

Department of Planning, Housing and Infrastructure

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Submission to the Inquiry into Local Government Funding and Fiscal Sustainability

House of Representatives Standing Committee on Regional Development, Infrastructure and Transport – Parliament of Australia

NSW Government Submission

February 2026

Acknowledgement of Country

The Department of Planning, Housing and Infrastructure acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land, and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

Published by NSW Department of Planning, Housing and Infrastructure

dphi.nsw.gov.au

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First published: February 2026

Department reference number: A990359

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Contents

Introduction.....	4
Overview of the NSW local government sector.....	5
The role of the Australian Government.....	9
Financial sustainability and funding of local government.....	16
Changing infrastructure and service delivery obligations.....	27
Trends in the attraction and retention of a skilled workforce in the local government sector, including labour hire practices	32
NSW Government Reform.....	37
Appendix 1 – Principles for local government	39
Appendix 2 – NSW Local Government areas.....	42

Introduction

The NSW *Local Government Act 1993* (NSW LG Act) requires councils to provide strong and effective representation, leadership, planning and decision-making, and to carry out their functions in a way that provides the best possible value for residents and ratepayers. In NSW, local government is established under the NSW Constitution. The NSW local government sector is comprised of 128 local councils, 8 county councils and 13 Joint Organisations across the state and plays a vital role in the NSW economy. It is one of the largest public sector clusters in NSW, employing nearly 50,000 people, investing more than \$15 billion in goods, services and infrastructure each year; and managing approximately \$220 billion in assets.

Councils are responsible for managing their own resources and balancing their own income, revenue and costs to ensure their ongoing financial sustainability. While the NSW State Government has a regulator role in relation to local councils, powers for intervention are only used in exceptional circumstance. The state plays no major role in council operational decisions.

Chapter 3 of the NSW LG Act outlines the principles for local government, including the guiding principles, the principles of sound financial management and the integrated planning and reporting (IP&R) principles, which all councils should apply in their decision making and exercise of functions. The principles are outlined in Appendix 1.

The purpose of this submission is to provide the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport with an overview of the NSW local government sector, its financial, infrastructure and service delivery framework, and important information in relation to the individual terms of reference of the inquiry. This is an update of the submission that was provided to the previous inquiry, undertaken in the previous Parliament.

The NSW Office of Local Government (OLG) has, and continues to publish, Time Series data since 1994 on its website. Unless otherwise referenced, the data for this paper is sourced from the OLG Time Series [data](#). OLG also publishes a range of council performance information on the [YourCouncil](#) website.

Overview of the NSW local government sector

NSW is currently divided into 128 local government areas.

Two demerger proposals are currently underway in relation to Snowy Valleys Council and Cootamundra–Gundagai Regional Council.

Councils are led by 1,480 councillors (noting that at any time there may be vacancies). The number of councillors at each council in NSW ranges from 7 to 15. Population per number of councillors in 2023-24 ranges from over 28,413 residents per councillor in Blacktown City Council, to 156 residents per councillor in Brewarrina Shire Council.

Councils currently employ approximately 49,000 staff. The number of council full time employees in 2022-23 ranged from 48 staff in Central Darling Shire Council to over 1,852 in City of Sydney.

The largest council in land area is Central Darling Shire Council, which covers 53,494km², with the smallest being Hunters Hill Council at 6km². Similarly, population size varies enormously with Brewarrina Shire Council having 1,408 residents, while Blacktown City Council has 438,843 residents as at 30 June 2024.

These variations result in significant differences in population density. Central Darling Shire Council has a population density of 0.03 persons per sq km, whereas the City of Sydney has almost 9,000 persons per sq km.

Table 1 and Table 2 provide maps of NSW local government areas. The maps are also provided at Appendix 2.



Table 1 - NSW regional and rural local government areas

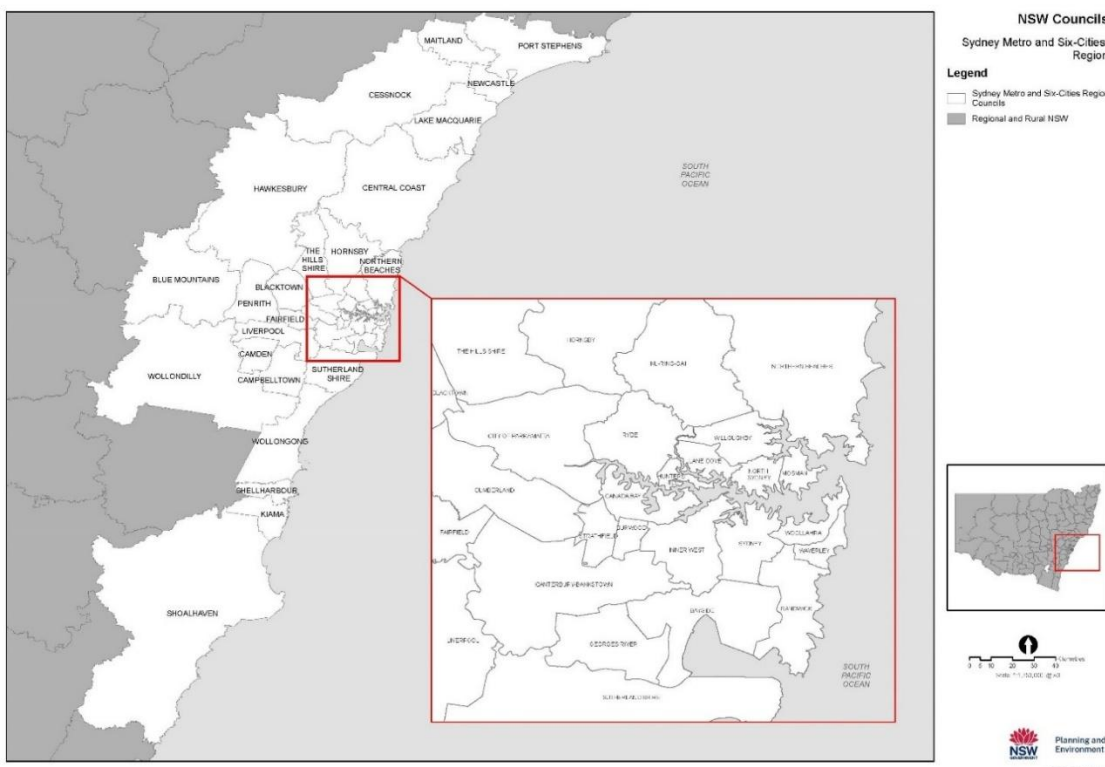


Table 2 - NSW metropolitan and central coast local government areas

The smallest council by operating income (Lockhart Shire Council) is almost 40 times smaller in operating income than the largest (City of Sydney Council). Both councils largely operate under the same rating and regulatory framework.

Table 3 below shows the total operating income from continuing operations of councils.

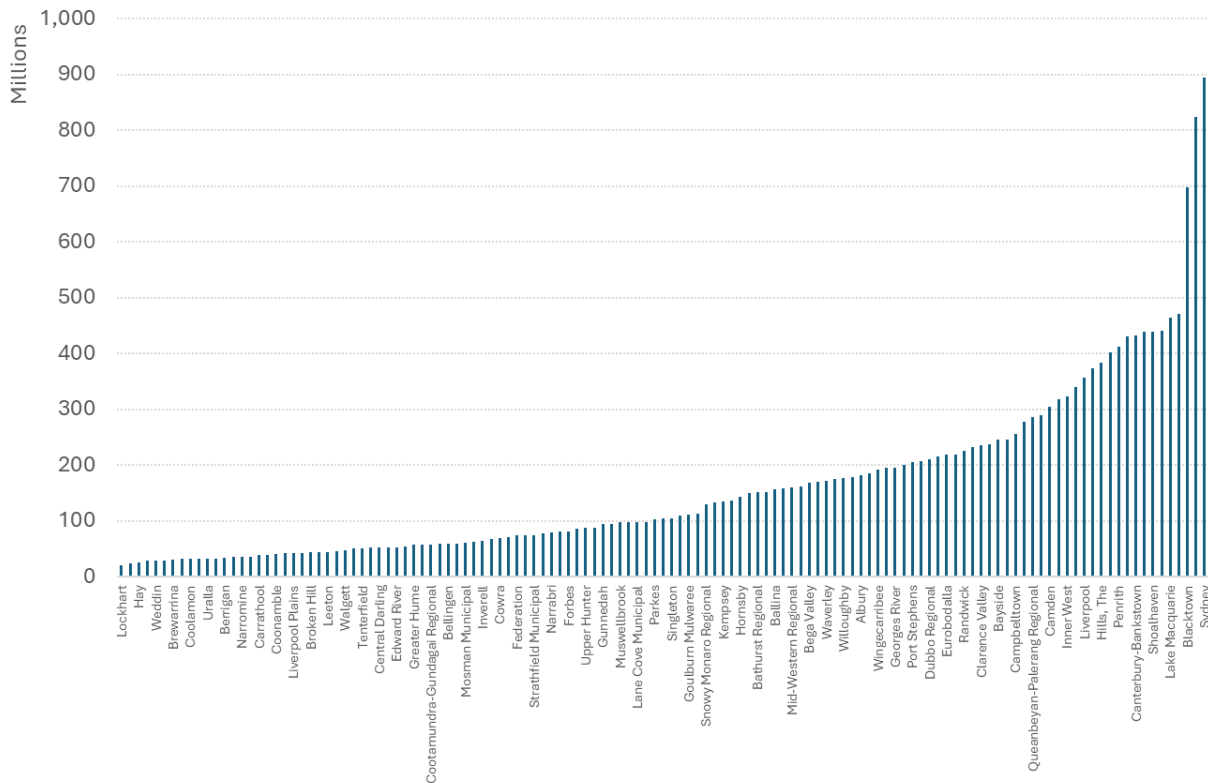


Table 3 - Total Operating Income by Council – 2023-2024

For many councils, road expenditure is one of the main non-employee expenditure related expenses. It is also one of the most significant asset classes. Table 4 below shows the total road length (local and regional) per capita, demonstrating significant diversity across NSW councils.

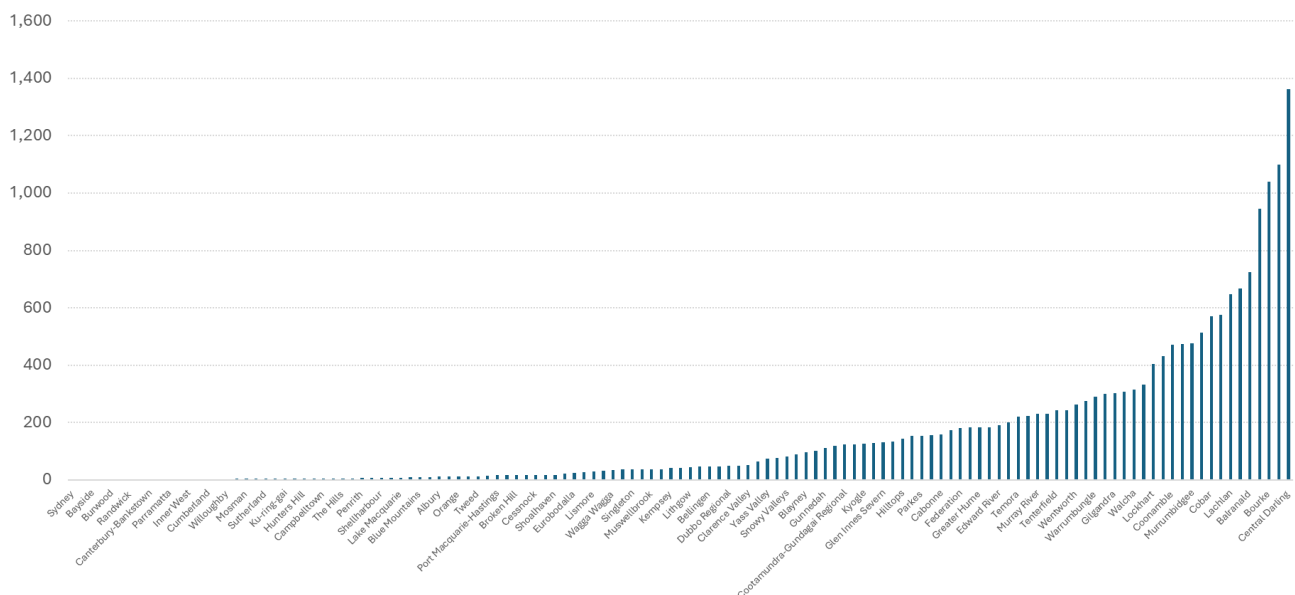


Table 4 - km road (local and regional) length per capita – 2023-24

The council with the highest road length per capita (Central Darling Shire Council) has over a kilometre of road (local and regional) per person living in the council area, whereas the

smallest result has around 1.5 metres of road length per person (City of Sydney Council) living in the council area.

These differences in scale, size, demographics and geography mean that any analysis of local government in NSW needs to be nuanced and acknowledge these differences. What may be a suitable solution for local governments in one part of the State may not work in other parts.

Specific responses and information in relation to the terms of reference for the Inquiry into Local Government Funding and Fiscal Sustainability are detailed below.

The role of the Australian Government

Financial Assistance Grants

Federal Financial Assistance Grants (FA Grants) are a crucial source of income for NSW councils and help local councils deliver services to their communities. They are of particular importance to rural and regional councils where there is a lower population and economic base from which to draw rates and other income.

The Australian Government provides unconditional FA Grants to councils under the provisions of the *Local Government (Financial Assistance) Act 1995* (Cth) (LG FA Act).

The Federal LG FA Act has the objective of providing financial assistance to the States to improve:

- the financial capacity of local government bodies
- the capacity of local government to provide residents with an equitable level of services
- certainty of funding
- efficiency and effectiveness
- the provision of services to Aboriginal and Torres Strait Islander communities.

The Federal LG FA Act acknowledges that local governments are close to the communities they service and have a range of functions which impact on the lives of all Australians. The LG FA Act also recognises that councils play an important role in achieving a range of national priorities in the areas of micro-economic reform, urban reform, regional economic development, environment and social justice.

The total pool for the FA Grants is a matter for the Australian Government. It is noted that recommendations on the allocation to individual councils in NSW are a matter for the NSW Local Government Grants Commission (NSW Grants Commission) but need to be consistent with the national principles.

The NSW total allocation is \$1.052 billion in 2025-26. There are 2 components to financial assistance grants:

- General Purpose Component (GPC): \$744,388,410 to NSW in 2025-26
- Roads Component: \$307,251,657 to NSW in 2025-26.

While the FA Grants are allocated notionally for general purpose and roads, they are provided to NSW councils untied.

For states to receive the funding it must have a local government grants commission.

Allocations to individual councils are determined by each state's local government grants

commission using fiscal equalisation principles, aiming to provide funding based on relative need. These principles allocate FA Grants on the basis that each council should be able to function, by reasonable effort, at a standard not lower than the average standard of other councils.

The Federal legislation also provides a per capita minimum grant.

All councils are guaranteed at least 30% of the general purpose component allocated on a per capita basis. This principle has the practical impact of limiting the ability of the NSW Grants Commission to fully allocate the FA Grants based on need.

The reality is that the relative value of the FA Grants has declined over the last few decades. This trend has presented challenges for rural and regional councils, which often have limited capacity to generate own-source revenue. As a result, many councils face increasing difficulty in delivering essential services and maintaining infrastructure, especially in communities experiencing population decline, isolation, and financial constraints.

Table 5 below illustrates how FA Grants have declined in real terms as a percentage of total Commonwealth revenue in the last 30 years. In 1991/92 FA Grants were sitting at just over 1% of total Commonwealth revenue. Over time, and based on Consumer Price Index (CPI), the FA Grants pool has reduced to just under 0.5% of the total revenue collected federally in 2024/25.

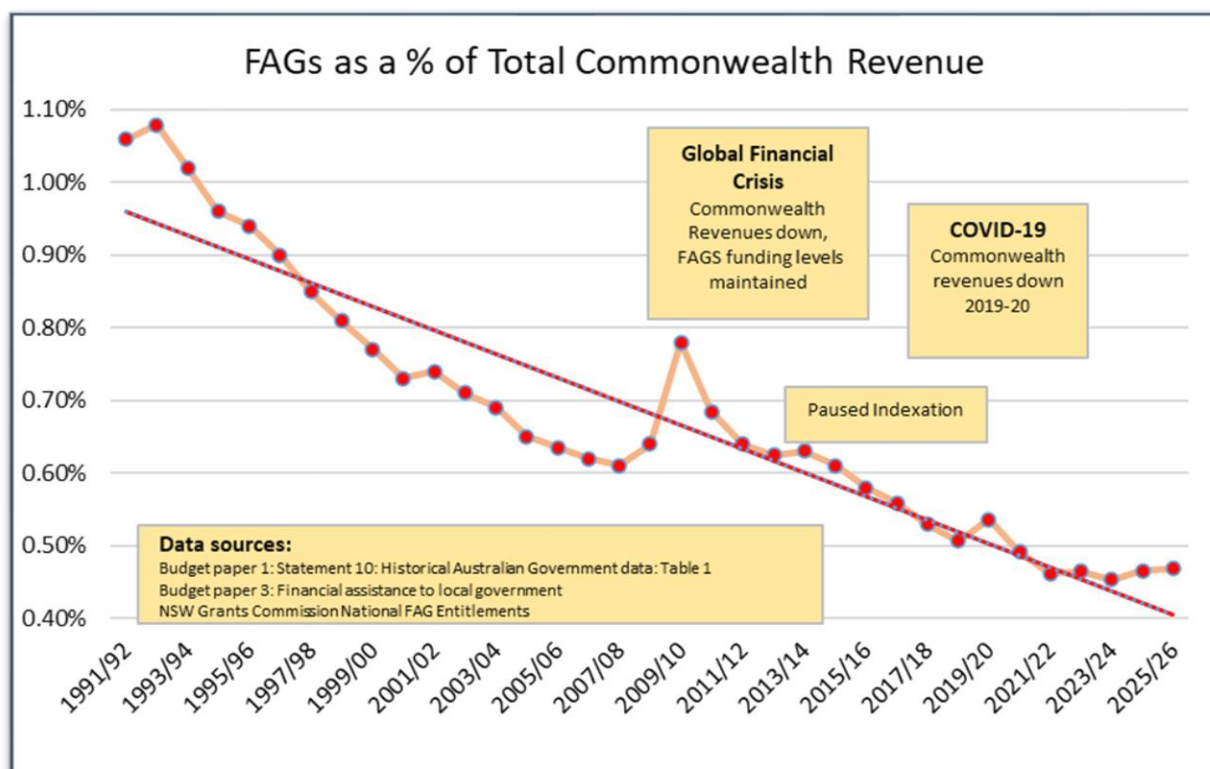


Table 5 FA Grants as a % of Total Commonwealth Revenue, source Local Government Grants Commission

The Australian Government paused indexation from 2014-15 to 2016-17 to create a path back to surplus, repay debt and help build the national economy. This means that CPI was not applied to FA Grants for a period of 3 years.

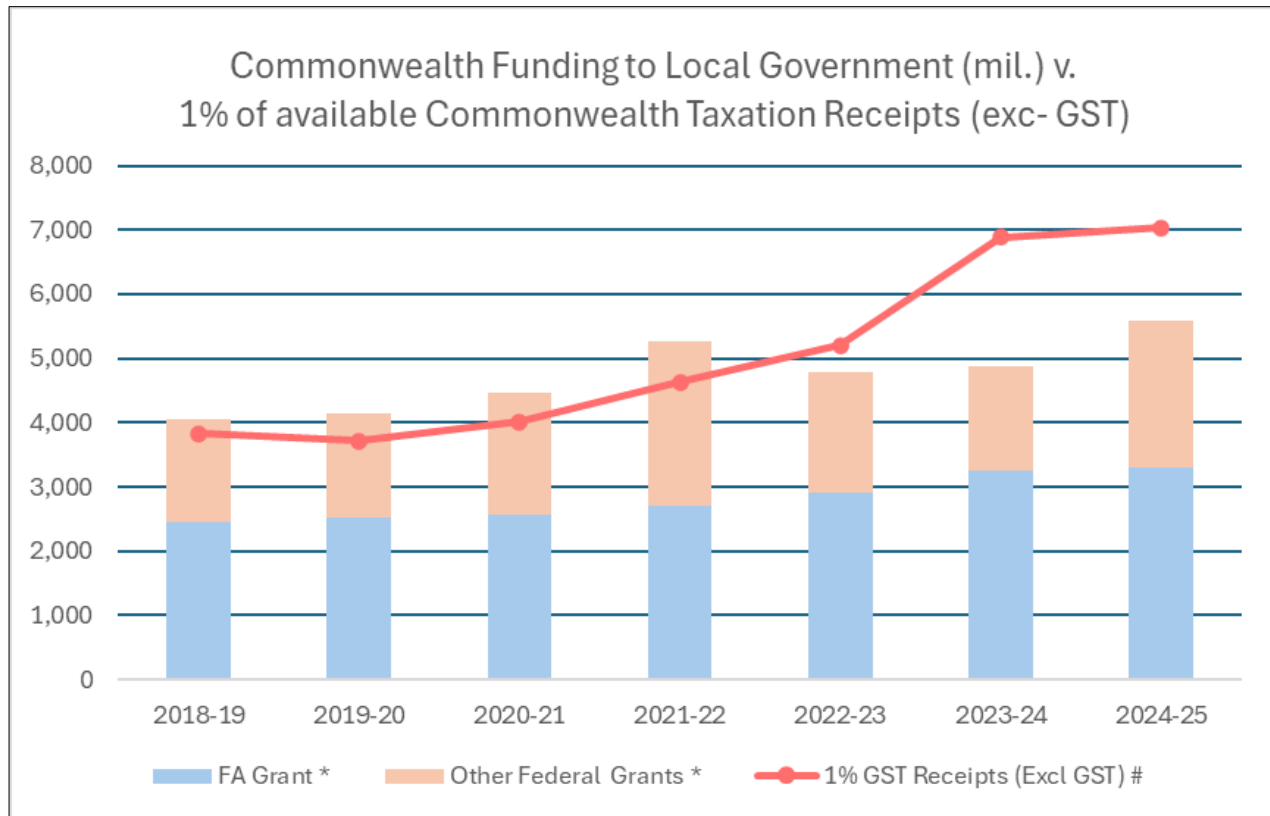


Table 6 - Commonwealth funding to Local Government. Sources Department of Infrastructure, regional Development, Communications and the Arts; Federal Budget 2025-26 Statement 4

Table 6 above depicts that since 2022-23 the total amount of national funding provided to local government has fallen increasingly short of 1% of federal taxation revenue. It should be noted that while FA Grants are untied, the other Commonwealth funding is usually allocated with conditions attached, for example grants for roads to recovery and flood disaster recovery, further limiting the flexibility in financial allocation for councils.

The Federal legislation provides a per capita minimum grant. In 2025-26, the per capita minimum was \$26.34. In 2025-26 there were 15 NSW councils on the minimum grant, all located in the Sydney area. Almost 65% of the State's population live within the metropolitan councils.

In NSW, councils on the minimum grant generally have greater revenue raising capacity, are not relatively disadvantaged, have economies of scale, are geographically smaller, and experience year on year growth.

In NSW, councils with greatest relative disadvantage are generally rural and remote councils with small and declining populations, limited capacity to raise revenue, financial responsibility

for sizeable networks of local roads and infrastructure, diminishing financial resources, and relative isolation.

The ongoing challenge for the NSW Grants Commission is how to allocate a fairer share of the GPC of the FA Grants to councils with the greatest relative need when a fixed 30% of the general purpose component must be allocated based on population increases and decreases.

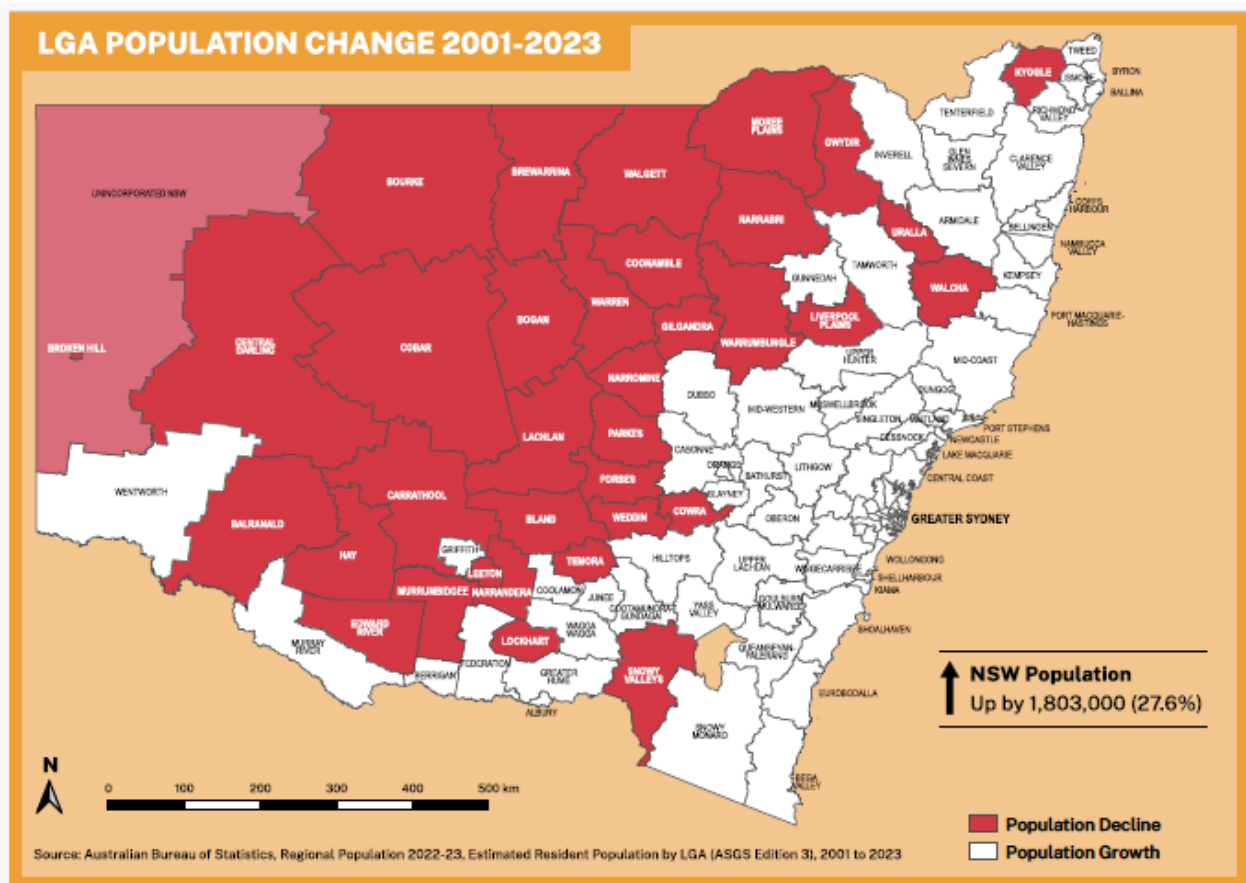


Table 7 - NSW councils population change 2001-2023

The table above illustrates the councils in NSW with negative population growth over a 22-year period from 2001 to 2023.

Following a review of the FA Grants model in 2016, the NSW Grants Commission began transitioning to a refined model more consistent with the National Principles and NSW Government policy to allocate grants, as far as possible, to councils with the greatest relative disadvantage. The Commission introduced an interim transition policy of a 'cap' (upper limit of 5%) and 'collar' (lower limit of 0%) approach to GPC allocations to allow the Commission time to ensure methodology changes did not have unintended consequences. In 2025-26, the newly appointed Commission removed this interim policy and adjusted the range to a maximum increase of 6% (cap) or a minimum decrease of -4% (collar).



Table 8 - General Purpose Component Allocation 2025-26

The NSW Grants Commission has also resolved to review the methodology for a more equitable distribution of the FA Grants, and in accordance with the National Principles. It is anticipated the methodology will be implemented for the 2027-28 grant allocation.

To mitigate the impact of the per capita minimum payment on regional and rural councils, the NSW Grants Commission has adopted a policy to quarantine \$5 million of any CPI increase in the FA Grant to NSW. This amount is then apportioned as an allowance for relative disadvantaged councils considering unsealed local roads, isolation (costs associated with distance from a regional centre of Sydney) and population decline. This may result in some councils being able to receive grants slightly higher than the 6% upper limiting ‘cap’, addressing some of the structural limitations created by the minimum grant.

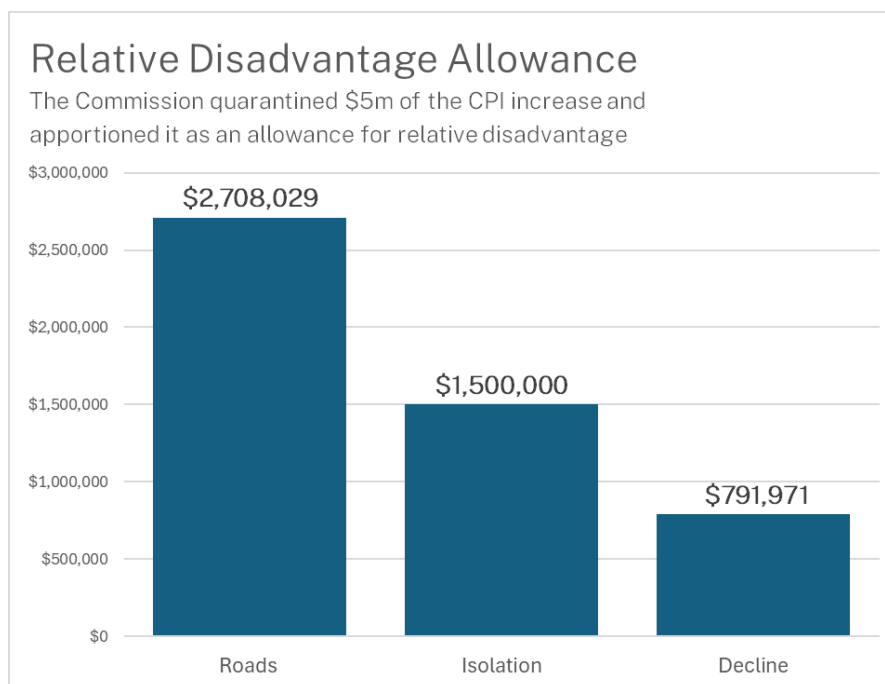


Table 9 - FA Grants relative disadvantage allowance 2025-26

In March 2024, the NSW Legislative Council’s Standing Committee on State Development (Committee) commenced an inquiry which examined the ability of NSW local governments to

fund infrastructure and services. In November 2024, the Committee handed down its report and 17 recommendations. In May 2025, the NSW Government announced support for 15 of the Inquiry's recommendations, setting the foundation for a coordinated reform program to strengthen NSW council financial sustainability.

The NSW Government is advocating to the Australian Government to increase the proportion of federal taxation revenue distributed via FA Grants from 0.5% to 1%, and to amend the current Commonwealth grant guidelines per capita distribution method, which disproportionately benefits inner city councils. These changes would assist councils with the greatest relative disadvantage to meet the needs of their communities and contribute to national priorities in economic development, social cohesion, and environmental stewardship.

The NSW Government remains committed to working constructively with the Australian Government and other stakeholders to explore options for strengthening the grants pool and refining the distribution model. Such reforms would help ensure that all councils, regardless of size or location, are well placed to deliver the services and infrastructure their communities require.

Disaster Recovery Funding Arrangements

The Australian Government provides significant funding to NSW councils through Disaster Recovery Funding Arrangements (DRFA). The DRFA assists NSW councils to respond to and recover from natural disasters and to provide urgent financial assistance to disaster affected communities. Under the DRFA, the Australian Government provides financial assistance of up to 75 per cent to the states and territories for eligible expenditure on relief and recovery assistance.

The funding is subject to different conditions (categories) and, in some cases, are confusing for NSW councils to navigate.

This funding mechanism and support is crucial for the active disaster response and the recovery arrangements for local councils across NSW, and is often the primary source of funding in the absence or unaffordability of insurance for essential public assets.

The 2025-26 Australian Budget (Budget Paper 3), lists the estimated DRFA cash payments to NSW for disaster recovery to be \$390.7 million in 2024-25 and \$375.3 million in 2025-26.

Grants and partnerships

In addition to FA Grants and DRFA, the Australian Government has a long history of providing funding and program support to assist the local government sector in jurisdictions around Australia. These have been in a range of areas such as community building, infrastructure programs, regional development, or major city building initiatives.

The Local Government Minister's Forum

The Local Government Minister's Forum, chaired by the Federal Minister for Regional Development, Local Government and Territories, provides local government ministers from all states and territories with an opportunity to understand the shared challenges impacting local governments, to share information and approaches across jurisdictions and to collaborate and put in place improvement measures.

It also provides the opportunity to leverage resources and skillsets to address significant issues facing the sector. Key areas of focus in recent forums have been workforce issues, housing affordability and supply, disaster readiness, asset valuation models, financial performance data and strategic planning.

The Forum recognises the importance of local governments as a valuable service delivery partner for the Australian Government.

Financial sustainability and funding of local government

Many councils are reporting increasing levels of financial issues and frequently raise concerns about the level of income needed to meet the needs and expectations of their communities.

Larger metropolitan councils are in relatively secure financial positions. However, many smaller regional and rural councils are struggling through a combination of high costs, large capital and asset maintenance obligations, low ratepayer bases, and limited income sources.

Geography, population and isolation all have an impact on councils' financial sustainability, with metropolitan councils significantly more resilient than rural and regional councils. This means rural and regional councils are becoming dependent on external sources of income, such as grants (including FA Grants), to meet their capital and operational obligations.

Many councils are also struggling to maintain social services such as medical services, aged care homes, and childcare centres, which are subject to minimum service standards set by the Australian Government and other regulatory agencies.

Council expenses have become increasingly unpredictable. These include escalating labour and materials costs, chronic skills shortages in critical areas such as engineering, financial expertise, project management and road-building, and increased borrowing costs related to recent interest rate increases.

NSW councils have been hit by the COVID-19 pandemic and environmental disasters, which means that critical funds and resources have had to be diverted towards recovery and rebuilding. While some of this funding is reclaimable through natural disaster relief arrangements, there is a cashflow impact and other works have had to be delayed or postponed.

Some of these issues are illustrated by the financial benchmarks, per council type, for local councils in 2022-23 below:

	State avg.	Metro	Metro fringe	Regional	Large rural	Rural	Benchmark
Own Source Revenue (%)	56.7	76	76	62.6	45.9	36.3	>60
Unrestricted Current Ratio (No.)	3.9	3.7	32	3	4.1	6.1	>1.5:1
Debt Service Cover Ratio (No.)	19.3	37.6	19.5	5.5	13.6	36.2	>2.0
Debt Service Ratio (%)	4.9	2.3	3.6	7.8	5.1	2.5	>0 <20%
Cash Expense Cover Ratio (Months)	15.1	14.4	15	14.2	16.3	16.4	>3.0
Rates & Annual charges outstanding (%)	6.8	4.8	4.8	6.2	1.7	9.6	<5 metro <10 rural

Table 10 Financial benchmarks, per council type, for local councils in 2022-23

More information on each of the indicators and what they measure is [here](#).

Income

Total operating income for all NSW councils in 2022-23 was \$15.44 billion or \$19.52 billion including capital grants and contributions.

The number of councils that reported a net operating deficit before capital in 2022-23 was 44, with 83 councils reporting a net operating surplus, and one council did not report results.

Operating deficit amounts for individual councils ranged from \$294,000 to \$45.4 million.

The major source of income for councils is rates and annual charges. This includes residential, business, farming and mining rates, along with any special rates charged by councils. Annual charges include domestic waste, other waste charges, water and sewer (where these services are provided by the council) and stormwater management.

User charges and fees include activities such as water usage, drainage, parking fees, caravan parks, leisure centres, child and aged care services, building and regulatory services, and private works. It is important to note that major types of council user charges and fees, including waste, sewer and water, should be charged by council on a cost recovery basis.

Expenditure

Employee costs are a significant expense to NSW councils (34% on average) and include wages, salaries, leave entitlements, superannuation, workers compensation, fringe benefits and payroll tax.

Materials and contracts are also a large expense item for NSW councils (37% on average). Materials and contracts consist of raw materials, contractor and consultancy costs, audit services, and legal fees.

Depreciation is a non-cash expense that converts the capital cost of an asset into an operational expense. It reduces the value of assets as a result of wear and tear, age or obsolescence. Assets must be replaced or renewed at the end of their useful life.

The expenditure on depreciation indicates the amount of asset use that has occurred to the value of all council's assets during the year. Average depreciation expenditure in NSW councils was 21% of total operating expenses in 2022-23. The result for individual councils varies significantly.

Another expenditure for local councils in NSW is the local government emergency services contribution. The cost of emergency services has historically been funded via a combination of insurance companies (73.7%), NSW Government (14.6%) and councils (11.7%). While elements of the funding model have evolved and changed, this co-funding methodology has been in

place for a number of decades. The NSW Government has announced a review of the emergency services funding methodology and the consultation paper is [here](#).

Assets

NSW councils own and control assets with a total value of over \$220 billion. These assets include cash, investments, infrastructure, plant and equipment, receivables, inventory and intangible assets. The largest component of councils' assets base is infrastructure, with a net book value of over \$151.9 billion. Roads and related assets (e.g. bridges and footpaths) make up more than \$80 billion or 52.5% of these assets, although often these assets cannot be realised.

Rating

Local government rating generates almost \$6 billion annually in NSW. Councils in metropolitan and urban areas tend to have relatively larger rating bases and therefore higher proportions of income from rates than those in regional and rural areas.

While rating is often considered by some as a fee for service it is more akin to a form of taxation and is the primary revenue source for local government. The rating framework in NSW is technical and complex, and its administration by individual councils makes assessing the effectiveness of the current framework complex.

Under the NSW LG Act, a rate may consist of:

- an ad valorem amount (i.e. a percentage – which may be subject to a minimum amount); or
- a base amount to which an ad valorem amount is added.

In NSW, an ad valorem amount is a variable charge set as a proportion of the unimproved land value of the property – that is, the value of the property without any buildings, houses or other capital investments.

A minimum amount, where applied, is a flat charge which applies instead of the ad valorem amount, when it is greater than the ad valorem amount.

A base amount, where applied, is a fixed charge that is levied equally against all rateable properties within a given rate category, or subcategory of land.

The ad valorem rate on land value typically accounts for over 75% of all NSW council rate revenue. It is the primary method for raising rating income.

Unimproved land values are determined, at least every 3 years, by the NSW Valuer General.

In NSW, there are 4 main rating categories:

- residential
- business

- farmland
- mining.

Councils may vary the way they calculate rates for different categories of property. Councils may also determine subcategories within each of these 4 categories, and vary the way they calculate rates for each subcategory. This flexibility means they may have different rate structures for different categories and sub-categories, i.e. different ad valorem, minimum and base rates for different categories and/or sub-categories.

Rate pegging in NSW

The NSW LG Act sets out a process to regulate the amount by which councils can increase their general income, the main component of which is rates revenue from ordinary and special rates.

Each year, the NSW Independent Pricing and Regulatory Tribunal (IPART), under a delegation from the NSW Minister for Local Government, determines the maximum percentage by which a council may increase its general income in the coming year, known as the 'rate peg'. The rate peg does not apply to stormwater, waste collection or water and sewerage charges, which are collected on a fee-for service or cost recovery basis.

The rate peg is adjusted each year to reflect changes in the costs for councils to provide services to their communities.

From the 2024-25 financial year, IPART has operationalised a new methodology for calculating the rate peg to reflect the increase in costs for each council more accurately. Following a comprehensive review, this new model moves away from a generic index and includes specific adjustment factors to ensure councils can recover mandated costs without eroding their service delivery budgets. For more details on the rate peg calculation methodology please see [IPART's rate peg methodology resources](#).

Prior to 2024-25, the rate peg (excluding the population factor) was the same for all councils within NSW. It was determined based on measuring the average change in costs faced by NSW councils. IPART could also make further adjustments to account for productivity improvements in the local government sector and other external factors likely to affect councils' costs, such as the inclusion of an adjustment for election costs.

Until 2024-25, IPART measured average annual changes in council's costs using the Local Government Cost Index (LGCI), which measures the change in prices of a fixed 'basket' of goods and services relative to the prices of the same basket in the base period. It is similar in principle to CPI used to measure price changes in a typical household.

With the introduction of the new rate peg methodology in 2024-25, IPART has moved away from the LGCI model and now calculates the rate peg using forward looking measures that better reflect cost changes for individual councils.

This new model:

- measures the annual change in NSW councils' base costs for 3 groups of councils (instead of one that includes all NSW councils) to better account for the diversity of their base cost patterns. These groups are metropolitan, regional, and rural councils
- uses a new, simpler model with forward-looking indicators to measure this change. This measure, the Base Cost Change (BCC), comprises 3 components that better capture councils' costs:
 1. employee costs (primarily wages, including superannuation guarantee) measured by the Local Government (State) Award
 2. asset costs measured by the Reserve Bank of Australia's (RBA) forecast change in CPI, adjusted to reflect the average difference between changes in the Producer Price Index (road and bridge construction, NSW) and changes in the CPI
 3. all other operating costs (including administration, utility costs, insurance but excluding the Emergency Services Levy (ESL) measured by the RBA's forecast change in the CPI
- includes a separate council-specific ESL factor, lagged by one year that reflects the annual change in each council's ESL contribution. Additionally, some councils received a council-specific adjustment in their rate peg for the 2025-26 financial year to reflect the increase in the ESL in the years when increases were not captured by the rate peg because they were subsidised by the NSW Government
- includes a temporary adjustment for the costs of running the 2024 local government elections, lagged by one year, in the 2025-26 rate peg calculation.

NSW councils also received a population factor. The population factor maintains the amount of rates collected per person in areas that have a growing population. The population factor for each council for 2025-26 financial year ranges from 0% to 3.8%.

In the 2025-26 financial year the population factor includes an annual population factor to adjust for the change in the residential population of a council area (excluding the prison population) and a population true-up based on Census data. Additionally, some councils received a council-specific adjustment in their rate peg for 2025-26 financial year due to unexpected population patterns due to impacts of COVID-19.

As a result, the core rate peg for the 2025-26 financial year for each NSW council (i.e. before applying the population factor) ranges from 3.6% to 5.1%. This includes the base cost index

and the council specific ESL factor. The final rate peg for the 2025-26 financial year for each NSW council (i.e. after applying the population factor) ranges from 3.7% to 7.6%.

Once the rate peg is known each year, councils in NSW set their rates for each rating category so that their annual general income does not increase in percentage terms by more than the rate peg for that year. This gives councils some flexibility to vary the increase in rates across categories (e.g. to increase residential rates by a higher percentage than farmland rates), as long as the total increase in revenue does not exceed the rate peg determined by IPART.

It is important to note that councils are not required to increase their rates by the rate peg. Councils can apply a lower rate peg should they choose to do so. This provides councils with the flexibility to ensure their rating collection is reflective of local circumstances.

Councils are able to catchup on the shortfall in general income over any one or more of the next 10 years when economic circumstances improve, and it is a matter for the respective council to determine how it spreads the catchup over the period.

Special variations

Councils can also seek approval to increase their general income above the rate peg by applying for a special variation.

Each year, before setting its rates, all councils are required to release a range of documents under the IP&R Framework and to have conversations with their communities about service levels and funding priorities. Within this process the community has an opportunity to review and make comment on the councils proposed rating structure for the upcoming financial year.

NSW councils can apply to IPART for a 'special variation' to allow them to increase general income above the rate peg to maintain or increase the quality or quantity of infrastructure or services they provide to their communities. OLG sets guidelines for this process, however the process is administered independently by IPART, under delegation from the NSW Minister for Local Government.

The current [Guidelines](#) and framework are embedded within the council IP&R framework. Details about the IP&R framework is available [here](#).

IP&R provides a mechanism for councils and the community to have important discussions about service levels, funding priorities, and to plan in partnership for a sustainable future. IP&R therefore underpins decisions on the revenue required by each council to meet the community needs and demands, and in particular, whether the council requires a special variation to meet those needs.

There is a range of reasons why councils apply for a special variation. It can be:

- for a particular program of works or works streams, for example town centre improvements, or a program of road renewals, and/or

- rather than assigning the funding to particular projects or programs, council seeks the special variation as an agreed component within the overall Delivery Program.

Some examples of approved special variations include:

Council	Year	Total % increase approved, including the rate peg	State Purpose
Upper Hunter	2025-26	33.10%	To enable council to continue delivering essential services and to maintain infrastructure, continue to provide essential services such as road maintenance and community facilities without interruption.
Tweed	2024-25	6.35%	To fund increases in recurring and essential expenditure such as IT systems, cyber security, insurance premiums and to improve the development application approval process.
Lithgow	2023-24	45.78%	To ensure financial sustainability, maintain existing services and address asset backlog and renewals.
Hunters Hill	2022-23	Permanent increase of 16.9% in 2022-23 and 7.8% in 2023-24 i.e. 26.02% cumulative increase over 2 years	Replace 2 expiring special variations, complete the council's capital works program, reduce its asset backlog and improve its long-term financial sustainability.
Ballina Shire	2018-19	15.54%	Fund infrastructure asset renewal, Healthy Waterways program and improve financial sustainability.
Kempsey Shire	2018-19	6.50%	Renew an expiring environmental levy.
Randwick City	2018-19	19.85%	Fund new community facilities and projects, maintain service levels and provide antiterrorism infrastructure.
Lismore City	2016-17	3.6%	Biodiversity Management Strategy.

Wagga Wagga City	2016-17	5.6%	Fund upgrading of Main City and North Wagga levee banks.
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Table 11 - examples of approved special variations

IPART's assessment of applications for a special variation examines the extent to which councils have fulfilled their obligations under IP&R, in accordance with the criteria outlined in the guidelines. In particular, the focus is on the importance of linking community outcomes and aspirations (as identified in the IP&R Community Strategic Plan) to key actions (the IP&R Delivery Program). It also identifies the need for councils to ensure that the appropriate resources are available at the right time (IP&R Resourcing Strategy).

To be eligible for a special variation, councils need to show IPART there is:

- a demonstrated need for higher increases to charges
- community awareness of their plans
- a reasonable impact on ratepayers
- a process to exhibit relevant council documents to the public
- a history of well-documented council productivity improvements and cost containment strategies.

In addition to the council's evidence, IPART will assess any other information considered relevant, including letters from ratepayers. IPART also has the ability in special circumstances to approve a special variation if these criteria are not being met.

Community engagement is front and centre for all aspects of IP&R, including the special variation process.

As noted by IPART, rates income per capita increased by 45% from 2010-11 to 2020-21. This is equivalent to an average increase of around 3.8% per year, which is around 50% higher than the average rate peg of 2.5% per year over the same period, indicating that many NSW councils are not having difficulty meeting the requirements for special variations (IPART, Review of the Rate Peg Methodology, Issues Paper, 2023, p 34).

From 2011-12 to 2022-23, IPART approved 168 applications for special variations, skewed toward metropolitan and regional councils, as rural and large rural councils are less likely to apply for special variations.

As shown in the table below (sourced from IPART's Review of the Rate Peg Methodology Issues Paper, 2023, p 36), metropolitan councils represent 19.5% of all councils in NSW, but account for 25.3% of all special variation applications, whereas regional councils represent 28.9% councils but 40.7% of all special variation applications. In contrast, rural and large rural councils represent 44.5% of all councils but only 26.9% of special variation applications.

Council type	Councils in NSW		SV applications	
	Number of councils	Proportion of councils	Number of applications	Proportion of applications
Metropolitan	25	19.5%	46	25.3%
Regional town/city	37	28.9%	74	40.7%
Metropolitan fringe	9	7.0%	13	7.1%
Rural	15	11.7%	7	3.8%
Large rural	42	32.8%	42	23.1%
Total	128	100%	182	100%

Table 12 - council special variation applications

The table below, also from IPART's issue paper, shows the number of special variation applications approved by IPART and the average cumulative increase per special variation from 2011-12 to 2022-23. It indicates that while rural councils had the lowest number of approved special variation applications, they also had the highest cumulative increase.

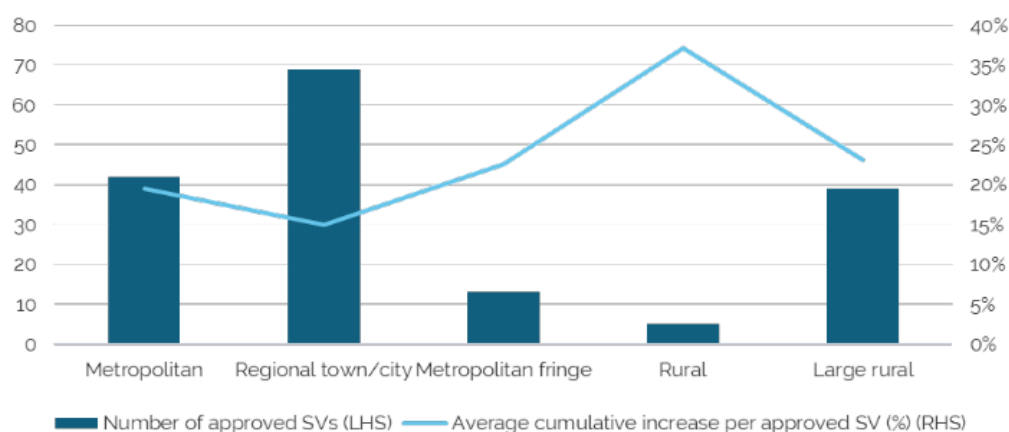


Table 13 - No. of special variations approved and average cumulative increase – from 2011-12 to 2022 to 23
source *Review of Rate Peg Methodology, IPART*.

The following table is based on OLG data and shows the number of special variation applications over a period of time.

It should be noted that, for various reasons, councils avoided applying for special variations during the COVID-19 pandemic.

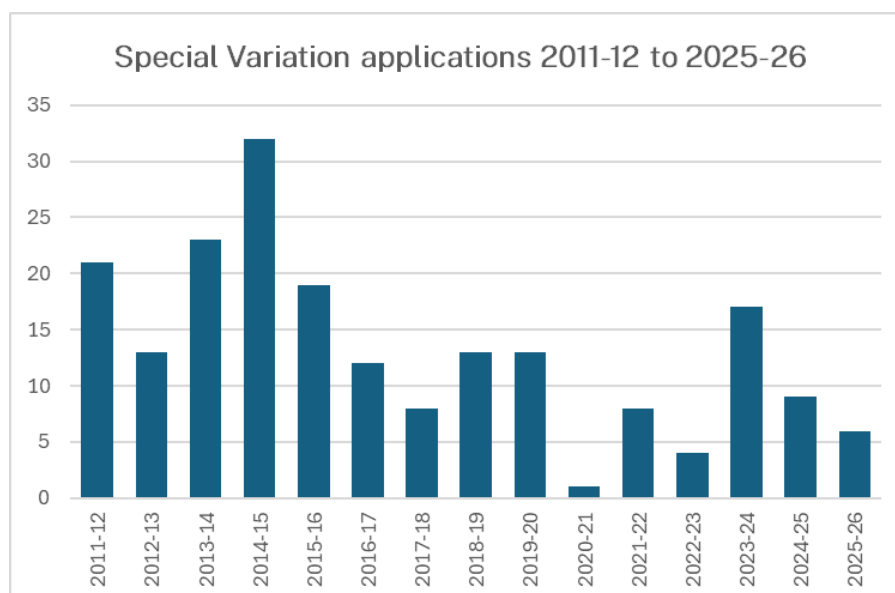


Table 14 - No. of special variation applications from 2011-12 to 2025-26.

NSW councils' financial sustainability reform

As part of the NSW Government's reform agenda, the special variation process will be simplified, streamlining the existing system and focusing on time-limited, project-specific applications. The reform will also introduce a new Comprehensive Spending Review (CSR) process for those councils seeking a permanent rate increase.

Further details on the NSW Government's response and the broader reform program can be found in the 'Trends' section below.

Grants and Commonwealth and State government support

In addition to the FA Grants, councils in NSW receive significant resources each year from both the Australian and NSW governments. These resources are provided for specific operational and capital purposes, often tied to particular services, programs, infrastructure projects or initiatives.

In the 2023-24 financial year, councils reported receiving just under \$4.6 billion total in tied support, with \$559 million (excluding FA Grants) from the Australian Government, \$2.912 billion from the NSW Government, and a further \$1.038 billion from other sources. These grants are often allocated for targeted initiatives and are not always part of a competitive grant process.

This support enables councils to address a wide range of community needs including disaster recovery, environmental management, community welfare, and economic development. However, such investment often comes with financial implications for councils. Many grants are linked to specific capital works, which result in increased asset maintenance costs, depreciation expenses and operating expenses. The depreciation implications of natural disaster funding has caused financial troubles for a number of councils.

Councils in NSW also receive infrastructure contributions which are tied to development activity. Infrastructure contributions are provided by developers and can be contributed via money, land, works-in-kind or a combination of these. They assist councils with providing new infrastructure, including footpaths, cycleways, and roads.

Councils can also negotiate voluntary planning agreements which can also be used to fund infrastructure associated with development. While infrastructure contributions are determined at a local level there is a framework of legislation, regulation, and ministerial directions which oversee the framework.

An overview of the rules and framework governing infrastructure contributions is available [here](#).

Changing infrastructure and service delivery obligations

The powers and responsibilities of NSW councils are mainly derived from the NSW LG Act. As noted below, NSW councils have a range of responsibilities and obligations under various pieces of legislation. The key functions of councils are to deal with and provide for local community needs, such as building regulations and development, public health, local roads and footpaths, parks and playing fields, libraries, local environmental issues, waste disposal, and many other community services. The NSW LG Act was amended in 2016 to introduce new guiding principles for local government that should inform all council activities.

Integrated Planning and Reporting

Chapter 3 of the NSW LG Act outlines the principles of sound financial management and the IP&R principles that apply to councils. The IP&R framework came into practice in 2009 and has changed the way councils plan, document and report on their infrastructure and service delivery obligations.

The IP&R framework starts with documenting, through the Community Strategic Plan (CSP), the community's (not the council's) aspirations over a period of at least 10 years. The IP&R Framework includes a suite of plans that set out goals and strategic actions to achieve them. It involves a reporting structure to communicate progress to council and the community as well as a structure timeline for review to ensure the goals and actions are still relevant.

Figure 1 below depicts the IP&R Framework. Monitoring and review continue to play an important role in the whole IP&R process.

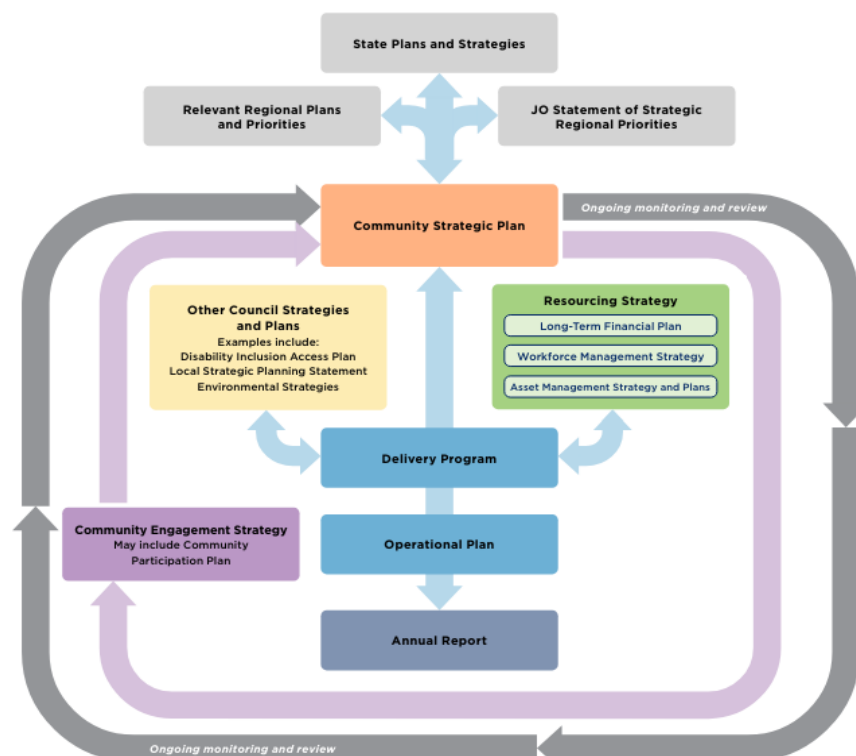


Figure 1 - The Integrated Planning and Reporting Framework

The IP&R principles, strategic planning and IP&R requirements of NSW councils are outlined in Appendix 1 and Chapter 13 Part 2 of the NSW LG Act.

Information about the IP&R framework is available on the OLG website and in the IP&R Guidelines and IP&R Handbook [here](#).

Functions, infrastructure and services provided by NSW councils

Not all councils perform the same functions and services. There is no common or minimum service delivery standard for councils in NSW. The clearest example of this is water and sewer services. While communities in metropolitan Sydney, the Illawarra and Hunter (not Central Coast) have water and sewer services provided by State Government entities, the rest of NSW (excluding parts of the Far West) have water and sewer services provided by local council water utilities, via local and/or county councils, depending on location.

The service mix within an individual council is often a result of location, community demands and history. For example, while many councils run airports or air strips, some of these are run on a fully commercial basis generating significant revenue, whereas others are operated by the council, essentially as a community service obligation, and only generating small revenues.

Under the IP&R Framework, councils are required to develop a Resourcing Strategy which consists of 3 components, the:

1. Long-Term Financial Plan
2. Workforce Management Plan
3. Asset Management Plan.

The Resourcing Strategy enables the council to explain to its community how it intends to perform all its functions, including implementing the strategies set out in the CSP. Some strategies in the CSP will clearly be the responsibility of the council, some will be the responsibility of other levels of government, and some will rely on input from business and industry groups, community groups or individuals. The Resourcing Strategy focuses in detail on matters that are the responsibility of the council and considers, in general terms, matters that are the responsibility of others. The Resourcing Strategy articulates how the council will allocate resources to deliver the objectives under its responsibility.

Details and the essential elements to be included in the Resourcing Strategy are outlined in the IP&R Guidelines [here](#).

Numerous other Acts such as, but not limited to, the *Environmental Planning and Assessment Act 1979*, the *Roads Act 1993*, *Companion Animals Act 1998* and the *Rural Fires Act 1997* also confer responsibilities and obligations on councils. It has been estimated that councils have over 120 regulatory functions, involving over 300 separate regulatory roles, emanating from

over 60 State Acts. It is important to note that most of these functions are subject to the discretion of the individual local council as to the exercise or operation of the function.

Many of the roles of councils, under legislation, are historical and date back to the establishment of local government in NSW, such as the local government role in emergency services or management of pets in the community. While the role of the State and local councils has evolved over time, many of the fundamental building blocks of council roles and functions evolve from the original, historical role and functions of councils in NSW.

There are also a range of circumstances where council acts as a service provider, either as a community service or necessary provider of last resort. Examples of services provided by councils in this space include medical practices, childcare, and aged care facilities. For some councils these services are a significant expenditure source with only marginal revenue.

While these services are not mandated by either the NSW or Australian Government, councils, in conjunction with their community, have determined to provide these services to ensure the services within their community. While this is particularly an issue in rural and regional councils, many councils in metropolitan and urban NSW also provide services to support where there is a gap in State or Federally provided services, or where there is weakness in the private market.

Many NSW councils raise concerns that due to these gaps in service provision, they provide the required services at a local level and as a result are required to meet the increasing services standard expectations that are being set at a federal level, particularly in the health, aged care and childcare sectors. These increased expectations come at increased cost to councils, in terms of running the facilities and from a regulatory compliance perspective, compounding the concerns of councils that there is lack of Australian Government funding support.

Further, the effects of the COVID-19 pandemic and a range of natural disasters have required councils to channel their resources into response, recovery and rebuilding efforts. During these events councils were on the front lines working with emergency services to provide critical support to local residents, and affected councils continue to play a leading role in the ongoing recovery of their communities. Compounding with staff shortages, councils have had to delay or postpone other scheduled works or services programs.

Cyber security

Cyber security threats continue to rise and have the potential to harm local government service delivery and public infrastructure. Lack of appropriate cyber security measures can lead to theft of information or money, service interruptions, costs of repairing affected systems, and reputational damage.

This increased risk comes with increased costs on councils to ensure their cyber security measures are appropriate. While the NSW local government sector supports the focus on and development of cyber security policies and governance frameworks, it continues to advocate for increased resourcing support and cyber security training.

Cyber Security NSW sets a vision for NSW to become a world leader in cyber security, protecting, growing and advancing NSW's digital economy. The NSW Government's Cyber Security Policy outlines the mandatory requirements for all NSW Government departments, however is not mandatory for state owned corporations, NSW councils, or universities.

In January 2025, OLG circulated Cyber Security Guidelines to the NSW local government sector. The guidelines are based on the NSW Government's Cyber Security Policy and outline cyber security standards and controls recommended by Cyber Security NSW for NSW councils. The guidelines issued by OLG also allow councils to assess their cyber security maturity and plan their maturity uplift.

In February 2023, the NSW Audit Office released its performance audit on Cyber Security NSW and its governance, roles and responsibilities.

In March 2024, the NSW Audit Office subsequently released its performance audit of Cyber Security in local government.

These reports outline the continued challenge for NSW local government to be met in cyber security.

Climate change

Councils in NSW have a key role to play at times of crisis and are a key delivery partner in disaster preparedness, emergency management and disaster recovery in NSW.

The NSW Climate Change Adaptation Strategy sets out the State's approach to climate change adaptation and outlines key decision making principles and objectives.

In February 2024, the NSW Government released the State Disaster Mitigation Plan (SDMP) which reveals that the cost of building and infrastructure damage from natural disasters could hit \$9.1 billion per year in NSW by 2060 if mitigation steps are not taken. This is an increase from an estimated average annual cost of damage at \$3.1 billion per year in NSW.

The SDMP states that though the impacts of climate change on all natural hazards are not fully understood, it is expected to increase the frequency, duration, and severity of extreme weather events due to greater climate variability. It also estimates that, in NSW, climate change is expected to increase temperatures, including the frequency of days over 35 degrees Celsius, increase severe fire weather, and lead to changes in rain fall patterns.

The SDMP outlines how the rising costs of disasters can be addressed by refocusing government policy towards risk-reducing actions, and details how government agencies can

work together to help communities prepare for worsening bushfires, heatwaves, floods, storms and coastal erosion. The SDMP also identifies the State's 128 councils as key stakeholders and identifies that the 2022 flood events alone affected 98 out of 128 local government areas (LGAs), damaged 15,000 homes and caused over \$5.1 billion of insured damages.

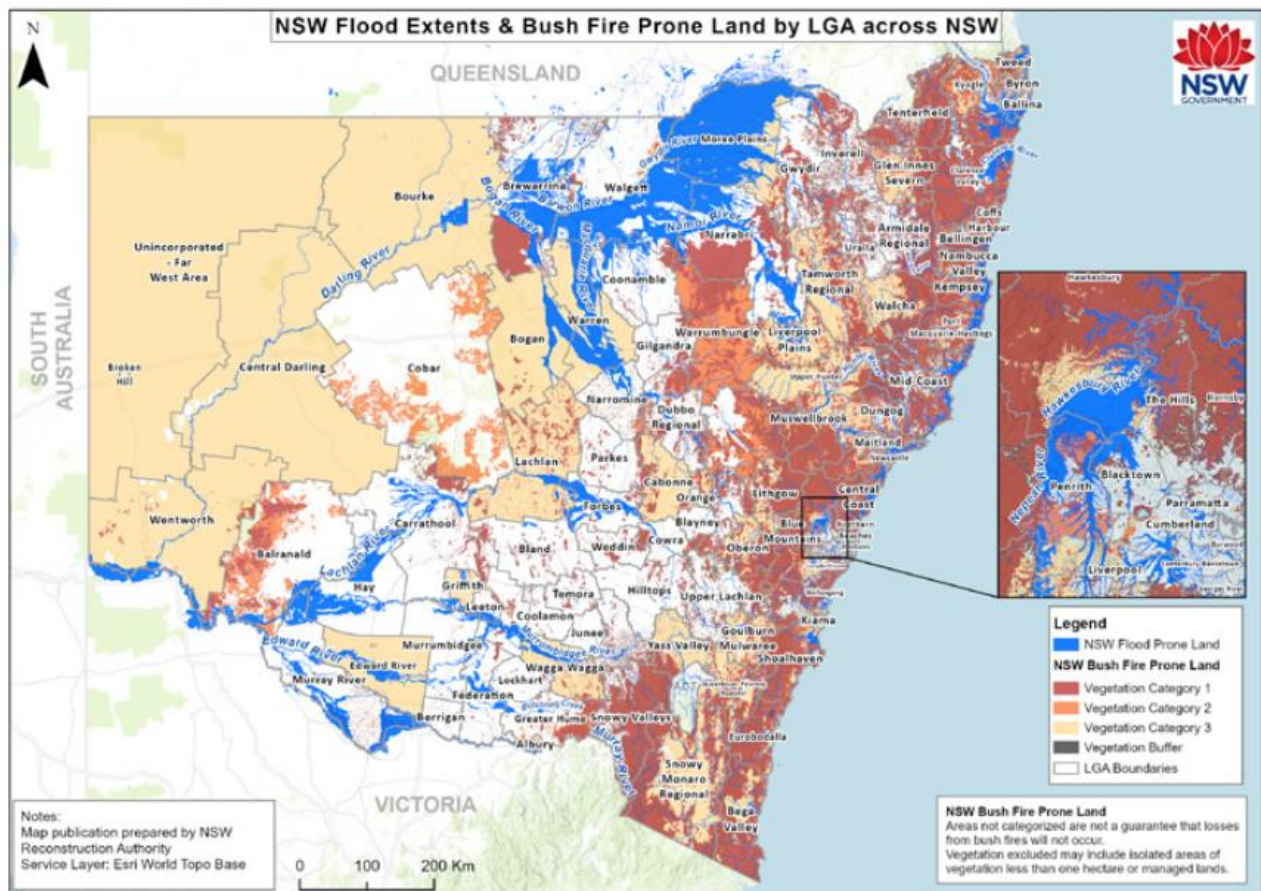


Table 15 - Flood prone land and bushfire prone land by LGA in NSW.

NSW councils are required to give regard to the SDMP, which provides a comprehensive plan of 37 short to medium term actions to address policy and program gaps required for disaster risk reduction.

The main climate-related natural hazards for councils to consider are drought, extreme rainfall, storms and flooding, increased temperatures including more extreme heat and heatwaves, sea level rise and bushfires.

Roads, infrastructure and facilities are often built based on historical flood levels and tidal points. As a result, they may become damaged as climate change has seen greater intensity and frequency of natural disasters, creating the need to be replaced, relocated or removed. For example, roads and storm water systems in low-lying coastal areas are likely to become permanently flooded with future sea level rise.

The increase in climate related risk is making insurance less affordable and available, meaning alternative forms of risk reduction and management has needed to be utilised.

Trends in the attraction and retention of a skilled workforce in the local government sector, including labour hire practices

Local councils provide employment for approximately 49,000 people (2022-2023 data), across 128 different councils in NSW, as well as county councils and Joint Organisations. As noted earlier in this submission, the number of council full time employees in NSW during this period ranged from 48 staff in Central Darling Shire Council to over 1,852 in City of Sydney Council.

Workforce management planning

The IP&R Framework requires NSW councils to develop workforce management plans to document their human resourcing requirements. The workforce management plan should be a proactive document that shapes the capacity and capability of the workforce to achieve the goals and objectives set out in the suite of IP&R documents.

It provides the opportunity for councils to clearly identify how future staffing and skills requirements will be met, such as through recruitment, staff progression and development, internal redeployment and succession planning.

A NSW council workforce management plan should include:

- a snapshot of the current workforce, including gender, diversity, FTE, turnover, age groups and length of service
- statement of the desired workplace culture
- an environmental scan outlining skills shortages, ageing workforce, staff retention rates, technological changes, financial challenges, current and future employment market, community expectations
- financial considerations including award increases, on-costs and leave entitlements
- objective, strategies and how progress will be measured.

Local Government (State) Award 2023

Most council staff in NSW are employed under the Local Government (State) Award 2023. However, under section 332 of the NSW LG Act, the general manager and any staff whose position is determined by the council's governing body to be a "senior staff position" are employed under a fixed term employment contract of between 1 to 5 years' duration based on a standard contract approved by the "Departmental Chief Executive" of OLG.

Information about the Local Government (State) Award 2023 is available on the Industrial Relations website [here](#).

Skills and Capability

The Australian Local Government Association (ALGA) has prepared a 2022 Local Government Workforce Skills and Capability Survey. A copy of the NSW Report is available [here](#).

The Report provides insight into the local government sector's existing workforce and future capability requirements. It also provides a workforce profile, outlines skills shortages and identifies training needs and challenges for the NSW local government sector.

The report finds that the local government sector continues to experience skills shortages in multiple occupations, including of professionals.

The sector is facing significant challenges in relation to recruitment and retention of skilled staff and having difficulty in securing the right quantum and mix of skills, to the detriment of productivity and service delivery.

The ALGA report summarises, in respect to NSW, that:

- over 91% of surveyed council respondents reported skills shortages, with 66% of respondents saying that project delivery had been impacted or delayed by vacancies, skills shortages, skills gaps or training needs
- the most cited skills shortages are engineers, urban and town planners, building surveyors, project managers and labourers, and as a result the NSW sector is resorting to recruiting less skilled applicants for building surveyors, engineers and water treatment operators
- skills shortages are becoming critical in computing and ICT, engineers, urban and town planners, building surveyors and mechanical tradespersons
- the most common drivers of skills shortages is the inability to compete with market remuneration, market shortages of skilled candidates and regional or rural locations.
- key drivers of critical skills gaps include complex legislative changes and/or requirements, insurance costs, challenges in recruiting for regulatory roles, and a lack of regional housing availability and/or affordability.

Despite the challenges in attracting and retaining skilled staff, NSW councils are often concerned about engaging a non-local workforce or contracting a company to run council provided services, such as waste facilities. These concerns are based on the negative effect this has on:

- retaining local employees
- facilitating wages to be spent within the local government area
- developing in-house skills and expertise
- fostering succession planning

- fostering community

When engaging external service or workforce providers, councils also face challenges managing contracts and maintaining relationships

Investment in attracting and retaining a skilled workforce

The NSW Government made an election commitment to *“provide direct support to local councils across the state to maintain sustainable workforces. This includes programs and funding to target 15 per cent of council workforces being apprentices and trainees”*. This commitment responds directly to the findings of the 2022 ALGA Local Government Workforce Skills and Capability Survey.

To fulfil its commitment, the NSW Government is working collaboratively with key sector stakeholders. This involves targeted investment in the recruitment of additional apprentices, trainees and cadets across the NSW local government sector, alongside dedicated support for councils to strengthen their capacity to train, supervise and mentor new entrants.

By focusing on both increasing workforce numbers and enhancing the quality of supervision and mentorship, the Government aims to build a more resilient and sustainable pipeline of skilled workers for local councils.

The NSW Government’s Fresh Start for Local Government Apprentices, Trainees and Cadets Program (Fresh Start Program) has been developed to directly address these sector-wide challenges. With a substantial investment of \$252.2 million, the program aims to employ an additional 1,300 apprentices, trainees, and cadets by 2030.

As of December 2025, councils were provisionally approved for 1,302 positions across the first three rounds of the program, and recruitment is well underway. Notably, 544 positions have already been filled under rounds 1 and 2, with recruitment for rounds 2 and 3 continuing into early 2026.

The program has also achieved strong diversity outcomes, with 40% of new recruits being female and 5% having a disability.

Beyond recruitment, the Fresh Start Program incorporates a comprehensive Workforce Development Strategy. In 2025 alone, 27 supervisor workshops were delivered across metropolitan, regional, and rural NSW, with 509 council employees participating. The program also includes a Skills Gap Analysis Pilot to support workforce planning, Trade Pathways and Upskilling Pilots to address both emerging and critical skills shortages, and targeted initiatives to support Aboriginal and Torres Strait Islander employment.

Engagement with schools and linking with existing educational programs such as the Regional Education Industry Partnership (REIP) has further raised awareness of council careers and creates pathways for young people.

The phased approach of the Fresh Start Program ensures that successful pilot initiatives are scaled up and refined to meet the evolving needs of councils, laying the foundation for a skilled, diverse, and sustainable local government workforce across New South Wales.

Local government employee retention challenges

Recognising that retaining staff is critical to the success of these workforce initiatives, in 2025, OLG surveyed councils on the challenges of retaining employees, receiving 82 responses from 65 councils, representing 51% of all councils in NSW. Councils were invited to identify the main challenges they face in retaining employees, particularly apprentices, trainees and cadets, as well as to share current and potential initiatives to support retention.

The survey results highlighted several persistent barriers to attracting and retaining skilled workers. The most frequently cited challenges included salary competition with the private sector and other councils, the lack of guaranteed permanent roles after training due to budget or structural constraints, and geographic isolation and housing affordability in regional and rural areas.

Councils also reported limited career progression pathways and the absence of structured transition programs, delays in training caused by TAFE and Registered Training Organisations issues, and a shortage of qualified supervisors.

To counter these challenges, councils reported implementing a range of initiatives to support employee engagement and retention. The most common measure included flexible work arrangements, such as 9-day fortnights and remote work, wellbeing programs, mentoring and buddy systems, career development programs and networking sessions, and recognition and reward programs.

Councils also suggested further initiatives that could be delivered with additional resources, including retention bonuses and competitive allowances, cross-council secondments and talent pools, housing incentives for regional areas, dedicated transition-to-employment programs, and enhanced leadership and mentoring training for supervisors.

Combined with the range of initiatives already being implemented by councils, the NSW Government's focus on increasing direct employment through the Fresh Start Program is helping to create more stable and supported pathways into local government careers. By investing in the recruitment of apprentices, trainees and cadets, and by strengthening internal supervisory and mentoring capacity, the government is working to address many of the barriers identified in the survey.

By prioritising direct employment and building internal supervisory and mentoring capacity, the Fresh Start Program also seeks to reduce reliance on labour hire arrangements, which can impact job security and continuity, particularly in regional and rural areas.

The Fresh Start Program initiatives, alongside council-led measures, are collectively building a more attractive and resilient employment environment. Together, these strategies are designed to not only attract new talent but also to retain skilled workers in the sector, particularly in regional and rural areas where workforce challenges are most acute. The ongoing collaboration between councils and the NSW Government ensures that both local and systemic solutions are being pursued, supporting the long-term sustainability of the local government workforce across New South Wales.

NSW Government Reform

The policy landscape for local government financial sustainability has shifted significantly since the Department's initial submission in May 2024. This follows the tabling of [Report 52](#) by the NSW Legislative Council's Standing Committee on State Development in November 2024, which examined the ability of local governments to fund infrastructure and services.

The [NSW Government's response to Report 52](#) outlines a commitment to reforms to improve the transparency, accountability and performance of the sector. These reforms are centred around 5 key actions:

- **IPART Oversight**

The NSW Government reaffirms the role of IPART in setting the rate peg to ensure council revenue keeps pace with forecast cost changes while protecting ratepayers from unjustified increases.

- **Mandatory 'Comprehensive Spending Review'**

A new mechanism will be introduced requiring councils to undertake a forensic 'Comprehensive Spending Review' before seeking any permanent increase to their rate base. This ensures that a councils' expenditure and efficiency is examined before any additional revenue is drawn.

- **Streamlined special variations**

The special variations process will be simplified to focus on time limited funding for distinct projects or programs, rather than being used as a general mechanism to address operating deficits.

- **Streamlined financial reporting**

Reforms are underway to modernise financial reporting, including the removal of performance ratios from the Code of Accounting Practice 2024-25 while they are reviewed. This aims to reduce unnecessary complexity and provide councillors with clearer, more actionable data on cash flow and liquidity.

- **Establishment of an Expert Advisory Panel**

An Expert Advisory Panel comprising of general managers and industry experts will be established. This panel will provide strategic advice on policy and implementation matters, helping to support the delivery of the Government's response to the Committee's recommendations and relevant matters.

The NSW Government supports Recommendation 5 of Report 52, and advocates that the Australian Government increase the proportion of federal taxation revenue distributed via FA

Grants from 0.5% to 1%. It is also noted that the current per capita distribution disadvantages smaller and regional councils.

Appendix 1 – Principles for local government

8A Guiding principles for councils

(1) **Exercise of functions generally** - The following general principles apply to the exercise of functions by councils—

- (a) Councils should provide strong and effective representation, leadership, planning and decision-making.
- (b) Councils should carry out functions in a way that provides the best possible value for residents and ratepayers.
- (c) Councils should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.
- (d) Councils should apply the integrated planning and reporting framework in carrying out their functions so as to achieve desired outcomes and continuous improvements.
- (e) Councils should work co-operatively with other councils and the State government to achieve desired outcomes for the local community.
- (f) Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
- (g) Councils should work with others to secure appropriate services for local community needs.
- (h) Councils should act fairly, ethically and without bias in the interests of the local community.
- (i) Councils should be responsible employers and provide a consultative and supportive working environment for staff.

(2) **Decision-making** - The following principles apply to decision-making by councils (subject to any other applicable law)—

- (a) Councils should recognise diverse local community needs and interests.
- (b) Councils should consider social justice principles.
- (c) Councils should consider the long term and cumulative effects of actions on future generations.
- (d) Councils should consider the principles of ecologically sustainable development.
- (e) Council decision-making should be transparent and decision-makers are to be accountable for decisions and omissions.

(3) **Community participation** Councils should actively engage with their local communities, through the use of the integrated planning and reporting framework and other measures.

8B Principles of sound financial management

The following principles of sound financial management apply to councils—

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following —
 - (i) performance management and reporting,
 - (ii) asset maintenance and enhancement,
 - (iii) funding decisions,
 - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following —
 - (i) policy decisions are made after considering their financial effects on future generations,
 - (ii) the current generation funds the cost of its services.

8C Integrated planning and reporting principles that apply to councils

The following principles for strategic planning apply to the development of the integrated planning and reporting framework by councils—

- (a) Councils should identify and prioritise key local community needs and aspirations and consider regional priorities.
- (b) Councils should identify strategic goals to meet those needs and aspirations.
- (c) Councils should develop activities, and prioritise actions, to work towards the strategic goals.
- (d) Councils should ensure that the strategic goals and activities to work towards them may be achieved within council resources.
- (e) Councils should regularly review and evaluate progress towards achieving strategic goals.

- (f) Councils should maintain an integrated approach to planning, delivering, monitoring and reporting on strategic goals.
- (g) Councils should collaborate with others to maximise achievement of strategic goals.
- (h) Councils should manage risks to the local community or area or to the council effectively and proactively.
- (i) Councils should make appropriate evidence-based adaptations to meet changing needs and circumstances.

Appendix 2 – NSW Local Government areas

Map of NSW Regional and Rural Local Government areas



Map of NSW metropolitan and central coast local government areas

