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House Standing Committee on Primary Industries

Submitted via Parliament of Australia website

Draft submission: Inquiry into factors shaping social licence and economic development outcomes in critical minerals projects across Australia

Thank you for the opportunity for Local Government NSW (LGNSW) to make a brief submission in response to the House Standing Committee on Primary Industries Inquiry into factors shaping social licence and economic development outcomes in critical minerals projects across Australia.

LGNSW is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

This submission is made in draft form, pending approval by the LGNSW Board. The Committee is asked to consider this current version. If there are any changes following Board endorsement these will be separately provided to the Committee.

Introduction

Critical Minerals are defined through the Australian Government's Critical Minerals List, which at present includes 31 specific minerals¹ that support:

- Australia's transition to net zero emissions,
- advanced manufacturing,
- defence technologies and capabilities, and

¹ At present: High-purity Alumina, Antimony, Arsenic, Beryllium, Bismuth, Chromium, Cobalt, Fluorine, Gallium, Germanium, Graphite, Hafnium, Indium, Lithium, Magnesium, Manganese, Molybdenum, Nickel, Niobium, Platinum-group elements, Rare-earth elements, Rhenium, Scandium, Selenium, Silicon, Tantalum, Tellurium, Titanium, Tungsten, Vanadium, Zirconium.

- broader strategic applications.²

Critical minerals, as well as the output of mining more generally, have a significant influence on the economic vitality of Australia, NSW and the communities that host mines and associated infrastructure and industries. This includes through job creation, investment and second and third order economic activity and community benefits.

In NSW, critical minerals projects (and most mining projects generally) are located in rural and regional parts of the state, within the jurisdictions of local governments that must balance community wellbeing, environmental stewardship, infrastructure capacity, employment opportunities, skills development and long-term economic resilience.

In achieving social licence and fair economic outcomes from critical minerals projects, it is essential that benefits fairly flow to host communities and that adverse impacts are mitigated. Councils have a critical role in advocating for their communities in this respect, but must be supported by fair state and federal frameworks to ensure social licence for these projects locally.

Fair return of state royalties to host communities

A key concern expressed by NSW councils is that communities hosting mining or extractive industry projects do not at present receive a fair share of the economic benefits generated within their boundaries. Councils certainly acknowledge the positive contributions of mining, including employment, economic growth, and regional investment. However, the localised impacts, both direct and indirect, must be addressed through dedicated funding and support.

Previously in NSW, from 2012, communities hosting mining projects received funding through the Resources for Regions fund, which delivered \$560m for 355 projects across the state. However, this program was discontinued in the 2023-24 NSW Budget.³ Although the NSW Government has instead established a Regional Development Trust Fund, councils continue to call for the reinstatement of a program more akin to the Resources for Regions fund, which had resulted in substantial investment in communities across regional and rural NSW.

At the 2025 LGNSW Annual Conference, councils resolved to call on the NSW Government to recognise the impact the cessation of Resources for Regions had on mining-impacted communities, and acknowledge that:

² [Australia's Critical Minerals List and Strategic Materials List](#), Department of Industry, Science and Resources, 20 February 2024.

³ [Councils call for mining fund to be restored a year after Resources for Regions program abolished](#), ABC News, 18 October 2026.

- over \$5.5 billion in mining royalties were collected in 2022–23,
- round 9 of Resources for Regions returned just \$140 million, or 2.54% of total royalties,
- the Resources for Regions program enabled councils to deliver critical community infrastructure.

The resolution further called for the NSW Government to urgently develop and implement a replacement funding program that equitably returns a portion of mining royalties to impacted communities. The full text of the resolution is as follows.

2025 R27 - Parkes Shire Council - Restoring equity for mining-impacted communities

That Local Government NSW:

1. calls on the NSW Government to urgently develop and implement a replacement funding program that equitably returns a portion of mining royalties to impacted communities, acknowledging that:
 - over \$5.5 billion in mining royalties were collected in 2022–23.
 - Round 9 of Resources for Regions returned just \$140 million, or 2.54% of total royalties.
 - the Resources for Regions program enabled councils to deliver critical community infrastructure.
2. supports a grant funding model that ensures transparency, equity, and long-term sustainability, and recognises the economic contribution and social burden borne by mining regions and their impacted neighbours.
3. recognises the significant and disproportionate impact that mining operations have on host communities and neighbouring councils across regional NSW, including environmental degradation, infrastructure strain, and socio-economic volatility.
4. acknowledges the positive contributions of mining, including employment, economic growth, and regional investment, but emphasises that the localised impacts, both direct and indirect, must be addressed through dedicated funding and support.
5. notes the detrimental effect caused by the cessation of the Resources for Regions (R4R) grant program, which previously provided vital infrastructure and amenity funding to 26 mining-impacted councils, including those that host mines and those affected by mining activity in their vicinity.

Note from Council

Parkes Shire Council, like a number of others across regional NSW, hosts significant mining operations that contribute billions in royalties to the NSW Government. Some

of the communities are in remote or semi remote area where, where fly-in fly-out workforces are common.

While mining brings jobs and investment, it also leaves lasting impacts, many of which are borne by councils with limited resources. These impacts include:

- environmental degradation: massive voids and mounds render land unproductive.
- Transport pressure: heavy freight and passenger traffic from all directions.
- infrastructure strain: roads, water systems, and amenities face increased demand.
- Housing volatility: boom-bust cycles tied to mining projects disrupt planning and affordability.
- social expectations: workers expect high-quality amenities, placing pressure on small councils.
- economic vulnerability: towns face downturns when mines close.
- planning distortions: ABS population forecasts fail to reflect mining-driven growth, affecting grant eligibility and service planning.
- indirect impacts: neighbouring councils often bear traffic, housing, and service pressures without hosting the mine itself. The R4R program was a modest but vital recognition of these impacts.

The R4R funding received by Parkes Council, enabling projects that would otherwise be impossible for a small council to deliver. These included housing developments, childcare facilities, flood mitigation, and community infrastructure.

The cessation of the R4R grant funding program leaves a funding vacuum, despite the continued collection of royalties and the continued impact on host communities.

The disparity between what is collected and what is returned is stark.

This matter was also raised by Bland Shire Council, Blayney Shire Council and Narrabri Shire Council.

Recommendation 1 – That the NSW Government introduce a new, improved funding mechanism for mining-impacted communities that restores fairness and supports the resilience of the communities.

Fair return of Commonwealth taxation revenue to local governments

Local communities cannot meaningfully share in the benefits of mining if the revenue they help generate does not return to them in the form of infrastructure, services, and economic diversification.

Councils also seek a fairer share of taxation revenue from the Australian Government. The Australian Government significantly benefits financially from the expansion and growth of critical minerals projects, and mining more broadly. This includes through escalating corporate income tax receipts, as well as income tax receipts from a growing workforce.

Local governments have limited revenue raising capacity and are therefore highly reliant on grant funding, especially Commonwealth Financial Assistance Grants (FA Grants). While FA Grants have proven to be essential in funding for councils, the real value of this funding has declined over time.

Recent decades have seen a slow reduction in the proportion of total Commonwealth tax revenues going to local government, having declined from 1 per cent of Commonwealth taxation revenue in 1996 to just approximately 0.5 per cent today. This reduction has occurred despite sustained population growth, expanding service delivery responsibilities and increasing infrastructure demands placed on councils.

In particular, LGNSW reiterates our long-standing position that the share of the Commonwealth taxation revenue allocated to councils should be increased to 1 per cent. There is a fundamental need to link FA Grants to growth, with growth in Commonwealth tax revenue being a proxy for economic growth and reflecting the growth in demands on all spheres of government.

Councils also bear much of the responsibility for providing the critical local infrastructure that enables mining and other heavy extractive industries. If councils are insufficiently funded, they cannot provide the roads, water, sewer and other infrastructure to a high standard that these sectors rely on. This hampers local economic development, worsens productivity for this critical sector and acts as a handbrake on the wider Australian economy.

It is critical that councils are fairly funded to ensure equity for the communities that host mining projects, and to bolster the productive output that the wider economy depends on.

Recommendation 2 – That the Australian Government restore Financial Assistance Grants to 1% of Commonwealth taxation revenue.

Review of rating for biodiversity offset land

In NSW, mining companies are often required to purchase land to offset the environmental damage undertaken by the action of their mining activities. These land banks are referred to as biodiversity or conservation offsets.

Often a mining company will purchase biodiversity offsets in a different local government area to the mining activities. Despite the land being owned by the mining company for the specific purpose of operating a mine, the dominant use of the land is not considered to be for mining. As such, large tracts of land are owned and operated by mines but are only paying a fraction of the rating income they would if that land was accurately recognised as mining land.

At the 2025 LGNSW Annual Conference, councils resolved as follows:

2025 R12 - Upper Hunter Shire Council - Review of rating for biodiversity offset land

That Local Government NSW calls for an urgent review of legislation to allow biodiversity offset land purchased by mining companies to be rated as mining land rather than mining companies evading rates and paying farmland rates on land clearly being used as part of mining operations.

LGNSW has called on the NSW Government to undertake an urgent review of legislation to allow biodiversity offset land purchased by mining companies to be rated as mining land, ensuring that the purpose for which the land has been purchased is fairly recognised in rating arrangements.

Recommendation 3: That the NSW Government review legislation to allow biodiversity offset land purchased by mining companies to be rated as mining land.

Post mining land uses

Across NSW, councils are also eager to ensure that mining-related sites remain productive and of benefit to the community and environment once they are no longer needed for mining.

By repurposing disturbed mining lands, communities can avoid the environmental impact of developing untouched greenfield sites. This approach aligns with sustainable development goals and supports housing solutions, job creation and the emergence of new industries. It can also diversify local economies.

The 2025 report of the NSW Parliamentary inquiry into Beneficial and productive post-mining land use⁴ made a number of important recommendations, including that:

- that land-use planning controls should be updated to support the development of innovative post-mining land uses allowing multiple successive land uses and modification of existing consents.
- That the Government continue to evaluate if current security deposits are sufficient for meeting rehabilitation requirements.
- That the Government invest in reskilling, retraining, and educational programs to support mining communities during resources and energy transition, as well as localised education and training opportunities to boost employment outcomes.
- That the Government consider incentivising post-mining land uses that leverage the reuse of essential infrastructure, such as transmission lines, rail lines, workspaces and utilities, to provide a return on closure expenses, and reduce decommissioning costs and waste.

The NSW Government's response to this report's recommendations was supportive, suggesting an appetite for meaningful progress on adaptive reuse.

At the 2025 LGNSW Annual Conference, councils called on the NSW Government to prioritise the implementation of the recommendations of this report (2025 R25 – Lake Macquarie City Council).

Similarly, councils also resolved at the 2025 LGNSW Annual Conference for the NSW and Australian Governments to provide funding support directly to local government to guide a coordinated approach to land use and economic opportunities for post-mining related land, to support communities impacted by historical and future mine closures (2025 R26 – Dungog Shire Council).

Despite the billions in royalties and taxation revenues state and federal governments benefit from, no direct funding is available to mining impacted communities to plan and action their economic transformation following mine closure. Councils play a critical role in place-based planning, enabling investment, and community transition. However, their capacity to act is severely limited by insufficient funding and staff resources. Many initiatives required for successful transition lie outside the typical remit of standard local government operations, and councils need dedicated support to deliver these initiatives effectively.

⁴ [Report: Inquiry into beneficial and productive post-mining land use](#), NSW Parliament Standing Committee on State Development, April 2025.

Recommendation 4 – That the NSW Government prioritise implementation of the recommendations of the NSW Parliamentary inquiry into Beneficial and productive post-mining land use.

Recommendation 5 – That the NSW and Australian Governments provide funding support directly to local government to guide a coordinated approach to land use and economic opportunities for post-mining related land, to support communities impacted by historical and future mine closures.

Further measures to bolster social licence and economic development outcomes

Across NSW, large employers including miners can bolster their social licence to operate through:

- Offering local employment opportunities.
- Building a skilled workforce through training and qualifications for the local community, rather than relying on a FIFO (fly-in, fly-out) workforce.
- Investing in skills and employment opportunities for First Nations communities.
- Procuring locally wherever possible to support local businesses, supply chains and employment.
- Managing the impacts of surge workforces to avoid undue pressure on housing availability, water supply and other local services.
- Engaging with the community through early, transparent and genuine mechanisms and forums.
- Acting as a model member of the community through ensuring environmental protections, respect for Aboriginal cultural heritage, and by making fair contributions to services and infrastructure.
- Entering into Voluntary Planning Agreements in which they commit to provide certain local benefits, including programs and infrastructure to leave a positive legacy for the community.

In addition to the more prescriptive recommendations throughout this submission, critical minerals proponents should also be encouraged to, and should commit to, bolstering their social licence through a range of the above measures.

Recommendation 6 – In addition to mandated requirements, critical minerals proponents should be encouraged to, and should commit to, bolstering their social licence through measures that:

- Offer local employment
- Build skills and workforce capacity
- Procure locally

- Manage impacts on housing and local services
- Engage and communicate well with the local community
- Act as a model member of the community through respecting the environment and cultural heritage
- Make fair contributions to services and infrastructure to leave a positive legacy for the community.

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Thank you for the opportunity to provide a submission to this inquiry. For further information, please email policy@lgnsw.org.au.