

LGNSW SUBMISSION

2023-2024 State Budget - NSW Local Government Priorities

JULY 2023





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-basedsystem of local government in the State.

OVERVIEW OF THE LOCAL GOVERNMENT SECTOR



OOO Local government in NSW employs 55,000 people



Local government in NSW is responsible for about 90% of the state's roads and bridges



Local government in NSW looks after more than \$177 billion of community assets



NSW councils manage an estimated 4 million tonnes of waste each year



Local government in NSW spends more than \$2.2 billion each year on caring for the environment



NSW councils own and manage more than 600 museums, galleries, theatres and art centres



NSW has more than 350 council-run libraries that attract tens of millions of visits each year



NSW has more than 400 public swimming and ocean pools

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1. Introduction

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

Collectively, NSW councils:

- Employ over 55,000 people. Many of these jobs are in rural and regional NSW, where councils are often the single largest employer and underpin the local economy.
- Spend more than \$12 billion each year.
- Manage and maintain infrastructure and land assets worth more than \$180 billion.

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 the State.LGNSW welcomes the opportunity to present the NSW Budget priorities of the local government sector.

This submission was endorsed by the LGNSW Board in September 2023.

2. Background

The change in the NSW Government and the economic challenges highlighted in the Treasurer's June economic statement have set the stage for the 2023-24 NSW Budget submission. As the state moves beyond the hurdles presented by the pandemic in previous years, the NSW economy is confronted with significant challenges stemming from inflationary pressures and a rising cost of living. Inflation currently stands at 7% and is not projected to return to the Reserve Bank of Australia's target band of 2 to 3% until at least mid-2025. The NSW Government is struggling with mounting debt forecast to reach \$188 billion by 2026, draining the budget of \$ 7 billion in annual interest payments.

Persistent state budget deficits have understandably raised concerns. In this economic climate, the 2023-24 NSW Budget assumes critical significance as a tool to navigate the challenges posed by inflation, mounting debt, and ongoing economic uncertainties. Striking a balance between providing stimulus and support to counter the disruptions caused by these economic challenges and ensuring sustainable fiscal management to support businesses and communities is crucial.

Local government has played an instrumental role in collaborating with the NSW Government to address the impacts of the pandemic and natural disasters in recent years. Councils have effectively directed government funding toward local community infrastructure and services, creating employment opportunities and fostering

community resilience. This partnership between local and state governments has been vital in providing necessary support to communities in NSW. As the state government drives a locally led recovery, local councils are prepared to contribute their expertise and resources.

This submission outlines local government's funding priorities for the 2023-24 financial year and underscores the critical need for continued support from the NSW Government considering the current economic challenges and change in government leadership. The Treasurer's June economic statement has highlighted the impact of inflationary pressures, rising capital costs, and increasing net debt, which necessitate a careful re-evaluation of spending and a focus on economic recovery. Local government plays a crucial role in partnering with the NSW Government to address these challenges and drive a locally led recovery.

3. The economic landscape of 2023-24 unique challenges for local government

Like the NSW Government, local government will be impacted by inflationary pressures, with council revenue expected to be reduced in line with the decline in economic activity while simultaneously being called upon to provide rate, fee and rent relief as part of support to local business and the community.

The IPART baseline rate peg determination for 2023-24 is only 3.7% while inflation has been in the range of 6-8% during 2022-2023 and continues at around 6% in 2023-24. Rates are the primary source on income for councils. We now have a situation where local government revenue is rapidly declining in real terms for successive years. This is not sustainable and will inevitably result in the need to cut infrastructure and services.

Unsurprisingly with the current economic climate in NSW, the biggest ticket budget items for local government relate to the rising construction and maintenance of roads, footpaths, and cycleways. Local government is responsible for 90 per cent of these vital and costly assets. However, this category of local infrastructure is far from the only area of investment in which state and local government can work in partnership.

Investment in water projects, climate change mitigation actions, affordable housing, accessible infrastructure, waste and recycling management and skills development are all ways to generate jobs, support businesses and simultaneously deliver public good and the achievement of state outcomes. Funding for pressing social priorities in the areas of health, including mental health, domestic violence, Aboriginal communities, building regulation and community services delivers similar benefits, while helping to prevent future remedial expenditure.

The 2023-24 NSW Budget presents an opportunity for the state to further solidify its leadership in managing economic and social impacts, both at a state and national level. Collaborative and constructive partnerships between all levels of government will be instrumental in driving recovery, supporting job growth, and ensuring the resilience of communities. LGNSW stands ready to work alongside the NSW Government to achieve these shared objectives.

4. NSW Budget Funding Recommendations

Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
Emergency Services Levy (ESL)	\$77 million to restore the ESL subsidy in the 2023-24 to the NSW Budget.	The previous NSW Government implicitly recognised the financial stress placed on councils by increases in the ESL by providing rebates to assist councils with large ESL increases for the last 4 years. Local government was shocked when the NSW Government decided to cancel the subsidy with no advance warning. By continuing the rebate, the NSW Government will prevent the contraction of local economies across NSW and continue to protect the jobs that will underpin not only economic recovery, but future resilience and growth. In the current year, the Emergency Services Levy (ESL) imposed on councils has risen by \$77 million to \$219 million. This represents a 53.1% increase, completely dwarfing the IPART baseline rate peg of 3.7% for 2023/24. LGNSW also calls on the NSW Government to amend legislation to vest ownership of RFS mobile assets in the RFS. Councils do not control or manage these assets and it is inappropriate that the depreciation expense for these assets is imposed on councils.

welcome, it is a poor substitute for the Road Classification	Areas of Council Funding Need – LGNSW Priorities	Budget Funding Recommendation	Supporting Case
regional roads returned to State Government ownership and funding. This program was strongly supported by councils and would have provided genuine structural change in the funding model for regional roads that presented a long-term solution to regional road funding and a major boost to the financial sustainability of councils. Cost shifting from previous governments has led to councils being in a position where they cannot afford to attend to their local roads while also maintaining regional roads that were transferred to them in the past with limited funding support. LGNSW calls on the NSW Government to commit to developing a long-term funding solution, in consultation with local government, to commence when the Emergency Road Repair Fund expires. Before coming into Government, the current Government committed to a \$1.1 billion package for roads. Government shoul			Emergency Road Repair Fund providing \$390 million in new funding over two years to replace the previous government's Roads Classification program. While this funding commitment is welcome, it is a poor substitute for the Road Classification Review which would have seen up to 15,000 kilometres of regional roads returned to State Government ownership and funding. This program was strongly supported by councils and would have provided genuine structural change in the funding model for regional roads that presented a long-term solution to regional road funding and a major boost to the financial sustainability of councils. Cost shifting from previous governments has led to councils being in a position where they cannot afford to attend to their local roads while also maintaining regional roads that were transferred to them in the past with limited funding support. LGNSW calls on the NSW Government to commit to developing a long-term funding solution, in consultation with local government, to commence when the Emergency Road Repair Fund expires.

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	 Continue to provide funding for the \$1.1 billion Fixing Local Roads and Fixing Country Bridges program to help address the estimated \$1.7 billion road maintenance and infrastructure backlog faced by councils in regional NSW. 	The Fixing Local Roads and Fixing Country Bridges programs have arrived at a time that has been opportune in helping to drive a locally led economic recovery from the pandemic and a sequence of natural disasters. While the program is substantial, a continued acceleration of program funding along with a further allocation of up to \$500 million is required just to address road maintenance issues compounded by rising construction costs due to the current high inflation environment. This does not include funding to address upgrades needed to improve freight access on the local and regional road network.
	 Increase Road Block Grant funding by 7.0%. 	Road Block grants remain a vital source of recurrent road funding for councils and with the backlog in road maintenance on local and regional roads estimated by the NRMA to be at least \$2.3 billion in 2023 due to the impacts of local flooding. Increasing the Road Block allocation by a minimum of 7.0% aligns with the current inflation rates is justified.
	 Allocate targeted funding of at least \$20m in 2023/24 million to support councils in the process of modernising, harmonising, and capturing road and related infrastructure asset condition data. 	Many councils in rural and regional NSW have limited capacity to capture and fully understand the full state of their road network assets. Funding to support councils to achieve this will support the evidence base for road maintenance and upgrade funding while also yielding much improved access for freight.

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		LGNSW acknowledges the Government's announcement of the Asset Al software program to monitor local road conditions and capture this data in a timely manner as opposed to costly road audits. As the program is still in its trial phase, until this program is fully functional and rolled out to all NSW councils, funding should still be continued and provided to councils this year for the purpose of collecting infrastructure data to monitor asset conditions.
Water	 Commit a further \$1 billion over 5 years to renew funding for the Safe and Secure Water Program. Invest at least \$1 billion to the development of the next tranche of water infrastructure projects outlined in the WaterNSW 20-year Infrastructure Options and the need for upgraded water infrastructure in regional and rural communities as 	The 2017 allocation of \$1 billion to the Safe and Secure Water Program is close to being fully expended. Without significant further investment communities across the State will be left vulnerable to running out of water as they did in the last serious drought from 2017-2020. The 2017-2020 drought was the worst over the historical record from the 1890s for most river valleys across NSW, with some more impacted than others. Climate change is predicted to deliver larger and more frequent extreme weather events in future. The Bureau of Meteorology and other authorities advise that it is
	highlighted in the NSW Water Strategy to help ensure water security for communities in regional and rural NSW.	already evident that Australia has moved out of the La Niña event that delivered high levels of rainfall and is moving back into a dryer El Niño pattern. Drought conditions are a certainty. Regional and rural NSW remains particularly vulnerable to the effects of severe drought and a return to drought conditions will again highlight the systemic underinvestment in water security.
Affordable Housing	 Invest \$2.6 billion annually over the next 10 years to build 5,000 additional 	Currently in NSW there are more than 50,000 people who are waiting for public and social housing, with wait times of up to 10

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	units of public and social housing each year, to address the homelessness and housing affordability crisis right across NSW. • Dedicate funding and resources to help councils facilitate social and affordable housing in their local areas, by: • Urgently improving processes for the timely approval of affordable housing contribution schemes developed by councils. • Direct funding and assistance for councils to develop and implement housing strategies and to deliver innovative local initiatives.	years. Population movements sharpened by the COVID pandemic have resulted in plunging vacancy rates in many regional areas with severe housing pressures and extremely limited public and social housing availability. The lack of housing and associated high rents are having serious impacts on community wellbeing and the economy. Many people are being forced into the hardships of unfit accommodation or on to the streets. Living standards are being reduced to unacceptable levels. Businesses cannot fill vacancies in areas in which affordable housing is so scarce. The problems are being exacerbated by record population growth, with a disproportionate amount of this growth in Sydney. LGNSW has welcomed the NSW Government's policy to have 30% of all homes built on surplus government land to be set aside for social, affordable and universal housing. In addition, a NSW Government commitment to set minimum targets and fund more public and social housing would act as a catalyst for driving policy change towards delivery of urgently needed affordable housing that will help retain essential workers in local communities.
Health including Mental Health	 Establish a \$30 million funding package to help councils improve the delivery of healthcare to regional and rural communities by: 	Regional and rural councils have recognised there is more to do to attract suitably qualified health practitioners to their communities. This includes both incentives for practitioners to relocate to rural New South Wales, as well as ensuring medical centers are financially sustainable and maintained. However, this

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	 establishing an annual \$5 million local government rural and regional health reimbursement scheme. Providing \$8 million over 4 years to establish and maintain a joint taskforce representing local, state and federal governments to formulate a model for improving 	cost shifting of health responsibilities onto local government means already stretched councils are having to divert funds from much needed local infrastructure and community services. Council expenditure includes health infrastructure, health scholarships, subsidising running costs of medical facilities and providing housing and accommodation incentives for the medical workforce. A local government health reimbursement scheme would allow
	access to healthcare in rural and regional areas. o committing \$15 million over four years to establish two new drug and alcohol rehabilitation centres in regional NSW.	councils to invest in important community infrastructure and services. A collaborative approach by the State and Federal Government, in consultation with local government, is necessary to address the critical shortage of medical and allied health specialists in rural and regional NSW. The announcement in 2020 of a new rehabilitation center in Dubbo is welcome, yet much of regional and rural NSW remains
		too distant from this essential community infrastructure. The establishment of new centers will help improve community health and wellbeing, return more people to the workforce, and relieve labour shortages while boosting employment in these regions during construction and operation.

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Aboriginal Communities	 Allocate \$20 million annually for four years to establish a local government Closing the Gap grant program. 	Councils have an important role in working in partnership with other spheres of government and Aboriginal communities to drive Closing the Gap outcomes. Council initiatives that are place-based and adapted to local need will be key in achieving these outcomes, but councils must be supported by the NSW Government to make this important contribution. A grant program for councils will ensure local government can contribute to the success of Closing the Gap and the NSW Implementation Plan.
Accessible and Inclusive Communities	Allocate \$7 million per annum to councils to create more accessible and inclusive communities. This includes funding to support the expansion of the Lift & Change program, funding to develop and implement age friendly strategies and universal design policy.	Accessible adult changing facilities promote inclusive tourism and community wellbeing as more members of the community are enabled to participate and engage. The development of age friendly communities is an ongoing and growing need and a goal of all councils but is limited by the level of resources available for planning and delivery. Funding would also allow for increased uptake of the Integrated Age-Friendly Planning Toolkit for Local Government to help promote healthy ageing in communities. This, in turn, would also align with the development of council ageing strategies. The development of council Universal Design Policies would facilitate an all-encompassing, inclusive approach in all aspects of council plans, policies, services, facilities, and programs for the benefit of all community members.
Waste and Recycling	Reinvest the \$800 million in waste levies to:	NSW, particularly the metropolitan region, is facing a looming landfill crisis with new putrescible landfill capacity for Sydney

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	 Fund the delivery of priority infrastructure as outlined in the Waste and Sustainable Materials Strategy, with particular focus on supporting FOGO implementation. Urgently expand greater Sydney landfill airspace capacity beyond expected 2034 expiry. Provide a sound regulatory framework and financial support to encourage investment and innovation in circular economy opportunities. Fund and deliver state-wide education campaigns which focus on broad priority areas and concurrently provide funding to support councils with undertaking targeted community education. Work with the Federal Government to introduce producer responsibility schemes for those items included on the Ministers Priority List. 	needed before 2034. Lead times required to gain approvals and establish new facilities means action is needed now. NSW councils play a lead role in waste management and are being asked to deliver more with fewer resources. Yet the amount of waste levy collected by the NSW Government each year continues to increase as waste generation increases. State waste and resource recovery targets are not being met and the amount allocated to waste management and resource recovery by the government is reducing. A greater investment in waste and recycling infrastructure – with a view to transitioning to a circular economy – will not only preserve the environment but also boost the economy and create new jobs NSW councils should be closely involved in helping identify worthy projects for funding.

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Planning	 Maintain funding of at least \$10 million to support the digital integration of NSW council IT systems with the NSW Planning Portal and assist councils to cover the ongoing annual vendor costs of this mandatory Platform. \$4 million to support the focus on delivery of new housing across NSW by committing ongoing funding to develop more planning and building surveyor resources within councils, by: Maintaining investment of at least \$2 million per annum in programs to attract and develop future planners in local government. 	Mandated council use of the NSW Planning Portal requires integration of councils' document management and application systems and the NSW Planning Portal. Upfront costs of up to \$250k are estimated for each council to develop the platform, with ongoing costs of more than \$30k for annual licensing fees, staff/specialist training, community awareness education and system maintenance. Facilitating a smooth implementation of e-planning will increase productivity, improve assessment timeframes, and contribute to economic recovery. The 2022 API grants were welcomed by councils but did not fully cover the costs of iterative integration nor the annual vendor licencing charges for all councils. Councils need a mechanism, for example development application compliance levies, to recover the costs of their compliance activities properly and fairly.
	 Committing a further \$2 million per annum to fund a program to attract and develop future building surveyors within NSW councils. 	Councils and communities across NSW are suffering from the impacts of skills and labour shortages. Shortages of planners and building surveyors within councils is contributing to delays in approval timeframes. To help facilitate faster planning and building approvals and maintain the housing approval pipeline, one of our key Local Government NSW priorities has been to call for the NSW

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		Government to commit to incentives to address these skills shortages.
Skills and employment	Allocate \$10m over 3 years to a Skills Development Fund to support education and employment in local government, particularly in regional areas by: • Extending programs targeted to increasing apprenticeship and traineeship numbers in State Government, to local government • Creating a dedicated pool of Smart and Skilled funding to facilitate local government's access to subsidised training.	NSW councils are facing significant jobs and skills challenges and increased investment in training and upskilling the next generation of workers is critical. The 2022 Local Government Workforce Skills and Capability Survey – NSW shows that nine out of every ten NSW councils are facing jobs and skills shortages, particularly in some professions (engineers, urban and town planners, building surveyors, project managers, accountants) and across the trades and general workforce (labourers, supervisors/team leaders, water and wastewater operators and tradespersons), highlighting the need for increased investment.
Climate Change	 Invest \$8 million annually for 3 years to complete urban tree canopy mapping and support rural and regional councils to build urban tree canopy across their urban centers. Invest \$8 million over 4 years to implement actions that address climate risks to improve the resilience of council's \$178 billion worth of assets and increase the community resilience to respond to climate risks. 	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.

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	Invest \$12 million over 4 years to assist regional and rural councils transition to net zero emissions and drive local economies.	Funding is needed to undertake mapping of current urban canopy levels in rural and regional NSW councils and to focus an investment in increasing urban tree canopy. This investment will reduce urban heat, improve air quality, provide shade, and build resilience to climate change to create healthy connected communities. Over \$30 million has been invested in urban tree canopy over 4 years in the Sydney Metro region, while no support has been provided to rural and regional centres, which also have significant urban heat issues and sharply increasing populations. Funds have been invested in providing Sydney metropolitan councils with urban canopy data to assist with their planning and prioritisation of urban greening activities. Rural and regional NSW councils need this data too. Council programs supported by the Climate Change Fund are coming to a close. Additional funding for programs such as the Increasing Resilience to Climate Change program would continue to improve the resilience of local government assets and services. Regional councils have greatly benefited from access to the Sustainable Communities program that has addressed skills and capacity constraints in implementing emission reduction programs.

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Biodiversity	Fund a package to support the transition away from logging in NSW private native forests.	The number of listed threatened species in NSW has risen by 8% since 2016.¹ Without effective management, 50% of NSW listed threatened species are predicted to become extinct within 100 years.² Native forests in NSW provide crucial habitat trees for endangered species, as well as carbon sequestration. The NSW Forestry Corporation's hardwood division lost \$9 million in 2021/22.³ A study by Frontier Economics and the Australian National University, estimates NSW taxpayers would be better off by approximately \$62 million over the next 30 years if native logging was ended.⁴
	 Funding for a package to reverse the decline in biodiversity in NSW, including to: improve the effectiveness of the Biodiversity Offsets Scheme (BOS). expand targeted conservation efforts. take compliance action on environmental damage and 	The industry must be supported to transition away from logging private native forests, to ensure jobs and livelihoods are protected. The Frontier Economics study estimated the cost of government-funded structural adjustment is \$302 million. The current operation of the Biodiversity Offsets Scheme is resulting in a net loss of biodiversity. Additional funding is required to address the issues with the scheme and take action on compliance more broadly. Conservation efforts must be

¹ NSW Environment Protection Authority (2021) 'NSW State of the Environment 2021', NSW Government 2 NSW Department of Planning and Environment (2020) 'NSW Biodiversity Outlook Report', NSW Government 3 NSW Forestry Corporation's (2022) NSW Forestry Corporation Annual Report 4 Frontier Economics (2022) Transition support for the NSW native forest sector

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	vegetation removal, including under the BOS.	ramped up, including expanding existing programs (e.g., the Saving Our Species program) and improving habitat connectivity.

5. Other Local Government Priorities

- Weed Management Increase funding by \$10 million per annum (indexed for inflation) to assist local control authorities to undertake weed management and regulatory functions. Current funding under the Weed Action Program has not kept pace with inflation, nor the increasing threats posed by weeds to the production and the environment.
- Biosecurity Establish a Biosecurity Prosecution Fund with \$0.5 million in seed funding, to be administered by the Department of Primary Industries. Once successful prosecutions and recovery actions are undertaken these funds could be returned to the Fund along with penalties awarded.
- **Companion Animals** provide \$8 million and increase support for veterinarian services to support council compliance with the rehoming requirements placed upon them by the 2022 amendment to the Companion Animals Act 1998.
- **Community recovery** \$19 million per year (with state and federal funding) to permanently embed funded Community Recovery Officers into councils across NSW in recognition of the increasing frequency, scale and long recovery timeframes of natural disaster.

6. Conclusion

The 2023-24 NSW Budget submission by LGNSW underscores the critical need for sustained support and strategic investment in the face of economic challenges, inflationary pressures, and mounting debt. The partnership between local government and the NSW Government has been instrumental in addressing the impacts of the pandemic and natural disasters in the past, demonstrating the power of collaboration in fostering community resilience. By maintaining and expanding economic support measures, prioritising investment in critical local infrastructure, and addressing areas of previous budget neglect, the NSW Government can position the state as a leader in Australia's economic recovery.

LGNSW urges the government against winding down existing support and recovery programs. Instead, the NSW Budget should continue focusing on bolstering community resilience and strengthening local economies which will pave the way for a robust and sustainable recovery. By investing in key sectors, supporting essential services, and preparing for future disruptions, the NSW Government can ensure the well-being of its citizens and position the state for long-term economic success.

Local government is well positioned to play a major role, providing an effective conduit for delivering assistance and targeted initiatives strengthen our communities, bolster the resilience of our infrastructure, services and systems, protect the environment and ensure the most vulnerable members of our community are supported.

LGNSW remains committed to working in partnership with the NSW Government to address the economic challenges and opportunities that lie ahead.

For further information in relation to this submission, please contact Shaun McBride, Chief Economist on 9242 4072 or at shaun.mcbride@lgnsw.org.au.