



LGNSW PRE-BUDGET SUBMISSION

2026-27 STATE BUDGET NSW LOCAL GOVERNMENT PRIORITIES

December 2025





Local Government NSW (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.

OVERVIEW OF THE LOCAL GOVERNMENT SECTOR



Employ around **50,000 people**



Manage more than **1,800 community & public centres**



Maintain more than **168,000km of roads & bridges**



Manage more than **\$220 billion of community assets**



Recycle **1.64 million tonnes of waste**



Spend more than **\$2.9 billion each year on caring for the environment**



Operate more than **360 libraries that attract tens of millions of visits each year**



Make kerbside waste collections for more than **3.1 million households**



Manage almost **4 million tonnes of waste each year**



Spend more than **\$2.6 billion on culture and recreation**

Table of Contents

Introduction..... 4

Background..... 4

Local Government in 2026-27..... 5

NSW Budget Funding Recommendations 2026-27..... 6

Conclusion..... 25

Introduction

Local Government NSW (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.

Local government is a major part of the NSW economy. Councils:



Employ around 50,000 people. Many of these jobs are in rural and regional NSW, where councils are often the largest single employer and underpin the local economy.



Spend more than \$15 billion on their communities each year.



Manage and maintain infrastructure and assets worth more than \$220 billion.

Councils are responsible for delivering a large part of the essential infrastructure and services required to support economic growth at the state level while at the same time meeting the needs of local communities.

LGNSW welcomes the opportunity to present the 2026-27 NSW Budget priorities of the local government sector.

This submission was endorsed by the LGNSW Board in February 2026.

Background

Despite a substantial fall in inflation since its peak in 2022, recent data indicates renewed upward pressure. According to the [Reserve Bank of Australia \(RBA\)](#), headline inflation rose to 3.2 per cent over the year to the September quarter, largely due to the ending of government electricity rebates. LGNSW notes that heightened volatility and geopolitical risks continue to contribute to uncertainty in the global economy. Consequently, NSW's fiscal outlook remains subject to both domestic and international risks, underscoring the need for prudent financial management.

The NSW Budget in 2025-26 forecasts a \$3.4 billion budget deficit. However, the budget forecasts a \$1.1 billion surplus in 2027-28. Net debt is expected to continue to climb as the NSW Government broadly maintains its level of spending on infrastructure.

LGNSW anticipates that accelerating housing delivery, supporting key infrastructure projects and maintaining essential services will remain key priorities for the NSW Budget in 2026-27. More importantly, this will be the final budget before the next State election in 2027, and LGNSW hopes the NSW Government will use this opportunity to demonstrate its continued support for the local government sector and the communities we represent.

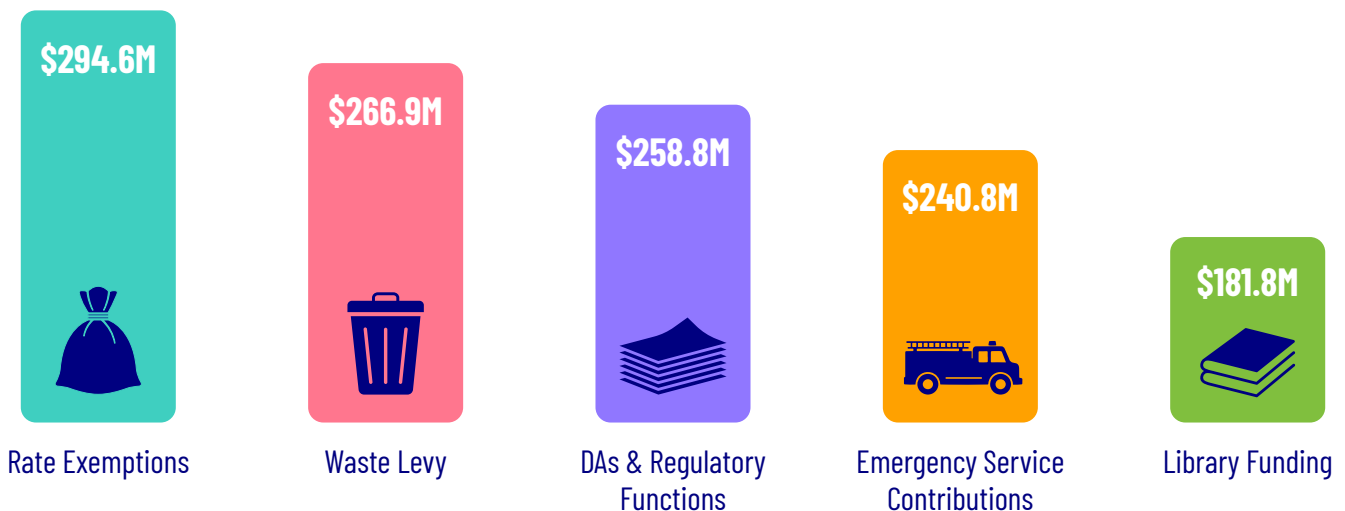
This submission highlights local government's funding priorities for the 2026-27 financial year and underscores the critical need for continued support from the NSW Government given the challenges that the sector faces.

Local Government in 2026-27

Key challenges such as financial sustainability, infrastructure backlogs, water security, skills shortages, and the supply of affordable housing remain high strategic priorities on local governments' agendas. Inflationary pressures continue to drive up council costs across essential community services, infrastructure delivery, and operations. These challenges are compounded by the demands of ongoing disaster recovery and resilience-building efforts, while infrastructure maintenance and renewal backlogs remain significantly high.

Cost shifting also remains a persistent issue for the sector. The latest LGNSW Cost Shifting report (www.lgnsw.org.au/costshifting) revealed that cost shifting totalled \$1.5 billion in 2023-24, a 10 per cent increase from the last survey result of \$1.36 billion in 2021-22.

Top Five Cost Shifts onto NSW Councils



Furthermore, LGNSW welcomed the findings and recommendations of the NSW Parliamentary Inquiry into the ability of local governments to fund infrastructure and services. The Committee's recommendations were comprehensive and reflect recognition that the financial sustainability of councils is being persistently eroded and that reform is urgently needed.

The NSW Government's response to the recommendations of the NSW Parliamentary Inquiry was guarded but did include some positive indications. This includes the establishment of an Expert Advisory Panel (EAP) including local government representation to inform future reforms, as well as committing to action on unfair rate exemptions, reviewing and indexing fixed fees and charges, and strong advocacy to the Commonwealth Government on the need to increase Financial Assistance Grants to 1% of Commonwealth taxation revenue.

As NSW moves forward, housing delivery, financial sustainability and natural disaster resilience must remain key focus areas. The 2026-27 NSW Budget presents an opportunity for the State Government to reinforce its leadership in addressing these intertwined economic and social challenges. Collaborative and constructive partnerships across all levels of government will be crucial to driving productivity, creating jobs, and strengthening community resilience. LGNSW stands ready to work alongside the NSW Government to deliver these shared objectives, consistent with our [Intergovernmental Agreement](#).

NSW Budget Funding Recommendations 2026-27

Areas of council funding need – LGNSW Priorities	Budget funding recommendation	Supporting case
<h2>FINANCIALLY SUSTAINABLE COUNCILS</h2>		
<h3>Expedite reform of local government financial sustainability</h3>	<p>Provide funding to enable the Office of Local Government (OLG) to accelerate promised reforms of the local government financial framework in consultation with the local government sector.</p>	<p>The key reforms sought by local government emerging from the recommendations of the Inquiry into the ability of local governments to fund infrastructure and services include:</p> <ul style="list-style-type: none"> • conduct a comprehensive review of the rate exemptions and concessions under the Local Government Act 1993. • streamline the process for the assessment of special variation applications • redesign the local government rating system • audit and update the statutory fees and limits that apply to local government annual charges and user fees and charges to better reflect and account for increases in market costs and pressures, including inflation • provide a more secure and sustainable source of funding to local councils to achieve more equitable distribution of grants funding • continue to improve the timeliness of disaster recovery assistance funding to local councils by such as tripartite arrangements • review the depreciation methodology that applies to depreciation rates • ensure councils can properly fund pounds and companion animal services • NSW Government review the performance measurement ratios for local councils.
<h3>Pensioner rate rebates</h3>	<p>Increase and have the NSW Government fully fund the cost of pensioner rate rebates. The current cost to councils is approximately \$70 million per annum.</p>	<p>Councils are currently required to pay 45% of the costs of providing pensioner rate rebates. This effectively imposes a financial penalty on councils that have larger numbers of pensioners. The rebates are an important welfare measure but are beyond the capacity of local government to fund and should be fairly funded by the NSW Government.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
Emergency Services Levy (ESL)	<p>Commit to the removal of the ESL on local government as part of the NSW Government's proposed reform of emergency services funding.</p>	<p>The ESL increases for the State's 128 councils in 2023-2024 amount to almost \$77 million, with the total cost imposed on the local government sector increasing from \$143 million in the 2022-2023 financial year to \$221 million in 2024-2025. This represents a 54.5% increase completely dwarfing the base rate peg of 3.7%, as set by the Independent Pricing and Regulatory Tribunal (IPART) for 2023-2024.</p> <p>LGNSW acknowledges that IPART has introduced an ESL factor into the rate peg determination process to address this issue, but LGNSW sees this as a stop gap measure and seeks the removal of the ESL on councils altogether.</p> <p>It is a long-established position of LGNSW that the ESL should be removed from both councils and insurance policies and replaced with a broad-based property levy. This would be revenue neutral for the NSW Government in the long run and provide a fairer and more transparent mechanism to collect this sum. The NSW Budget should provision for this reform, and ensure the new levy is efficiently collected by the NSW Government, and not 128 individual councils.</p> <p>LGNSW has welcomed the NSW Government's decision to undertake a broad review of emergency services funding with a view to towards replacing the ESL and is eager to work with the Government to see the reform proceed.</p>



Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<p>RESILIENT COMMUNITIES</p>		
<p>Infrastructure betterment and resilience</p>	<p>Provide \$400 million to councils over four years to support infrastructure betterment to withstand future natural disasters while delivering benefits associated with improved resilience and productivity, economic and social outcomes.</p>	<p>Every local government area within NSW has experienced a natural disaster over the past several years and most of the government expenditure is on clean up and recovery, not on preparedness and resilience.</p> <p>There is a pressing and significant need for the NSW Government to deliver pre-emptive disaster risk reduction planning, resources and investment to local councils and communities. For example, communities across NSW suffered catastrophic devastation by floods in 2022 resulting in the loss of lives and homes and extensive damage.</p> <p>LGNSW understands that funding options are currently being explored by the NSW Government, including a business case for a NSW Mitigation Fund. In line with the NSW State Disaster Mitigation Plan and recommendation 10 of the Inquiry into the ability of local governments to fund infrastructure and services, the NSW Government should extend funding and support for local government, including for the betterment and improved resilience of essential community infrastructure.</p>
<p>Drought</p>	<p>Establish a Drought Taskforce and provide targeted funding for drought resilience and recovery.</p>	<p>NSW is increasingly experiencing prolonged and severe droughts that extend well beyond traditional emergency timeframes and are being intensified by climate change. Current policy and funding settings do not adequately reflect the scale, duration or economic and social impacts of modern drought conditions, particularly for rural and regional communities. Reinstating drought as a recognised natural disaster within policy settings would further ensure support is timely, coordinated and proportionate to impact.</p> <p>LGNSW calls for the establishment of a NSW Government Drought Taskforce to enable the following:</p> <ul style="list-style-type: none"> • Coordination of immediate response across government agencies • Development of drought resilience measures • Monitor the implementation and effectiveness of drought support programs • Drive policy reform including the National Drought Agreement <p>Targeted funding would enable targeted drought recovery and resilience measures, including infrastructure upgrades, direct financial relief for affected communities and farmers.</p>

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Executive level Local Emergency Management Officers (LEMOs)	Commit \$20 million annually to fund senior level LEMOs in councils.	Over time the expectations from the State Government and the community on local government related to emergency management have increased, yet there has been no increase in resources to enable councils to carry out these functions professionally. In many cases the LEMO role is added to the responsibilities of another employee of council, sometimes a lower-level officer role and at other times an already overstretched executive team member role. Funding to support councils with this task would significantly improve the ability of councils to prepare for and recover from disasters.



Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<h2 style="color: green;">ROADS AND INFRASTRUCTURE</h2>		
<h3 style="color: green;">Strengthening water security</h3>	<p>Renew and continue capital grant funding for the \$1.1 billion Safe and Secure Water Program (SSWP) or a replacement program for at least a further 10 years.</p>	<p>The NSW Safe and Secure Water Program (SSWP), established in 2017, has been instrumental in improving water and wastewater services for regional communities. The SSWP program replaced the long-term Country Towns Water Supply and Sewerage Program (CTWSSP) recognising the need for ongoing financial support for Local Water Utilities (LWUs). The program's funding is now fully allocated and due to conclude in 2028, despite ongoing and growing water infrastructure challenges.</p> <p>Funding through the SSWP has enabled councils to deliver essential water and sewerage infrastructure, strengthen water security, and protect communities during drought. Without continued investment, regional communities risk facing the same vulnerabilities experienced during the 2019 drought: the worst in 130 years when 50 towns were at high risk of running out of water.</p> <p>Extending the SSWP or its replacement program beyond 2028 with new funding models will provide councils and LWUs with the long-term certainty needed to plan and deliver critical infrastructure. LGNSW holds the view that any new funding arrangements must maintain a capital grants program.</p> <p>The Water Directorate NSW estimates the current water and wastewater infrastructure backlog between \$5 billion and \$10 billion, highlighting the scale of ongoing need.</p>
	<p>Ensure equitable and affordable water and sewerage service levels across NSW, including through the introduction of a Community Service Obligation (CSO) framework and sustainable bulk water pricing for LWUs.</p>	<p>The NSW Government's response to the Productivity and Equality Commission's (PEC) review of funding models for LWUs signalled the Government is considering developing a Community Service Obligation (CSO) policy to underpin the delivery of basic levels of service.</p> <p>This consideration must translate into a commitment. A CSO mechanism would provide essential support to LWUs that cannot fully recover the cost of efficiently delivering water services, particularly in smaller or remote communities.</p> <p>In addition, any proposed bulk water price increases by WaterNSW risk undermining affordability for regional households and LWUs. Establishing sustainable and equitable pricing arrangements is critical to ensuring all communities have access to safe and affordable drinking water across NSW.</p>
	<p>Renew commitment to maintaining safe and reliable drinking water in rural, regional and remote NSW, including support for LWUs to address emerging contaminants such as PFAS.</p>	<p>Water and sewerage risks remain unacceptably high in regional NSW, compounded by emerging threats such as PFAS contamination. PFAS poses significant environmental and public health risks, and councils often lack the technical and financial capacity to undertake complex assessments, testing and remediation.</p> <p>The Parliamentary Inquiry Report into PFAS contamination in NSW waterways and drinking water supplies recommended an independent review of the financial impacts on LWUs and urgent funding for PFAS testing, treatment and alternative supplies.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
		<p>LGNSW urges the NSW Government to implement these recommendations and establish long-term funding arrangements to help LWUs manage and mitigate PFAS-related risks effectively.</p>
<p>Road Infrastructure</p>	<p>Address the \$3.4 billion road infrastructure backlog by expanding funding for key road programs, including:</p> <ul style="list-style-type: none"> • Fixing Local Roads Program • Fixing Country Bridges Program • Regional and Local Roads Repair Program • Regional Emergency Road Repair Fund. 	<p>LGNSW welcomed the NSW Government’s \$2.3 billion commitment in the 2025-26 Budget for restoring flood-damaged roads across the Hunter and Northern Rivers regions. Sustained and expanded funding for key road infrastructure programs remains essential to address the broader \$3.4 billion road infrastructure and maintenance backlog. Other issues include the growing freight task in NSW with the growing number of heavy vehicles placing increasing demands on the road network, adding to unfunded repair, maintenance and renewal costs for councils.</p> <p>Current funding primarily restores roads to their original condition rather than rebuilding them to a more resilient standard. Rising construction costs and high inflation continue to erode councils’ capacity to maintain critical infrastructure.</p> <p>According to IPWEAs 2025 Road Management Report, over \$5 billion in road assets remain in poor condition, with 48% of the road network unsealed posing safety risks and increasing long-term maintenance costs. Expanding key road programs and accelerating funding allocations will help councils address the \$3.4 billion road infrastructure backlog, improve safety and deliver more resilient local road networks for communities.</p>
	<p>Increase Regional Road Block Grant funding in line with the current CPI rate.</p>	<p>According to Transport for NSW (TfNSW), total 2025-26 allocation of Regional Block Grants is \$173 million for councils in NSW.</p> <p>Road Block Grants remains a vital source of recurrent road funding for councils with the backlog in road maintenance on local and regional roads. Rising inflation has significantly increased maintenance costs, widening the existing backlog. Increasing Road Block Grant funding in line with the current CPI rates at the minimum will help councils manage costs more effectively, maintain critical infrastructure, and ensure safer and more efficient roads.</p>
	<p>Provide funding to facilitate the implementation of the new process for road recategorisation.</p>	<p>Road recategorisation remains a major issue for councils as it directly affects funding responsibilities and availability. It is disappointing that the last completed review was in 2010, leaving a 15-year gap and a backlog of recategorisation reviews. Given the population growth and development over the last 15 years, there are now many roads categorised as local that should be recategorised as state roads, reducing the cost burden on councils.</p> <p>LGNSW welcomes the NSW Government’s new approach to road recategorisation, including the introduction of the Self-Assessment Tool, which is expected to deliver more timely and efficient assessment of roads proposed for recategorisation. However, successful implementation will require adequate funding to support councils to meet the administrative and potential road asset transition costs associated with recategorisation.</p>


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<p>Active transport infrastructure</p>	<p>Strengthening support for integrated and sustainable transport solutions including \$100 million investment annually in active transport infrastructure.</p>	<p>With the NSW Government promoting active transport and the legalisation of e-micromobility, funding for well-connected active transport infrastructure is essential. Councils are central to delivering integrated walking, cycling and e-mobility networks that improve safety and health, while reducing congestion and promoting sustainable travel.</p> <p>The proposed 25:75 per-trip revenue split between councils and the NSW Government under the proposed e-mobility sharing scheme is inequitable, particularly as councils will bear increased enforcement and administrative responsibilities such as parking enforcement and issuing infringement notices. LGNSW calls for a fairer revenue arrangement and dedicated grant funding to support local infrastructure, signage, and safety measures necessary for the successful rollout of e-micromobility sharing schemes.</p>
<p>Road Safety</p>	<p>Maintain funding commitment to road safety measures.</p>	<p>Data from the Australian Automobile Association shows that NSW recorded the highest number of road fatalities nationally, with 366 deaths in the 12 months to 30 September 2025. Alarming, rural and regional NSW, which is home to one-third of the state's population, accounts for nearly 70% of all road fatalities. This disproportionate impact underscores the urgent need for targeted investment in rural and regional road safety.</p> <p>While councils welcome the NSW Government's \$2.8 billion commitment to road safety measures in the 2025-26 Budget, delivered in partnership with the Federal Government, funding remains insufficient to address the scale of the problem. Additional investment is required for proven safety infrastructure such as audio tactile line markings, intersection upgrades and enhanced rest areas to reduce fatigue-related crashes among long-distance drivers.</p> <p>LGNSW also calls for a review of the Local Government Road Safety Program, including the 50:50 co-funding model for Road Safety Officer (RSO) positions and project funding. Improving this model would help increase participation and engagement among rural and regional councils, which currently sits at only 52%.</p>



Areas of council funding need – LGNSW Priorities	Budget funding recommendation	Supporting case
<h2>WELL PLANNED COMMUNITIES</h2>		
<h3>Create housing supply</h3>	<p>Forward-fund the NSW Government’s existing \$1 billion commitment to councils for enabling infrastructure to support increased demands from growth and intensification of development in NSW.</p>	<p>In assisting the NSW Government meet its commitments under the National Housing Accord, councils across NSW are required to deliver essential local infrastructure that enables more housing supply.</p> <p>Access to grant funding for these projects should remain available to councils in both metropolitan and rural and regional areas through mechanisms such as the NSW Housing Acceleration Fund (HAF), the NSW Housing and Productivity Contribution (HPC) and through funds provided to the State from the Federal Government’s Housing Support Program. The NSW Government should honor its commitment to provide \$1 billion over 10 years from the HPC funds to support councils in delivering local infrastructure that supports housing and productivity. If the HPC scheme is not achieving its intended outcomes, the NSW Government must consider forward-funding enabling and community infrastructure to provide certainty and consistency for development and retain the social licence for greater density.</p>
<h3>Planning resources for councils</h3>	<p>Continue existing programs, and increase funding support through new and reinstated programs, to enable councils to respond to and support planning reforms that seek to accelerate housing delivery, through:</p> <ul style="list-style-type: none"> • Development assessment resourcing (e.g. more rounds of the Faster Local Assessment Grant Program); • Support for strategic planning (e.g. continued rounds of the Regional Housing Strategic Planning Fund). • Remunerating councils for increased workload associated with State Significant Development (SSD) and Housing Delivery Authority (HDA) pathways. • Fairly compensate councils for the additional workload resulting from proposed changes to regional and local planning panels. 	<p>The local government sector supports actions to address the housing crisis and recognises the need to improve the efficiency and effectiveness of plan-making and development assessment processes. However, any reforms to the planning system and policies aimed at accelerating housing delivery must include fair and appropriate funding and resourcing commensurate with the additional workload and expectations placed on councils. There is considerable pressure on all councils to plan for and help provide the infrastructure to support more housing.</p> <p>Government programs to assist with this such as the Faster Local Assessment Grant and Regional Housing Flying Squad should be reinstated to provide targeted support where it is most needed.</p> <p>The NSW Government has introduced reforms that will result in a greater proportion of development - both housing and major projects such as renewable energy). Increasingly, the Department of Planning, Housing and Infrastructure (DPHI) is relying on council staff for assessment of applications including engineering and hydrologic assessment and provision of conditions of consent. The assessment required can be time-consuming, further adding to the administrative burden on council staff.</p> <p>The NSW Government should also ensure councils are adequately resourced and remunerated for the assessment service they provide to DPHI.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<p>Public and social housing</p>	<p>Invest at least \$2 billion annually for 10 years to build additional units of public and social housing each year, with a steadfast resolve to realise the promise of 30 per cent social and affordable housing for developments on surplus government land.</p>	<p>The Federal and State governments need to urgently increase the stock of public and social housing. The NSW Government made a commitment to ensure that development on surplus public land includes a minimum of 30 per cent affordable, social, and universal housing.</p> <p>The 2023-24 Budget made a strong start with \$5.1 billion over four years to build 8,400 social housing dwellings with \$6,200 of these to be newbuilds. However, far greater investment is needed. NSW Government funding should be used alongside federal funding from the Housing Australia Future Fund and other sources to urgently deliver this public and social housing. There is also an urgent need for existing public and social housing stock to be redeveloped to meet current and future needs, right across NSW.</p>



Areas of council funding need – LGNSW Priorities	Budget funding recommendation	Supporting case
<h2>CLEANER, GREENER, SUSTAINABLE COMMUNITIES</h2>		
<h3>Renewable energy</h3>	<ul style="list-style-type: none"> • Fund councils with Renewable Energy infrastructure to complete rural land use and other strategies to support councils' ability to plan for and support renewable energy delivery. • Fund further strategic studies regarding appropriate locations of renewable energy projects within renewable energy zones to meet NSW Net Zero targets. 	<p>Councils require support to:</p> <ul style="list-style-type: none"> • engage with renewable energy development proponents strategically, to develop appropriate community consultation plans. • provide clear land uses permissible under the State Environmental Planning Policy (Transport and Infrastructure) 2021 and Standard Instrument LEP to include reference to the renewable energy zone and appropriateness of renewable energy types within specific locations across NSW. • ensure projects are strategically located, including avoiding land with the highest biodiversity and agricultural values.
	<ul style="list-style-type: none"> • Establish and fund a network of independent, regionally based Local Energy Hubs in NSW to provide trusted advice on renewables, electrification, energy efficiency and community-led projects. 	<p>The Local Energy Hubs should be supported by a NSW coordination unit providing shared resources and model materials and training (integrating with national Net Zero Economy Authority work). The Hubs would help to build a social licence for the projects in the region.</p>
	<ul style="list-style-type: none"> • Embed Net Zero government support services and infrastructure delivery agencies (NSW and Federal), including EnergyCo, Future Jobs and Investment Authority, Transport for NSW & DPHI within regional communities directly affected by the transition 	<p>These embedded services would work with the Local Energy Hubs to provide tailored advice and support to regional communities.</p>
<h3>Waste Levy</h3>	<p>Reinvest the \$971 million waste levy in full to assist in transition to circular economy, including:</p> <ul style="list-style-type: none"> • Funding (over and above current funding) to offset council costs for implementing the Food Organics Garden Organics (FOGO) mandate. • Funding (over and above current funding) to develop and implement systems and development of extended producer responsibility schemes to divert targeted materials, such as plastics and e-waste (including batteries) into a circular economy. • Increased funding for compliance (e.g. illegal dumping teams) and kerbside contamination management (e.g. bin inspection team). 	<p>The NSW Government forecast it would collect \$853 million through the waste levy in 2024/25 and has budgeted to collect \$971 million in 2025/26. LGNSW calls on the government to fully use the waste levy for the purpose it was collected, i.e., to reduce waste and support the diversion of material from landfill back into productive use, effectively promoting a circular economy.</p> <p>For example, the implementation of the Government's FOGO collection mandate requires considerable additional costs. A 2022 feasibility study found that implementing a FOGO service will increase the average cost of waste services by \$3.2 million per council whereas the Environmental Protection Authority's (EPA) contestable FOGO grant program makes the equivalent of \$760,000 available per council. There is a considerable funding shortfall between what has been allocated to support the FOGO mandate. If this funding is not provided to councils, it is likely that much of the cost will need to be recovered from ratepayers in the community.</p> <p>The NSW Auditor General found in her 2020 report that the NSW Government has collected almost \$4 billion from the waste levy in the previous five years, but only about a third was reinvested into waste and environmental programs.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
	<ul style="list-style-type: none"> • Waiving the waste levy charged on landfill cover material used to cover waste that is levy-exempt (e.g. disaster waste) and on asbestos-containing materials. • State-wide community and council wide education campaigns aimed at waste avoidance, reuse, repair and correct recycling. • Priority waste and circular economy infrastructure, as identified in the Waste and Circular Economy Infrastructure Plan Funding research and development collaborations and partnerships between councils, industry and research bodies to identify effective and scalable options for waste diversion into a circular economy 	
Asbestos	<p>Make asbestos disposal simpler, cheaper and safer through:</p> <ul style="list-style-type: none"> • Providing annual funding of \$1.8 million for ongoing uncontested grants to all NSW councils to deliver on the ground asbestos awareness campaigns. • Providing annual funding of \$8 million for: <ul style="list-style-type: none"> ◦ Removal of the waste levy on household quantities of asbestos. ◦ Ongoing funding of council run householders' asbestos disposal schemes (HADS). ◦ NSW Government to provide portable asbestos disposal facilities (e.g. skip bins or similar) at key council locations in each LGA for use by local residents, to accept plastic wrapped asbestos products that can be relocated to an approved landfill when full, with the costs covered by the NSW Government. • Provide annual funding of \$6 million for local government exemption from the requirement to pay the waste levy in circumstances where councils have unwittingly received contaminated waste, or where they have undertaken a clean-up of unlawfully dumped contaminated waste such as asbestos. • Provide dedicated, uncontested funding of \$150 million annually to councils to remove asbestos from all council buildings over a 10-year period. 	<p>Research by the EPA has shown that illegal dumping of asbestos can be reduced by making asbestos disposal easier and cheaper. The EPA trial of a household asbestos disposal scheme across 23 councils involved waiving the waste levy and reduced tip fees, at a cost of \$781,000.</p> <p>Social research in NSW and nationally shows that communities are largely unaware of where asbestos may be present in buildings, how to identify it or how to stay safe when encountering it. They also do not know where to source reliable information. Councils are the level of government closest to community and best placed to deliver asbestos awareness campaigns.</p> <p>Councils do not have a mechanism to raise money for asbestos removal and therefore require financial support from the NSW Government.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
Climate Change	Invest \$8 million annually for 3 years to complete urban tree canopy mapping and support rural and regional councils to expand tree canopy across their urban centres.	Funding is needed to undertake mapping of current urban canopy levels in rural and regional NSW councils and to focus investment in increasing urban tree canopy. This investment will reduce urban heat, improve air quality, provide shade, and build resilience to climate change.
	Invest \$10 million over 4 years in councils to undertake activities that support the NSW Heatwave Sub-Plan and, where appropriate, the Greater Sydney Heat Smart City Plan.	Council programs supported by the Climate Change Fund have ended but the challenges of rising heat and longer periods of heatwave conditions continue to increase. Additional funding for councils to undertake activities to support the Heat Sub Plan, and the Greater Sydney Heat Smart City Plan, are critical to support NSW communities adapt, improving quality of life and saving money in the medium and long term.
	Invest \$12 million over 4 years to assist councils' transition to net zero emissions and drive local economies.	Local governments and their communities are on the frontline when dealing with the risks and impacts of climate change. As climate change impacts will be experienced at regional and local levels, councils may be best placed to manage these risks. Local government has shown that by working in partnership with the NSW Government, they can deliver highly effective climate change projects that can reduce greenhouse gas emissions and greatly assist the community to be better prepared and better able to adapt to future climatic conditions.
	Invest \$4 million in development and adoption of a consistent statewide emissions measurement and reporting and climate risk reporting frameworks for local government.	A statewide framework will ensure comparability, transparency, and accountability across all councils, and better inform investment in mitigation activities.
Stormwater	<p>NSW Government to provide funding to enable amendment of section 125AA of the Local Government (General) Regulation 2021 to:</p> <ol style="list-style-type: none"> 1. immediately increase the maximum stormwater management service charge from \$25 to \$40 for land categorised as residential or business, and from \$12.50 to \$20 for strata lots. 2. add a new clause to allow this charge to be increased by the building cost index annually. 	<p>The stormwater management service charge (i.e. stormwater levy) was introduced by the NSW Government in 2006 as a means by which local government could more sustainably fund stormwater services. Whilst welcome at the time, there was no allowance provided in local government regulations for the stormwater levy to be increased with inflation. Councils have since had to bear increasing capital and operational costs for stormwater services with no additional revenue provided from the stormwater levy (outside of natural increases due to population growth).</p> <p>The NSW Government has committed to reviewing annual charges and user fees such as the stormwater management service charge following the parliamentary review into the ability for local government to fund infrastructure and services.</p> <p>The additional funding obtained by increasing the stormwater levy would assist councils in reducing infrastructure backlog ratios to less than the 2% benchmark. The additional funding would ultimately help in meeting community expectations for greater flood protection, improved ecological health and greater access to waterways for recreation.</p>


Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<p>Biosecurity</p>	<p>Provide \$10 million annually to increase capacity for invasive species identification and undertake widespread community education programs to increase awareness of biosecurity responsibilities, risks, and responses.</p>	<p>There is a lack of general community awareness of what the General Biosecurity Duty is, what it entails and what would constitute someone fulfilling their duty.</p> <p>In addition, there is poor understanding of the risks/threats posed by invasive species, and how councils will be supported to respond to them. The NSW Government must invest in programs to reduce the risk of these invasive pests causing harm in NSW.</p>
<p>Companion animal pound and rehoming funding</p>	<p>Provide a \$50 million capital injection over 5 years plus \$20 million annually directed to local government to enable upgrading of pound facilities, provision of support services to facilitate rehoming, desexing and to assist with educating the community about responsible pet ownership.</p> <p>Provide funding to support partnership arrangements between those councils that share animal shelters to meet increased demand.</p>	<p>Registration fees for companion animals are pooled into the Companion Animals Fund managed by the Office of Local Government, which returns approximately 80% of fees to the council where the animal was registered.</p> <p>In 2021 approximately \$8 million was distributed to councils from the Fund to support councils to provide companion animal services. This represents approximately 16% of the costs incurred by councils.</p> <p>There is a need for capital injection to update and increase council pound and rehoming facilities and undertake education and awareness in responsible pet ownership.</p> <p>The 2025 report of the Inquiry into the Management of Cat Populations in NSW recommended grants to councils and rescues to carry out free and subsidised desexing programs. In addition, it was recommended to provide support to rural and regional councils with desexing programs and provide funding to rehoming organisations (which also include councils) for desexing, care and rehoming costs.</p> <p>Recommendation 12 of the inquiry called for the NSW Government to provide increased funding for council pounds.</p>



Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<h2>INVESTING IN OUR PEOPLE</h2>		
<h3>Skills and labour shortages</h3>	<p>Allocate additional funding for future rounds of the \$252.2 million Local Government Apprenticeship, Traineeship, and Cadetship Program to establish a sustainable skills development pathway for local councils and the broader NSW workforce.</p>	<p>LGNSW and councils are thankful to the NSW Minns Labor Government for the Fresh Start Apprentices, Trainees and Cadets Program launched in October 2024 and the \$252.2 million investment to rebuild council workforces and calls for the NSW Government to increase and extend the successful Fresh Start for Local Government Apprentices, Trainees and Cadets Program.</p> <p>The program is highly valued and one that should be sustained beyond the current timeframe. Grant funding of this nature helps for a short period of time however it doesn't address the resourcing challenges that Councils will continue to face once the funding program concludes.</p> <p>Fresh Start funds 1,300 additional apprentices, trainees and cadets over six years, with councils already hiring more than 1,000 new starters and a sector target of 15% apprentices/trainees. Building on this success with targeted pathways will address critical shortages for locally identified organisational shortage roles (planning, building certification, environmental health officers, engineering, emergency management) and strengthen service delivery through regional relocation incentives, scholarships and cadetships, and co-funded TAFE and mid-career pathways developed with LGNSW.</p>
	<p>Provide ongoing, untied funding of \$20 million to address chronic skills and labour shortages in local government.</p>	<p>A skilled and well-equipped local government sector is vital for strong communities and resilient local and national economies. Councils need adequate funding from the NSW and Commonwealth Government to compete fairly in the labour market and address systemic vulnerabilities caused by ongoing skills and workforce shortages.</p> <p>Ongoing funding is essential to enable councils to compete as employers of choice and address chronic skills and labour shortages. This investment will allow councils to offer competitive salary structures for high-demand and hard-to-fill roles, provide training and development opportunities to upskill and retrain the existing workforce, and attract and retain the right people to deliver essential community services.</p> <p>Councils lack the capacity to compete with remuneration packages offered by the private sector and other tiers of government, particularly for high-demand roles such as engineers, planners, and environmental health officers.</p> <p>To address these challenges, councils need support to implement practical solutions, including offering scholarships for students in critical disciplines with a commitment to work in local government upon graduation and investing in technologies that maintain service continuity, improve efficiency in service delivery and community development.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
	<p>Allocate \$10 million funding over 2 years to develop funded school engagement programs to bolster students' interest in a career in the local government sector and the diversity of opportunities that are available.</p>	<p>Councils are seeking support and investment from the NSW Government to develop a school engagement program to encourage students to consider a career in local government. At a local level, many councils would be engaging with schools, however, a coordinated statewide program administered by LGNSW through Careers at Council that is resourced and consistent would help with the pipeline of prospective employees who see their local council as a great employment opportunity.</p>
	<p>Provide immediate and sustained funding of \$50 million for employment and skills programs that support communities in transitioning industries.</p>	<p>NSW councils face increasing challenges in attracting and retaining skilled staff, particularly in regional and remote areas. Continued investment is necessary to secure the future of regional workforces and the communities they sustain.</p> <p>With the closure of the Resources for Regions Program, it is critical to ensure continuity of initiatives at the local level to maintain workforce capability, foster economic resilience, and enable affected regions to adapt successfully to industry change.</p> <p>While many councils are investing in workforce planning and employee engagement, additional support from the NSW Government is essential to ensure consistency across the sector and to fund grassroots programs that deliver career development, skills transition, redeployment, and retraining at the local level. These programs are vital for embedding new and emerging industry opportunities within communities and safeguarding regional economies.</p>



Areas of council funding need – LGNSW Priorities	Budget funding recommendation	Supporting case
<p>INCLUSIVE, SAFE AND ENGAGED COMMUNITIES</p>		
<p>Improve regulatory efficiency</p>	<p>Allocate \$10 million to co-design a regulatory management system in partnership with councils and NSW Government regulators.</p>	<p>NSW councils currently spend approximately \$127 million annually delivering local regulatory services on behalf of the NSW Government. These services are primarily carried out by Environmental Health Officers (EHOs), building surveyors, and rangers. However, there is a critical shortage of skilled staff.</p> <p>EHOs spend significant time on administrative tasks including writing reports after inspections, sending notifications to businesses and NSW regulators, and other clerical functions. This reduces capacity for core compliance work. The EPA has also mandated additional inspections, such as food waste management systems, without providing adequate support to councils.</p> <p>A regulatory management system would streamline reporting and communication, freeing EHOs to focus on high-value compliance activities. The system could be adapted across multiple council and NSW Government regulatory functions, improving efficiency and consistency statewide.</p>
<p>Closing the Gap</p>	<p>\$3.5 million over 2 years to establish a local government Closing the Gap grant program, to build on best practice and address needs identified in the Local Government Closing the Gap Toolkit project.</p> <p>Reinstate core funding of \$1.1 million over four years for Reconciliation NSW, recognising its vital role in advancing reconciliation across the State.</p>	<p>Councils play a critical role in partnering with other levels of government and Aboriginal communities to advance Closing the Gap outcomes. To support this, the NSW Government should:</p> <ul style="list-style-type: none"> • Provide dedicated grant funding for councils and Aboriginal Community Controlled Organisations (ACCOs) to collaborate on implementing the Closing the Gap Toolkit for Local Government, a resource co-designed by LGNSW, the NSW Coalition of Aboriginal Peak Organisations (CAPO), Aboriginal Affairs NSW, and Aboriginal council staff and councillors. • Fund LGNSW to deliver statewide coordination, capacity building, training, and evaluation, including employing Aboriginal staff and engaging Aboriginal-led providers to ensure culturally safe implementation and continuous improvement. <p>Reconciliation NSW plays a critical role in supporting local councils, communities, and schools in reconciliation initiatives, education, and truth-telling. The loss of this organisation would significantly undermine reconciliation efforts across NSW.</p>
<p>Domestic, Family and Sexual Violence</p>	<p>Provide \$5 million over Years Three and Four of the Pathways to Prevention strategy to enable local governments to effectively implement initiatives that address the drivers of gendered violence in their communities.</p>	<p>Councils are strategically placed to implement the primary prevention of domestic, family, and sexual violence across communities. They have strong community connections and the ability to influence local environments. The Pathways to Prevention: NSW Strategy for the Prevention of Domestic, Family and Sexual Violence 2024–2028 (Pathways to Prevention) strategy recognises councils as key partners in addressing the drivers of violence through place-based, community-led action.</p> <p>In March 2025, LGNSW and the NSW Department of Communities and Justice (DCJ) entered into a four-year Engagement Agreement to support and develop resources for the NSW local government sector to implement primary prevention efforts within their communities.</p>

Areas of council funding need – LGNSW Priorities	Budget funding recommendation	Supporting case
		<p>LGNSW seeks ongoing funding for years three and four of Pathways to Prevention to support the statewide local government delivery of long-term, evidence-informed primary prevention initiatives through DCJ grant funding programs. This commitment is essential to ensure prevention efforts are delivered in the priority setting of local communities.</p>
<p>Early Childhood Education and Care sector</p>	<p>Establish dedicated local government funding streams to support councils' significant role in the provision of early childhood education and care.</p>	<p>Local governments play a critical role in ensuring families and children in thin markets have access to early childhood education and care services.</p> <p>However, the cost of care has risen significantly, administrative and regulatory requirements remain complex, coordinated planning is largely absent and providers continue to face challenges in attracting qualified staff.</p> <p>Councils are uniquely positioned to address inequitable educational and developmental outcomes, but they require greater support to deliver inclusive, high-quality education and care for their communities.</p>
<p>Funding for council-run art galleries, performing arts facilities, cultural events, and museums.</p>	<p>Provide \$10 million annually for the introduction of a model of funding for council-run art galleries, performing arts facilities and museums that is similar to the NSW Library Annual Funding and Subsidy Adjustment Calculation.</p>	<p>Councils own and manage much of NSW's cultural infrastructure and is a critical driver of cultural vibrancy across the state. Councils operate more than 600 museums, galleries, keeping places, theatres, and performing arts centres. Yet there is a lack of a transparent and equitable funding model to sustain these facilities.</p> <p>Recent Create NSW multi-year funding rounds highlight the challenge: of the 37 council-operated galleries across NSW, fewer than half received support. Only five secured four-year funding, while 14 received two-year funding mostly at reduced levels compared to previous years. The overall funding remains imbalanced, with just 36 regionally based organisations sharing \$7.15 million of the \$17 million annual investment across 82 funded organisations. This decline in support threatens councils' ability to deliver cultural programs and maintain vital infrastructure.</p> <p>NSW already apply a fair and transparent model for public library funding, ensuring all residents have access to library services regardless of location. LGNSW calls on the NSW Government to adopt a similar approach for annual funding of council-run arts and cultural facilities and events.</p> <p>An annual investment of \$10 million would provide councils with an average of \$75,000 each for cultural programming and the arts, boosting the visitor economy, enriching community life, and ensuring even the smallest rural and regional communities have access to cultural experiences that foster social cohesion and livability.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
Increase library funding	Index the per capita component of library funding to CPI to ensure sustainability, and commit to a longer-term plan to restore fairness in funding through a recurrent annual \$50 million injection of new funding.	<p>Public libraries are a cornerstone of community life, providing free access to information, technology, and lifelong learning. Yet, the NSW Government subsidy currently covers less than 8% of total library costs, leaving councils to fund an additional \$181.8 million to bridge the gap. This is a stark contrast to past arrangements where the State contributed a far greater share, which was up to 50% for some councils.</p> <p>Currently the per capita component of library funding is fixed at \$2.85 annually, with no mechanism to keep pace with rising costs. Without indexation, library services risk being scaled back, undermining equitable access for communities across NSW.</p>
Community infrastructure	Commit at least \$160 million annually towards new or upgraded social and sporting infrastructure, including open space and sportsgrounds.	Rural and regional councils have embraced and relied on grant programs such as the Stronger Country Communities Fund to deliver new or upgraded social and sporting infrastructure aligned with their Community Strategic Plans. These projects do more than provide facilities, they strengthen communities socially and economically by creating spaces that foster participation, inclusion, and wellbeing. They also stimulate local economies through job creation and increased visitation. However, without sustained and predictable investment, councils struggle to plan or deliver the infrastructure regional communities need to thrive.
Swimming pools	Commit \$250 million over four years to establish a dedicated aquatic infrastructure program to support the upgrade, expansion and replacement of ageing swimming pools.	<p>Aquatic infrastructure plays a critical role in community wellbeing across New South Wales, delivering essential public health, safety and social outcomes. Local swimming pools support drowning prevention and water safety education, inclusive recreation, physical and mental wellbeing, youth engagement, rehabilitation and social connection for older people. In many communities, particularly regional, outer-metropolitan and growth areas, local pools are among the most accessible and heavily used public assets, serving people of all ages and abilities.</p> <p>Many aquatic facilities across NSW are ageing and have reached or exceeded their useful lives, with many facilities requiring significant upgrade, expansion or replacement. Councils are facing escalating maintenance, compliance and energy costs alongside rising community expectations, often without access to sustainable or dedicated funding. Targeted NSW Government funding is essential to guarantee equitable access to aquatic facilities, prioritise investment in growth areas and underserved communities, deliver energy-efficient and climate-resilient infrastructure, and support low-resource councils with feasibility and planning for financially and environmentally sustainable projects.</p>

Areas of council funding need - LGNSW Priorities	Budget funding recommendation	Supporting case
<p>Long term investment for rural and regional healthcare</p>	<p>Establish an annual \$5 million local government rural and regional health reimbursement scheme, and Establish a Rural Health Taskforce.</p>	<p>There is a need for better models of healthcare in rural, regional and remote areas, with people living in these areas often unable to access essential healthcare.</p> <p>This gap in these essential services means local governments are left to shoulder the responsibility, placing enormous pressure on councils and their communities.</p> <p>LGNSW seeks long term investment in regional healthcare programs and services. A local government health reimbursement scheme would allow councils to invest in important community infrastructure and services that ensure communities remain healthy and viable.</p> <p>LGNSW also seeks that the NSW and Australian Government urgently establish a Rural Health Taskforce - that includes local government to support a coordinated, partnered approach.</p>



Conclusion

The LGNSW 2026-27 NSW Budget submission recognises the economic challenges facing state and local government in the upcoming year. In doing so the submission focuses on maintaining funding for essential infrastructure and services, making only modest requests for new or increased funding. The submission also seeks policy reforms that would strengthen the financial sustainability of local government and could ultimately reduce dependence on grant funding in the long term.

Local government appreciates the financial support provided by the NSW Government and is committed to working in partnership with the NSW Government in delivering infrastructure and services.

LGNSW would appreciate the opportunity to brief the Treasurer or relevant Ministers on our budgetary proposals.

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