructure required to support growth.
- + **Reform of the Rating System** – including the removal of outdated and inequitable rate exemptions, and providing councils with the option to use Capital Improved Valuations (CIV) in determination of rates.

Conclusion

With the economy facing serious and prolonged recession, it is critical that all spheres of government work together to defeat the COVID-19 pandemic and rebuild the national economy.

LGNSW commends the Australian and NSW Governments on their health and economic responses to the successive and compounding impacts of drought, bushfire, flood, and the devastating COVID-19 pandemic. Local government is also to be commended, with councils consistently on the response and recovery frontline at a local level. However, it is clear that the raft of stimulus and support measures being delivered by all spheres of government will need to be maintained and expanded through 2020-21, into 2021-22 and beyond.

Local government provides an effective conduit for delivering this assistance and economic stimulus support to local business and their employees. LGNSW seeks to strengthen local government's partnership with the State Government to not only drive a locally-led recovery in NSW, but to build resilience against future natural disasters and pandemics.

LGNSW also seeks to be closely engaged in longer-term economic reforms to promote economic investment and growth. This includes engagement in the current conversation around tax and fiscal relationships reform. A comprehensive review of the State taxation must include all taxes, including those imposed by or impacting on local government. This includes the local government rating system and the emergency services levy on local government.

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