

**Parliament of Australia**

House of Representatives Standing Committee on Regional Development, Infrastructure and Transport: Inquiry into Local Government Funding and Fiscal Sustainability  
Murray River Council  
January 2026

Murray River Council welcomes the extended submission period for the Inquiry into Local Government Sustainability. We are pleased to provide additional information and reflections on the themes arising from the terms of reference and interim report.

Critical points have previously been made in the Country Mayor's Association (CMA) submission. Of particular significance to the Australian Government's role is the CMA's recommendation to return the Federal Assistance Grant (FAG) to one per cent of Commonwealth taxation revenue. The CMA has also made important points about cost shifting, and the heavy reliance of the local government sector (and especially rural councils like Murray River Council) on grant funding.

This submission briefly reiterates key points and makes comment on issues of shared interest for Australian and New South Wales governments.

**About Murray River Council**

Murray River Council is a large rural council situated on the NSW-Victorian border and stretching from Moama and Mathoura in the east to Goodnight in the west. Heading north it takes in the rural communities of Moulamein, Wakool, and Kyalite, among others. Around 13,300 people call Murray River home, and the local government area covers around 12,000 square kilometres. Industries of significance include agriculture, forestry and farming, accommodation and food services, and construction.

Significant infrastructure includes an approximately 3,200 kilometre road network, water, and wastewater services.

Murray River Council is a member of the Riverina and Murray Joint Organisation.

**Federal Assistance Grants**

Federal Assistance Grants (FAG) represents the most significant untied funding for councils to apply to locally identified priorities. The Interim report to the Inquiry acknowledges the decline in the level of funding from one per cent of Commonwealth taxation revenue in the 1990's to just over half of one per cent.

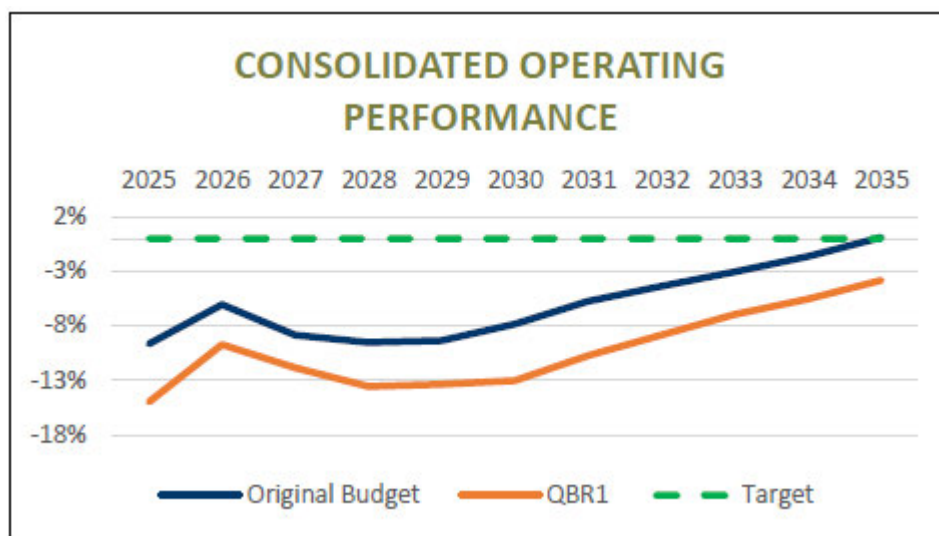
Operating performance ratios are generally a proxy for financial performance. At the time of publication, the CMA noted 38 of 77 Councils with published financial statements reported operating losses in their general funds (CMA 2024, p. 8).

An increase in the FAG would rapidly shift this scenario and the resulting dynamic of ‘managed decline’ that has been observed in the local government sector nationally, equipping councils to genuinely meet community needs.

The FAG allocation for Murray River Council was \$11.1m in 2024-2025. The impact of a return to one per cent of consolidated taxation revenue would see the return of many councils including Murray River Council to an operating surplus and a more sustainable position.

The operating position for 2024-2025 showed a net operating result (before grants and contributions provided for capital purposes) as a deficit of \$19m. An increase in the FAG allocation as described above would have seen the deficit reduced to \$7.7m.

The Long Term Financial Plan shows that if no additional support is forthcoming, the deficit will continue out past 2035.



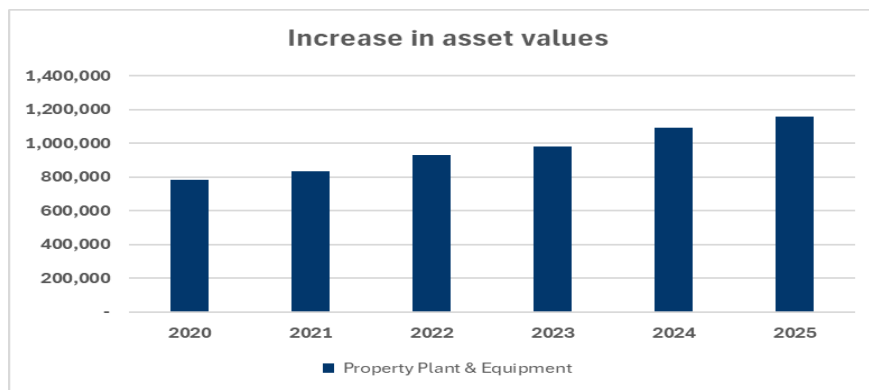
*Recommendation 1:* That Financial Assistance Grants to Local Government be restored to one per cent of Australian taxation revenue.

## Constraints on revenue generation

Exacerbating the challenges of declining FAG funding are the real constraints that exist for Council's in generating revenue, particularly in rural and remote environments.

Relatively few rateable properties, and significant road, water, and sewer infrastructure commitments substantially undermine the ability of regional and rural councils to recover costs and sustain their operations. Council's currently find themselves in the position of absorbing inadequate developer contributions. The ongoing maintenance, renewal, depreciation expense, and revaluations of 'gifted assets' adds to this growing burden.

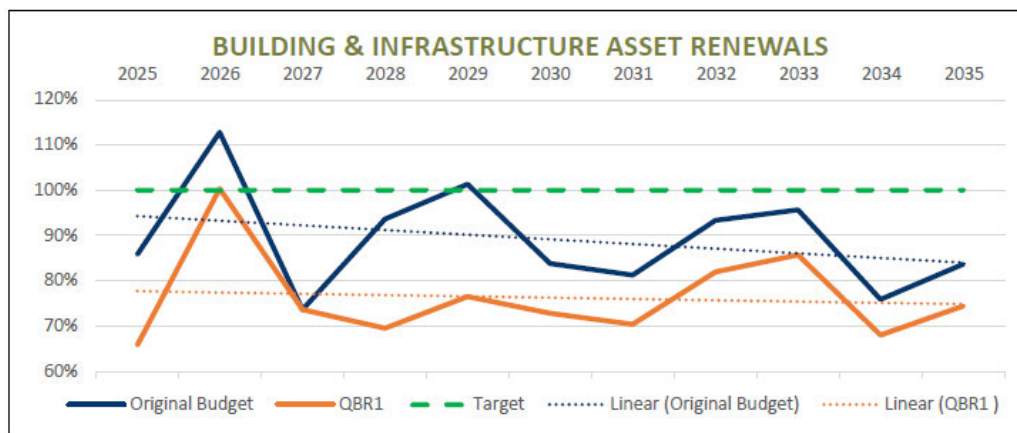
Murray River Council's asset base has grown significantly over the past 6 years.



Council's net revenue less expenses (excluding all capital) shows a shortfall in funding depreciation - an indication of the funds required to renew assets annually.

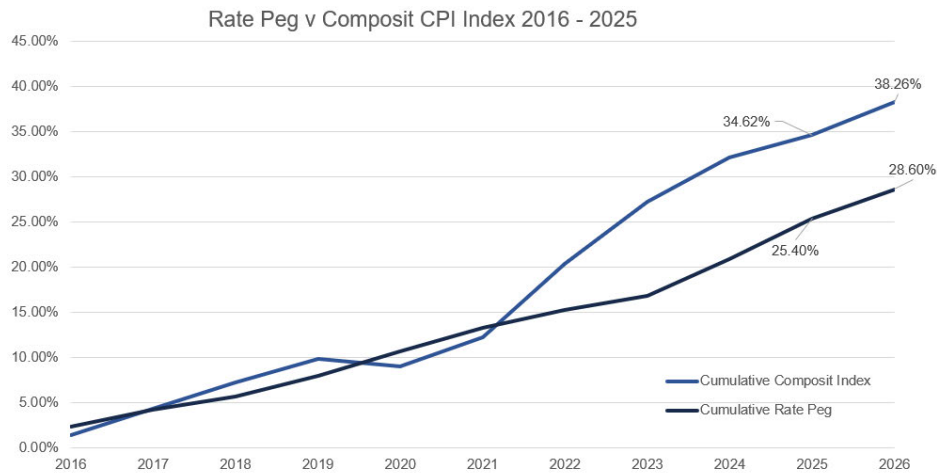
Year Ending	2020	2021	2022	2023	2024	2025
Net operating revenue & expenses (no capital)	10,890	11,944	8,477	9,368	16,616	12,495
Depreciation	17,064	19,841	26,266	23,245	20,884	21,918
Deficit to fund capital renewals	(6,174)	(7,897)	(17,789)	(13,877)	(4,268)	(9,423)

Long term this is not sustainable and risks infrastructure failure due to not meeting renewal targets.



As is well documented, rate capping has been a major driver of the constraint on NSW Councils in generating revenue and keeping up with a range of costs. The cumulative impacts of rate pegs falling short of inflation and fixed costs are well known.

The below graph highlights the persistent gap between MRC's operating position and the rate cap, driven by the structural disconnect between service delivery costs, and capacity to generate revenue.



Local Government NSW summarises the outcomes of the legacy of rate pegs in NSW in its comprehensive submission.

*'Documented impacts to ratepayers include impacts to services (service cuts, reduced service scope, and compromised quality), delays to infrastructure delivery and deferred maintenance, a compounding backlog of asset renewal, lower community protections from natural disaster, and a distortion of public expectations of local government services and infrastructure provision'. (LGNSW 2024 p. 16).*

**Recommendation 2:** That the NSW government reconsider rate pegging to allow local governments to adjust rates based on real-time economic conditions and cost pressures.

## Cost shifting

Local councils are uniquely connected to communities, and their needs and expectations. As the CMA notes *‘They are a civic authority but small regional councils are much more than that to their community ... they see expect more from it’* (Country Mayor’s Association 2024, p.4-5)

Despite the ‘roads, rates, and rubbish’ adage, the reality is that the role of local governments, including Murray River Council, has been expanding for many years. Drivers include a steadily increasing compliance regime, new roles bestowed by other levels of government, and at times becoming the ‘provider of last resort’ for community services where limited alternatives exist.

*‘Local government is seen as the primary government body responsible for community liveability and social enrichment ... many of the additional responsibilities are imposed on local government by the state and federal governments through legislation and regulation. In many cases, councils will welcome these new functions in principle, recognising that they are for the benefit of their communities. However, in imposing these responsibilities, state and federal governments fail to take into account the costs to councils in meeting these responsibilities’* p.15 LGNSW

Two examples are illustrative – libraries, and aged care services.

Murray River Council currently provides entry-level services to several hundred of its aged residents, influenced by a thin private market for services. The merits of reforming aged care to provide more individualised services are not disputed. The related funding arrangements, however, are a daunting prospect for local councils to implement. At a time when Council’s financial sustainability is challenged, implementing the requirements of the Commonwealth’s aged care reforms represents a major challenge.

The benefits of public libraries to supporting the literacy, inclusion and wellbeing of the community are well known (State Library of NSW *‘Library as Community Place’*, 2025). Nonetheless, funding for Councils to deliver libraries has declined over many years (LGNSW 2024, p. 30).

*Recommendation: The timing and amount of funding for service delivery provided by the Australian and state governments must align more closely to the real cost of providing services.*