



2 February 2026

Committee Secretary
House of Representatives Standing Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
Canberra ACT 2600

Online submission:

<https://www.aph.gov.au/ParliamentaryBusiness/Committees/OnlineSubmission/Submit>

Dear Secretary

Inquiry into Local Government Funding and Fiscal Sustainability

Thank you for the opportunity to contribute to the important conversation around local government funding and fiscal sustainability.

The Southern Sydney Regional Organisation of Councils Inc (SSROC) is an association of twelve local councils in the area south of Sydney harbour. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. The SSROC area covers central, inner west, eastern and southern Sydney, an area with a population of almost 1.9 million, that contributes much of Sydney's gross domestic product.

On 31 May 2024, SSROC made a submission to the inquiry into Australia's local government sustainability by the Standing Committee on Regional Development, Infrastructure and Transport, a copy of which is attached to this submission (**Attachment 1**). The May 2024 submission covered many important issues in response to the Terms of Reference (ToR) in place at the time, and we draw your attention to that submission as many of the matters raised in that document are relevant to the current Inquiry.

As stated in our previous submission, the Federal Government contributes to the prosperity of the economy and the wellbeing of all Australians with direct assistance to local governments. This strengthens the sector's finances and the financial wellbeing of our communities. The Federal Government also provides generous financial assistance to the States, and in that, it has significant levers available to ensure that State spending and decision-making is focussed on the needs of local communities and their councils.

As evidenced by the interim report released as a part of the former Inquiry (released in February 2025), the finances of local government are increasingly heavily stressed, with rates pegged well below the level of cost increases, costs shifted from the state to local government, community

expectations ever-increasing, declining and ad-hoc grants from higher levels of government and ongoing management of an increasing number of depreciating assets.

The SSROC member Councils continue to work hard to deliver the services our communities expect, largely funded by rates revenue. However, Councils are often required to deliver on a range of federal and state government priorities, with little or no funding with which to do this, thereby placing an even greater strain on already limited budgets.

Throughout 2025, SSROC underook an enormous body of work in relation to financial sustainability. In April 2025, SSROC released an advocacy paper titled "*SSROC Financial Sustainability*", which focused on highlighting the financial challenges faced by SSROC member councils, whilst also proposing some solutions to these issues. It should be noted that any solutions to these mounting financial pressures, will require a joint approach by federal, state and local government. A copy of this SSROC advocacy paper is attached to this submission (**Attachment 2**).

On 23 July 2025, as a result of the above-mentioned advocacy paper and the continuing work of SSROC on financial sustainability, SSROC hosted a financial sustainability Summit in Parramatta for metropolitan Sydney Councils, with 59 people in attendance, representing 28 of the 33 Sydney metropolitan Councils.

Attendees at the Summit included Council General Managers / Chief Executive Officers, Directors, Chief Financial Officers, as well as representatives from Local Government NSW and the NSW Office of Local Government.

A report on the outcomes from the Summit was produced and a copy of this report can be found as an attachment to this submission (**Attachment 3**). The Summit report highlights the many issues impacting on the financial sustainability of local government in NSW and detailed improvements that could be made to improve the financial sustainability of councils. One key recommendation to come from the Summit was to establish a Financial Sustainability Advisory Group (the FSAG) for the purpose of progressing the thinking and strategy around the key recommendations from the Summit.

The FSAG met for the first time on 16 December 2025 and will continue to meet throughout 2026, with a focus on refining the recommendations to come from the above-mentioned Summit.

In relation to specific parts of the ToR for this inquiry, we make the following comments:

Part 3 (i) – Impacts and Effectiveness:

Federal Assistance Grants provide essential contributions to Council's budgets. Annual changes to the amount and timing of these grants can significantly affect Councils' financial performance.

Point 5 of SSROC's 31 May 2024 submission specifically addresses Federal Assistance Grants (FA Grants), and on pages 10 and 11 of the 'SSROC Financial Sustainability' advocacy paper, it notes that councils continue to face material risks due to the absence of long term funding commitments and the frequent misalignment between funding announcements, contractual commitment, and the timing of cash receipt. These issues constrain councils' ability to plan responsibly, expose councils to cash flow risk, and ultimately undermine financial sustainability.

In 2014-2015 the then Federal Government introduced an indexation freeze for three years of the FA Grants, with these grants being provided to local government across Australia. This indexation freeze is still being felt today by councils across the country.

By way of example, the cumulative negative impact of the three year indexation freeze on just half of the SSROC 12-member councils is estimated to be \$17.8 million to 2025-2026.

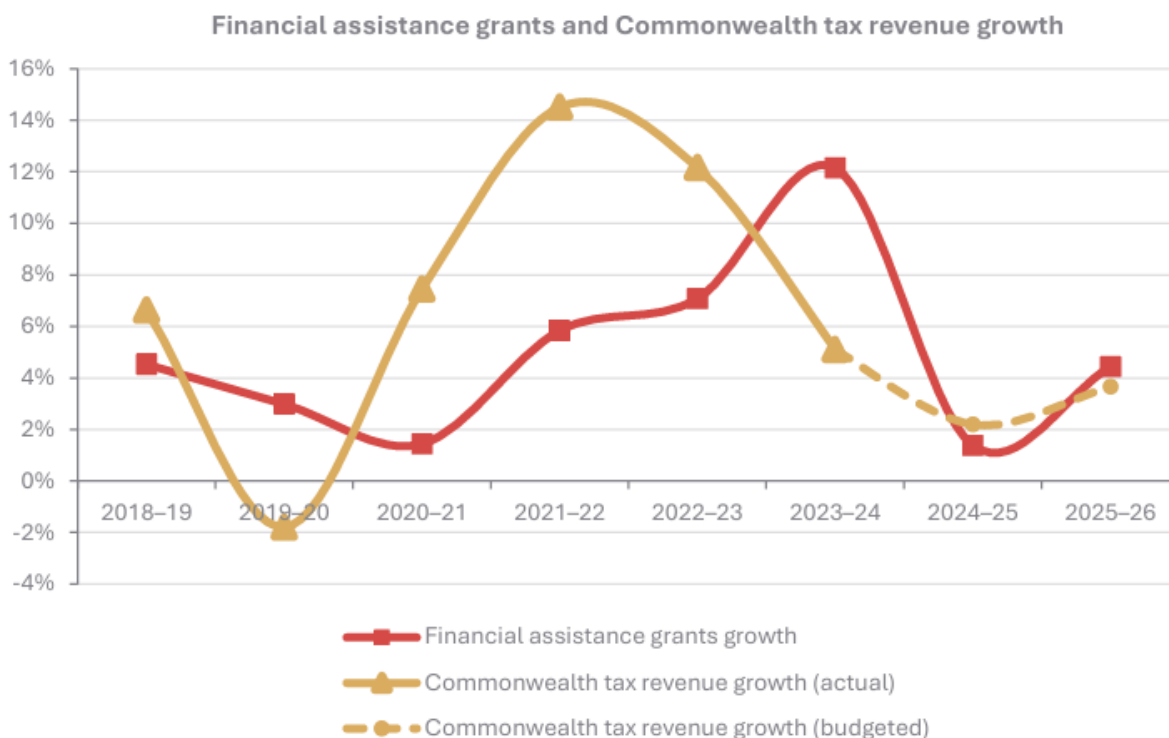
As shown by the amount listed above, the impact this indexation freezing has had and continues to have on councils across Australia is enormous and it is evidence of how decisions of other levels of government can impact negatively on local government. In this instance and with this shortfall, councils are effectively required to either reduce services being provided to their community to plug the shortfall, or limit new actions and initiatives for the community, noting that local government has very few revenue-generating options to make up for lost grant income such as this.

Further information on the FA Grants can be found under Point 5 of our 31 May 2024 submission as attached to this document. In addition to this, please refer to pages 10 & 11 of the "SSROC *Financial Sustainability*" advocacy paper as included with this submission.

In addition to the above, the NSW Auditor General's Local Government 2025 report (tabled January 2026), includes the following graph that highlights that the growth in financial assistance grants in 2024-2025 was the lowest growth in 7 years:

Financial assistance grants in 2024–25 had lowest growth in 7 years

The graph below shows the growth in financial assistance grants compared with growth in Commonwealth tax revenue.



Source: Australian Bureau of Statistics 'Taxation Revenue' and the Department of Infrastructure, Transport, Regional Development, Communications, Sports and Arts 'Financial Assistance Grants'.

In 2024–25, the increase was 1.4%, the smallest increase since 2018–19.

Part 3 (ii), (iii) & (iv) – Impacts and Effectiveness:

It is clear through many previous reviews of local government financial sustainability that existing funding mechanisms are not keeping pace with the evolving responsibilities of local government.

We refer you to pages 10 & 11 of the "SSROC *Financial Sustainability*" advocacy paper as

included with this submission. As evidenced by the information available included in that paper, Councils effectively lack financial autonomy and this means that Councils struggle to meet the service demands and infrastructure needs of the community, with current levels of revenue simply inadequate to deliver the services and facilities expected by our communities.

The SSROC member Councils manage assets to the value of approximately \$26 billion. However, across many infrastructure and asset classes, there is inadequate revenue to maintain these assets to the standards required. Deferring renewal or replacement of assets impacts on the life of the asset, which in turn leads to greater costs to maintain and or replace the asset into the future.

Further to this, if the current lack of financial autonomy and revenue-raising constraints on Councils is overlaid with the anticipated population growth across Sydney over the next 20 years of approximately 23% (which equates to another 1.2 million people), according to the draft *The Sydney Plan* (released in December 2025), then the financial sustainability of Councils is going to come under greater and greater pressure.

It is clear that the important issue of housing needs to be addressed across Australia. However, there has been little evidence to date that the proposed increases in housing and the resultant increase in population across the Sydney metropolitan area will be supported by adequate funding for infrastructure and services to councils, from either the State or Federal government.

Across the twelve SSROC member Councils, the housing target set in the above-mentioned *The Sydney Plan* is 83,700 collectively, to the year 2029. This number of additional dwellings equates to approximately 209,250 people, when using the average persons per household number of 2.5, as referenced on Page 14 of the draft *The Sydney Plan*.

This proposed growth in the number of residents across the SSROC region will require a range of additional / increased services and facilities to be provided by Councils such as:

- Community spaces i.e. multifunction community centres, community halls, meeting rooms
- Libraries
- Early education facilities
- Cultural spaces
- Parks & playgrounds
- Open space and recreation facilities
- Footpaths
- Cycleways

There are of course a range of funding mechanisms in place such as increased rate revenue and developer contributions that can contribute towards the provision of some portion of the above-mentioned facilities. However, there will be a significant shortfall in the funding available to councils to provide these additional services and facilities based on the current funding model. This will ultimately mean that Councils will need to undertake ongoing strategic reviews of the services they provide and the priority that is given to each service, in an attempt to ensure that they are able to meet at least some of the needs of their increasing populations.

SSROC's previous submissions identified critical issues with the current developer contributions framework that materially constrain councils' ability to deliver infrastructure required to support growth, including:

- Developer contributions are subject to structural limits on quantum and use, including levy caps and strict nexus requirements, meaning they recover only a small proportion of the true cost of local infrastructure and cannot be used to fund asset renewal, ongoing maintenance, or broader community infrastructure, leaving councils with significant unfunded liabilities despite substantial population growth.

- There is a persistent misalignment between planning decisions, infrastructure delivery obligations and funding timing, as rezonings and housing targets are often set in advance of reliable and sufficient contributions funding, while land value escalation and construction cost inflation further erode councils' ability to acquire land and deliver assets when needed.
- Developer contribution revenue is inherently volatile and unpredictable, being highly dependent on development cycles and market conditions, which prevents councils from relying on contributions as a stable funding source for long-term infrastructure planning and increases reliance on rates, reserves or borrowings to bridge funding gaps, ultimately undermining financial sustainability.

One likely result of the ongoing financial sustainability pressures on councils will be a potential increase in the number of Special Rate Variation (SRV) applications made each year to the Independent Pricing & Regulatory Tribunal (IPART). If such applications are approved, this allows councils to raise rates to a certain level above the rate peg that is in place. However, it takes many years to be able to raise the additional revenue required to be able to fund infrastructure and services that may be needed in the short to medium term, plus an SRV does not solve the overall funding model dilemma facing local government.

The May 2025 NSW Government response into the NSW Inquiry into Ability of local governments to fund infrastructure and services proposes the introduction of forensic Comprehensive Spending Reviews for permanent rate increases with potential added evidentiary burden. As a result, while rate variations remain an important mechanism for addressing financial sustainability, they may become increasingly difficult to secure and may not be relied upon as a predictable or systemic solution to ongoing funding shortfalls.

In relation to attracting and retaining a skilled workforce, please refer to our 31 May 2024 submission, specifically Parts 3.1 and 4.

When it comes to improving the productivity and coordination of local government, SSROC member Councils fully acknowledge the need for each council to ensure it has its own house in order and that it is delivering services to the community in the most effective and efficient manner possible.

Due to the funding challenges facing local government, we would argue that there is no level of government that can make a dollar stretch further than local government and that councils are always reviewing their services and looking for ways to increase their productivity. Please refer to Page 21 of the "*SSROC Financial Sustainability*" advocacy paper where we go in to some detail around getting our own houses in order.

Emerging challenges to Funding and Financial Sustainability:

The NSW Auditor General's Local Government 2024 report (tabled March 2025) identified risks facing councils: ongoing financial sustainability risk, with many councils operating structurally close to deficit; liquidity and cash flow risk, with a number of councils unable to fund three months of operating expenditure from unrestricted cash; and governance and cyber security risk, with persistent control weaknesses and elevated cyber risk across a large proportion of the sector.

While previous SSROC submissions focused on structural funding pressures, recent findings by the NSW Auditor General highlight cyber security as an emerging and material financial sustainability risk for councils.

The Auditor General reported that many councils continue to hold cyber risks above their own risk appetite, with ongoing gaps in training, third party risk management and incident preparedness.

These weaknesses expose councils to service disruption and financial loss, yet councils are expected to fund cyber uplift and compliance within existing, constrained budgets. This represents a new and growing pressure on council finances that was not previously reflected in funding models or grant frameworks, and which further underscores the need for sustainable, fit for purpose funding arrangements.

In the NSW Auditor General's Local Government 2025 report (tabled January 2026), the Auditor General again notes that the implementation and management of AI and ongoing cyber security management are areas of key risk for Councils in NSW. According to the Auditor General, weak cyber security controls and a lack of third-party management have the potential to disrupt operations, compromise sensitive data and contribute to financial losses.

It is increasingly evident that technology enabled solutions underpin sustainable service and infrastructure delivery across the local government sector. Digital platforms, data driven planning, shared systems, and modern asset management tools are critical to improving productivity, reducing duplication and enabling councils to deliver growing service and infrastructure requirements more efficiently.

Councils achieving good value for money

Councils are driven by need to continually critically assess the services they provide, reduce expenditure where possible and continue to focus on ensuring that their current budget and financial processes are delivering value for money for ratepayers and residents.

Member councils share resources through SSROC, often including other collaborating councils, to ensure that they maximise value for money and save money. A major aspect of this is through joint procurement and contract arrangements. These regional arrangements do not duplicate those of other organisations (such as NSW Local Government Procurement), but are specifically designed to meet our member councils' needs where they cannot otherwise be met. This approach needs to be encouraged and possibly replicated in other metro councils in Australia.

We currently manage 34 contracts, with an estimated value of around \$500 million, and with new procurements and renewals being conducted constantly. For example, SSROC leads a Sustainable Pavements contract (part of our Paving the Way Program) for 16 councils, with a spend of \$157.9 Million in last four years. In 2024/25, the value of the Paving the Way contract was \$39.4 Million and the total energy and environmental cost savings was \$10.6 Million.

SSROC also leads the Program for Energy and Environmental Risk Solutions (PEERS) 3 energy contract involving 25 councils and powering more than 300 large sites, 3,400 small site and 210,000 streetlights. The contract saved an estimated \$11 million in 2024/25 compared to wholesale market at the time.

The regional contract approach achieves direct savings through aggregated purchasing and innovations, as well as indirect savings driven by sharing our procurement resources rather than each council separately procuring the same things. Other resource-saving initiatives include facilitation of joint advocacy efforts and management and delivery of joint projects.

Conclusion

In conclusion, as detailed in the NSW Auditor General's Local Government report 2025, financial sustainability continues to be a concern for some councils.

According to the above-mentioned report, 17 x councils reported operating losses in 2024-2025 and 19 had insufficient cash (not subject to external restrictions) to cover 3 months of general expenses. Plus, 6 of the 19 councils identified as being the least liquid also incurred operating losses.

Quoting from the Auditor General's 2025 report, the results included in that report highlight ongoing liquidity challenges for the local government sector, particularly for regional and rural councils.

It is in this context that we sincerely request that the information included in this submission and in other submissions be used by the Inquiry to not only inform you about the challenges facing local government, but that a strong and proactive set of recommendations will come out of the Inquiry that will contribute positively towards helping to secure the long term financial sustainability of local government in NSW and across Australia.

Thank you for the opportunity to make this submission to the Inquiry. It has been written in consultation with SSROC member council officers. However, in order to meet the consultation close date, it has not been reviewed or endorsed at a formal meeting of SSROC. I will contact you should any issues arise as result.

Should you have any further enquiries in relation to this letter, please contact me at ssroc@ssroc.nsw.gov.au.

Yours faithfully

A handwritten signature in black ink, appearing to read "H Sloan", is positioned below the "Yours faithfully" text.

Helen Sloan
Chief Executive Officer
Southern Sydney Regional Organisation of Councils