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2nd February 2026

Mrs Fiona Phillips MP

Chair

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

PO Box 6021

Parliament House

CANBERRA ACT 2600

Re: Inquiry into Local Government Funding and Fiscal Sustainability

We refer to your letter to our Executive Manager Economic Development & Tourism, Ms Alison McLean, dated 18th December 2025, on House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry into local government funding. Hay Shire Council, at its meeting 23rd April 2024, resolved to make a submission to the previous inquiry. We make comments to the new inquiry as follows:

- Hay Shire Council welcomes the inquiry and supports the initiative to investigate the funding and financial sustainability of local governments in Australia.
- Overall, Hay Shire Council believes the updated Terms of Reference (ToR) is appropriate and focusses on the issues that local government faces.
- Local government provides efficient, effective and value for money service delivery. This is evidenced by the high liveability of the people of Hay and the minimal complaints received by Council.
- Successive State and Federal governments over an extended period have reduced, removed, or transferred services, even though communities still required them. This encouraged disaffected and desperate councils to delve into non-core businesses. Local governments have a growing role in the community and operating expenditure has increased over the last decade for all council types, with rural councils

experiencing the largest proportionate increase. This is evident by Council's own Long Term Financial Plan (LTFP) showing our budget expanding by more than a \$1M over the last five years (in real terms) to meet increased operating expenditure in meeting community service delivery expectations. Evidence shows that councils' responsibilities can now include:

- health, aged care, childcare, and mental health services
 - housing supply planning and development and provision of enabling infrastructure
 - progressively complex infrastructure and asset management, including maintaining depreciating assets
 - environmental regulatory compliance and management obligations
 - climate adaptation and emergency management
 - Managing large-scale renewable developments as part of the national renewable energy transition
- Hay Shire Council made a submission to the earlier inquiry in April 2024. The Standing Committee on Regional Development, Infrastructure and Transport's interim report for the inquiry into local government sustainability, dated 14th February 2025, provided stark reminder of *'local governments around Australia are increasingly being called upon to provide healthcare services and housing, manage ageing infrastructure and assets, and respond to current and future climate adaptation needs. These additional responsibilities are placing a significant financial strain on local governments who are struggling to meet community expectations.'*

In her address at the 2025 ALGA National General Assembly in Canberra, the Federal Minister for Local Government, Kristy McBain, acknowledged that "local government is no longer all about "roads, rates, and rubbish". She further stated that:

"Things have moved well past the traditional three Rs of roads, rates and rubbish ... those historic three Rs are just utter crap these days.

"For many of our local councils, you are providing access to childcare, to aged care, to community transport, to youth services, and to the NDIS.

"You provide school holiday programs, seeing these programs at performing arts centres.

“Now, more than ever, you play a regulatory role in the development of infrastructure and asset management, not to mention housing, environmental conservation, the renewable energy transition, and climate adaptation.

“We recognise that these changes have placed significant stress on the resources that local governments have to address so as to navigate these complex issues.”

The interim report from the federal parliamentary inquiry into local government sustainability describes a funding model inadequate to councils' growing role in service delivery.

Minister McBain stated that she has no doubt LGAs are under financial strain and the government's response to this problem would be guided by the inquiry's final report.

“[The committee] received a substantial amount of information and it's painted a real picture of how local government services have changed in the last two decades, the impact that has had on resources ... particularly those jurisdictions with rate capping.

“This isn't about cost shifting from state governments to the Commonwealth. We, of course, have our own budget pressures. The inquiry is about how the system can be made to work better.”

- Subsidies related to services for health, aged services, early childcare/education, and community transport, which assist to maintain the social fabric of communities, have become commonplace on council's budgets and service delivery. Add the tyranny of distance found in rural areas, and even more community pressure is placed on local government to fill the gaps after abandonment by the other two tiers of government. Council, in the absence of higher levels of government, provides medical services (at a cost of \$120,000/annum), as well as transport services for people to attend medical services out of town.

In addition, Council runs the Commonwealth Home Support Program (CHSP) in Hay, providing home and community care services for the elderly and those in need, as well as the provision of Centrelink services and community transport. The new Aged Care Act will place additional pressure on Council due the increased compliance

requirements which largely treats CHSP providers the same as full assisted living facilities. Local government provides these services on behalf of the Commonwealth and State Governments.

- Providing the aforementioned (non-traditional) services wouldn't be so challenging, if at the onset, local government was given the financial powers to raise revenue to offset the expenses. Almost always, the cost is shifted without the provision of ways of increasing the income.

The latest research commissioned by Local Government NSW (LGNSW) shows that the increase in cost shifting has continued unabated by various State and Federal Government policies.

The cost shifting report, produced by independent consultants Morrison Low for the 2023/2024 financial year, reveals that \$1.5 billion of expense has been imposed on councils. This is an increase of approximately \$140 million (10 per cent) since the last report for the 2021/22 financial year, when the total cost shift was estimated at \$1.36 billion.

On average, this also now represents an inflated cost of \$497.40 for each ratepayer, an increase of \$36.72 from 2021/22. It is unfair to our communities that such a large portion of their rates are being diverted away from local priorities. For context, Hay Shire has 1806 ratepayers, which equates to an \$898,304 cost impost to Council and the community each year.

- 'Silent cost shifting' is occurring additional to this, via legislative changes where Local Government is forced to take on more and more areas of service, which is adding considerable costs to non-recoverable items such as staffing, insurance etc and also the spin-off costs.

This is evidenced by areas now the responsibility of councils such as companion animals, environmental compliance (underground fuel storage systems), emergency services, biosecurity, which were never the original responsibility of local government.

Additionally, Council, to comply with the legislative requirements, has experienced in recent years impacts around planning (native title, planning portal- resulting in 2.5 additional Full Time Equivalent (FTE) staff), Health (0.4 FTE), Governance (Audit

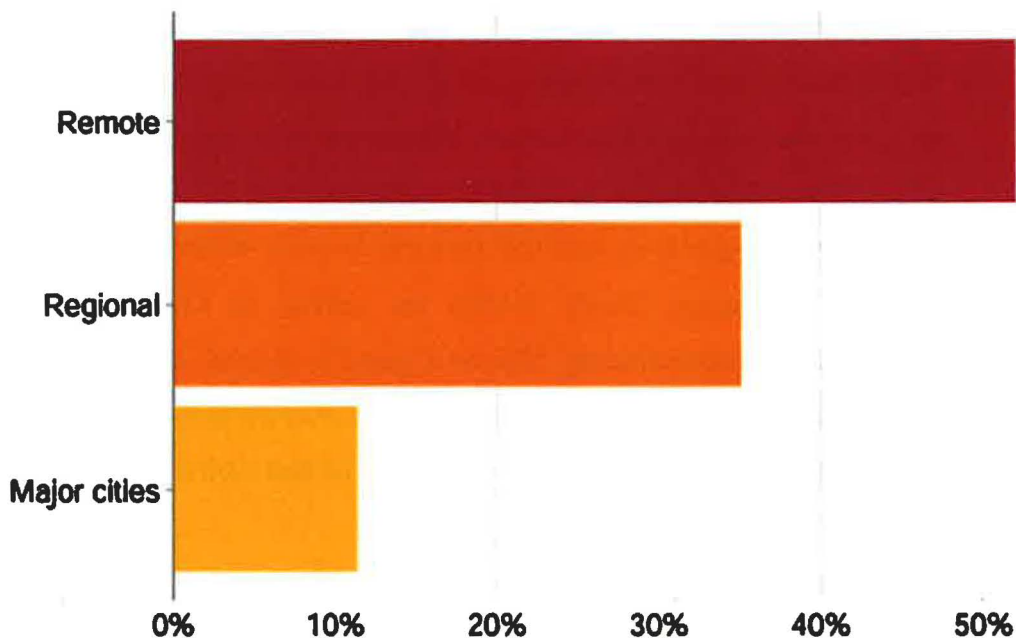
Risk and Improvement Committee, internal audit – 1.5 FTE), as well as costs associated with services reviews and external audit (doubling in the last 5 years).

- Without Commonwealth funding local government in regional and rural areas would not exist. Financial Assistance Grants (FAGs) and Roads to Recovery (R2R) made up 41% of Council's revenue in 2024/25, compared with 33% from Rates & Charges. These operating grants are essential for rural councils' financial sustainability.
- Financial Assistance Grants (FAGs) are critical to Council's annual budget, accounting for approximately 38% of Council's income, excluding capital grants. Council has benefited from an increase in FAGs over the preceding years. For context, in 2024/25 our rate income (\$2.8M) was 60% of that which we receive from FAG's (\$4.6M).

In real terms this means that 70% of the Council's revenue (\$6.3M) is sourced from external grants, tied and untied, to deliver the Council's delivery program and meet the Community's vision and service level expectations. In the same year 80% of our capital work program (\$12.2M) was funded by external grant sources.

Illustrating this unsustainable level of external revenue, compare this to the median figures from councils across NSW and Victoria as outlined in an extract of the Grattan Institute Report: *Potholes and Pitfalls: How to Fix Local Roads* of November 2023 shown below in Figure 1:

Grants as a percentage of total council revenue

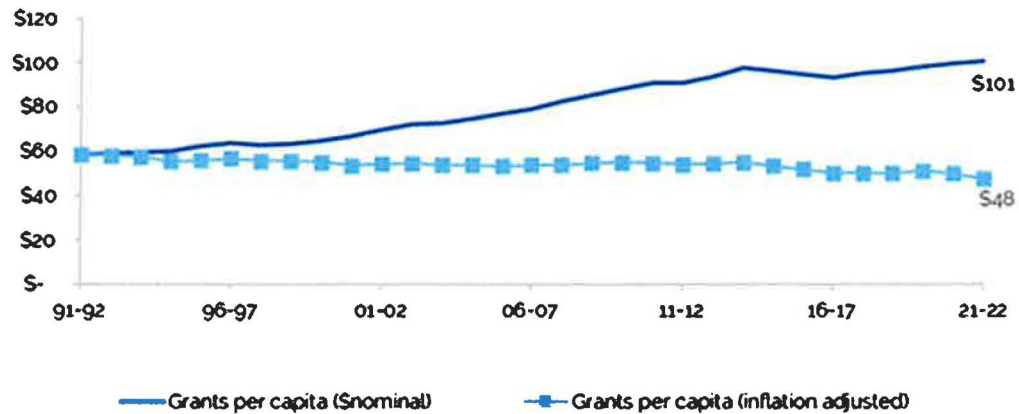


Notes: Median council in each remoteness area. Data is for councils in NSW and Victoria.

Source: Grattan analysis of publicly available council budgets and financial statements.

Figure 1 – Grattan Institute Report

- FAGs were established by the Whitlam Government in the 1970's to assist disadvantaged Councils. Over time it has seen this intent eroded with now 10 of the largest Councils in metropolitan areas in NSW receiving over \$100M in FAGs. Rural and remote councils do not have the ability to generate other revenue, such as parking and facility user fees, and as such relies on operating grants like FAGs for survival. Hay Shire Council is not asking for a bigger FAGs bucket but an equitable redistribution of available funding to councils with the most disadvantage, like Hay. An increase in FAGs allocation of 5% over 5 years would see Hay Shire Council achieve a positive operating result without the need to ask its ratepayers to pay more. We request a change to the FAGs distribution formula to assist rural and remote councils.
- In the mid-2010's, FAGs were frozen for three years. This has resulted in the financial assistance grants per capita falling in real terms as illustrated by Figure 2 below:



Source: NSW Local Government Grants Commission, *Tables of Financial Assistance Grant Allocations for NSW Councils 1992-2022 and PART analysis*

Figure 2 – Financial Assistance Grants per Capita

Local government has never recovered financially from this freeze.

- Council is concerned that the principle of Horizontal Fiscal Equalisation as required under the Federal Local Government (Financial Assistance) Act 1995 does not deliver equitable distribution of financial assistance grant funds to those Councils that need it the most. Rural and Regional Councils are missing out on the funding they need because larger metropolitan councils, who are more financially self-sufficient, are receiving a level of funding they essentially don't need.

It is evident that the principle of Horizontal Fiscal Equalisation, as required under the Federal Local Government (Financial Assistance) Act 1995, is not resulting in the equitable distribution of financial assistance grant funds to those Councils with the most need.

The NSW Grants Commission's most recent Annual Report available on their website, for the financial year 2020/21, outlines the principle of Horizontal Fiscal Equalisation:

Horizontal Equalisation

General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Federal Act. This is a basis that ensures each local governing body in the State or Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State or Territory. It takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local governing bodies to raise revenue.

The Grattan Institute Report states in part 3.2;

“Untied funding isn’t going where it is most needed. Problems with the distribution are disadvantaging some states and causing too large a share of the funding to go to councils that can already afford to maintain their roads.”

In addition, the Report provided the following recommendation to ensure funding goes to the areas of the greatest disadvantage:

The federal government should fix the distribution of the Financial Assistance Grants by:

- allocating grants between and within states according to the principle that every council should have the capacity to provide a similar level of service to their community;*
- reducing the minimum grant to 10 per cent of an equal-per-capita share of the Financial Assistance Grants pool;*
- combining the local roads component of the Financial Assistance Grants with the general component; and*
- allocating funds for Roads to Recovery and similar programs according to the same distribution used for the Financial Assistance Grants.*

The NSW Grants Commission fact sheet for 2024-25 details the per-capita minimum grant. It is noted that 16 councils, on the minimum grant, are all located in the Sydney metropolitan area are not relatively disadvantaged, have economies of scale, are geographically smaller, have greater revenue raising capacity and experience year on year growth. Seven of those councils also received an increase above the 4.6% state average increase.

This would appear to be in direct conflict with the principles of HFE and would therefore not comply with the requirements of the Local Government (Financial Assistance) Act 1995.

As noted above, the Grattan Institute Report also reviewed the minimum grant and recommends it be reduced from the current 30% to 10%. This would allow the redistribution of funds to those communities which the most need, including smaller rural and regional councils.

The Grattan report states in relation to minimum grant issues under section 3.2.2:

“3.2.2 Too Much Funding Goes to Self Sufficient Councils:

The principles that guide the distribution of the financial assistance grants from states to councils are incongruent. The horizontal equalisation principle– that all councils should have the capacity to provide similar services to their communities– is in tension with the principle that dictates minimum grants. The minimum grant requirement recognises that all councils contribute to the provision of government services and the functioning of the national road

network, and, accordingly, ensures that every council receives at least 30 per cent of what they would have received under an equal-per-capita distribution of the Financial Assistance Grants”

And;

“The proportion of funding going to these self-sufficient councils is large and growing. The share of Australia's population living in councils that receive the minimum grant has increased from 31 per cent in the 2001 financial year to 48 per cent in 2021. In turn, this has increased the amount of funding allocated to self-sufficient councils.”

Further:

“...the minimum grant should be reduced, from 30 to 10 per cent of an equal-per-capita share, to free up a larger share of the funds for the councils that have the least scope to raise sufficient revenue for their spending obligations.”

The Federal Standing Committee Inquiry into Local Government Sustainability made the following comment in its interim report conclusion:

- *to review the Financial Assistance Grants program including:*
 - *minimum Financial Assistance Grants restored to one percent of Commonwealth taxation revenue*
 - *increase Financial Assistance Grant funding for smaller regional, rural and remote councils based on relative need*

In particular, the interim report noted with regards to the Financial Assistance Grants:

1.24 - Submitters were of the view that the current distribution model was not working. The Grattan Institute stated that the current allocation process had three significant impacts: First, the general component of the Financial Assistance Grants favours densely populated states, so similar councils in different states get vastly different funding outcomes. Second, the minimum grant to all councils diverts too large a share of funding away from councils that are least able to raise their own revenue. Third, the outdated distribution of the local roads component creates large variations in outcomes for similar councils in different parts of the country and provides too large a share of the funding to self-sufficient councils.

1.25 - Professor Sansom believed that the current model appeared to be favouring metropolitan regions over rural and remote councils noting that: ...in 2023–24 ten NSW councils received only the minimum \$24.85 per capita grant, indicating effectively no need for assistance, and a further eleven received less than 10 [per cent]

more than the minimum (less than \$27), suggesting at best very little need. All those councils are located in the Sydney metropolitan region, and the great majority comprised mostly well-established affluent suburbs where the community might be expected to have considerable capacity to pay an extra \$27 per capita in council rates. Moreover, for no apparent reason two other notoriously affluent suburban councils received well above the minimum grant. In total, those 23 councils absorbed around \$76 million in general-purpose grants. Such an amount could make a very big difference to sustainability and service delivery amongst rural-remote councils, whilst also providing assistance for fast-growing areas experiencing financial stress.

1.35 - A significant number of submitters called for a review of the Financial Assistance Grants program, and in particular the distribution formula, quantum of the funding pool, indexation methodology, and the national principles.

- Due to large areas with low population, and subsequently low-rate base, rural councils are unable to generate additional own source revenue and rely on Commonwealth and State funding for its very survival. This is particularly relevant for asset renewals such as the town swimming pool replacement, as well as aging water and sewer assets. Often rural councils continue to defer their priorities as they simply cannot afford them.

The NSW Country Mayors Association 2024 submission to the Federal Standing Committee Inquiry into Local Government Sustainability made the following comments:

- *The average per capita rates in NSW is 41% lower than the national average; and*
- *In regional and rural Councils, there are insufficient rateable properties to sustain the Council services and infrastructure obligations, such as roads, waste, and public infrastructure. Councils fund Visitor Information Centres with limited and variable supports from grants. Where a location benefits from a visitor economy, the Local Council does not. There are insufficient rateable properties to support the cost of providing appropriate and necessary tourism infrastructure such as public amenities, roads, open space, footpaths, and cycleways; increased visitor numbers do not increase Council revenue, yet is sought for economic development. Consideration also needs to be given to*

non-rateable properties such as national parks, schools, and churches, who use Council's services such as parks, footpaths and community centres but pay no contribution.

- While NSW had employed a form of rate-pegging between 1901 and 1952, which was discontinued due to its 'impracticality', the genesis of the modern method of rate-pegging may be found in the 1976 state election campaign. Under the Local Government (Rating) Further Amendment Bill, an interim type of rate-pegging was re-introduced in 1977 and further refined into its contemporary form in 1978. While rate pegging achieved some of what it was initially designed to do, historically except for few occasions, the cap has been set below inflation. Moreover, the discrepancy is even larger than it might first appear if one considers a true measure of local government inflation rather than the Consumer Price Index. Cumulative effect of rate pegging over the past 20 years shows Hay Shire Council's rate income compared to inflation is \$400,000 less, equating to 15% of the 2023/24 rate income.

This is demonstrated by the following Figure 3:

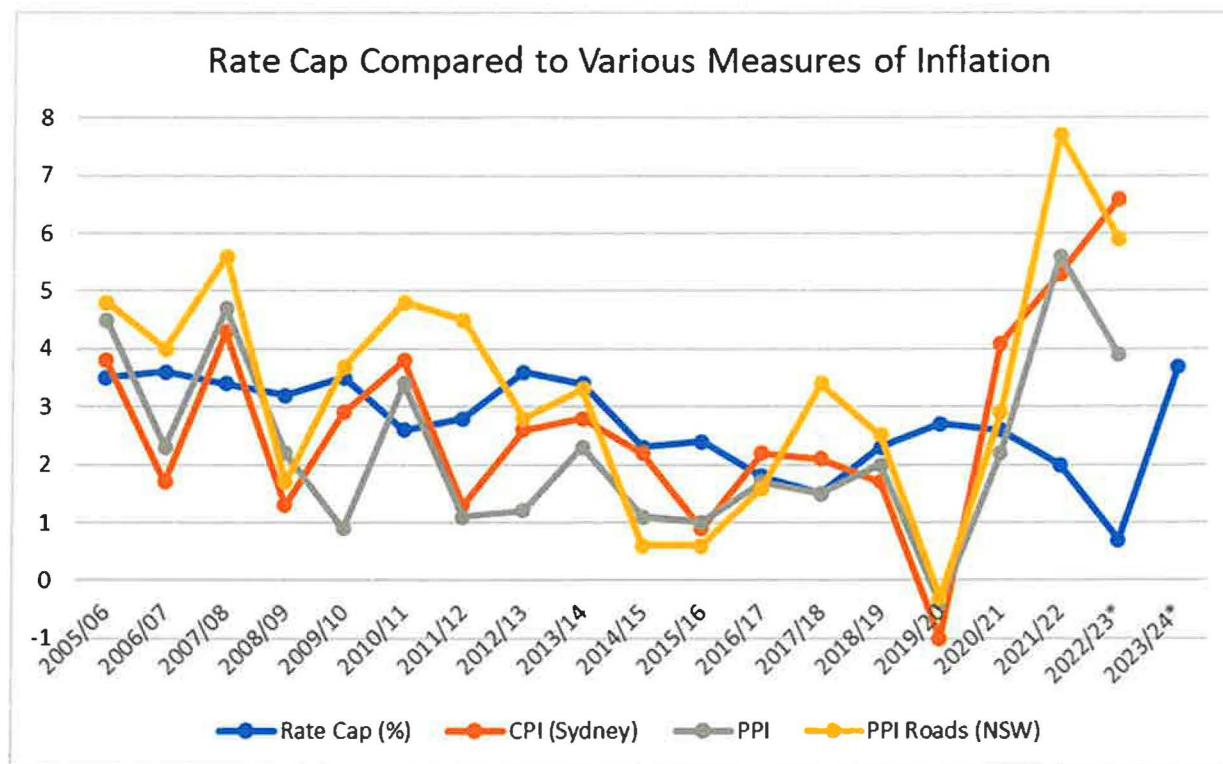


Figure 3 – Rate Cap V Measures of Inflation

For context, Council's wages cost in 2023 increased 5%, while the rate peg is 3.7%. This has been the scenario since 2019 where wages costs outstrip rate peg significantly. Inflation costs can go up daily, where councils' rates, fees and charges are set annually. Figure 4 below demonstrates the increase in staffing costs for rural councils, showing significant disparity when compared to the rate cap increase illustrated in Figure 4 below:

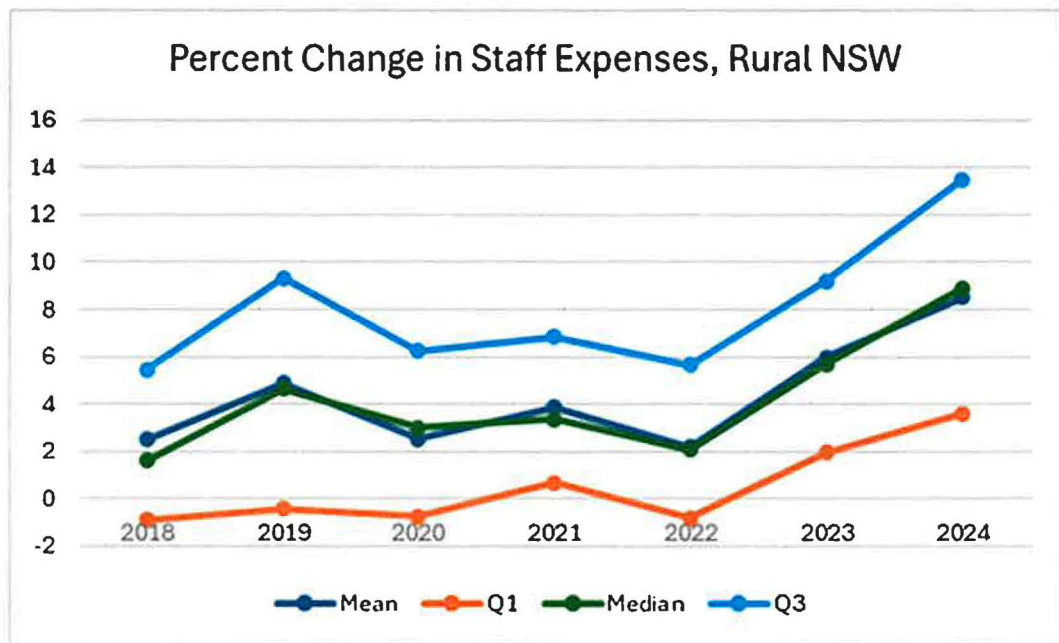


Figure 4 – Percent Change in Staff Expenses

- In addition, the NSW Government reviewed and changed the rate peg methodology in 2022/23, with the CPI factors used in the calculations, including employee costs, and is forward looking rather than backward looking which often has a lag, as well as a factor for ESL contribution increases. What appeared though is that the gap between cost increase in 2022/23 and 2023/24 year and the set rate peg will not be able to be caught up. Council has calculated it is forgoing \$180,900 in rate income lost as a result of the change in methodology, further exasperating the rate peg effect.
- Given the removal of services by other governments, the effective halving of FAGs (from 1% GDP and the current 0.53%), the more onerous compliance and legislative requirements, and the gap between rates caps and inflation, rural or remote councils over the last thirty years have balanced budgets by reducing their largest expense: transportation (roads). In 1995 rural or remote councils spent 58% of their budgets on

transportation. In 2024/25 Hay Shire Council spent 30% of its budget on transportation. Roads are Council's largest asset class, with a current value of \$131M, and recent years have seen an annual average increase in road construction and maintenance costs of close to twice what Council has been able to increase its rates revenue.

The cost of maintaining local road networks represent one of the biggest barriers to financial sustainability for Local Government. Road infrastructure is vital in social and economic terms and councils are ever conscious of the life-and-death safety implications of maintaining roads or restoring them, especially after natural disasters. Across the three tiers of Government in Australia, the Grattan Institute (2023) identified a \$1 billion gap in road funding.

- Additionally, councils are experiencing rising costs, particularly for materials and electricity, which are impacting operating budgets. These cost pressures are being driven by inflation, supply chain constraints and volatility in energy markets, and are disproportionately affecting local government due to the scale and essential nature of council service delivery. Rising electricity prices are increasing the cost of operating water and wastewater systems, street lighting, community facilities and recreational infrastructure, while higher material costs are inflating the delivery and renewal of roads, buildings and critical assets. Collectively, these factors are placing growing pressure on operating budgets, reducing councils' capacity to absorb costs within existing revenue frameworks and constraining the ability to maintain service levels and invest in long-term infrastructure sustainability. Figure 5 below shows the per cent increase in material costs experienced by rural councils in NSW.

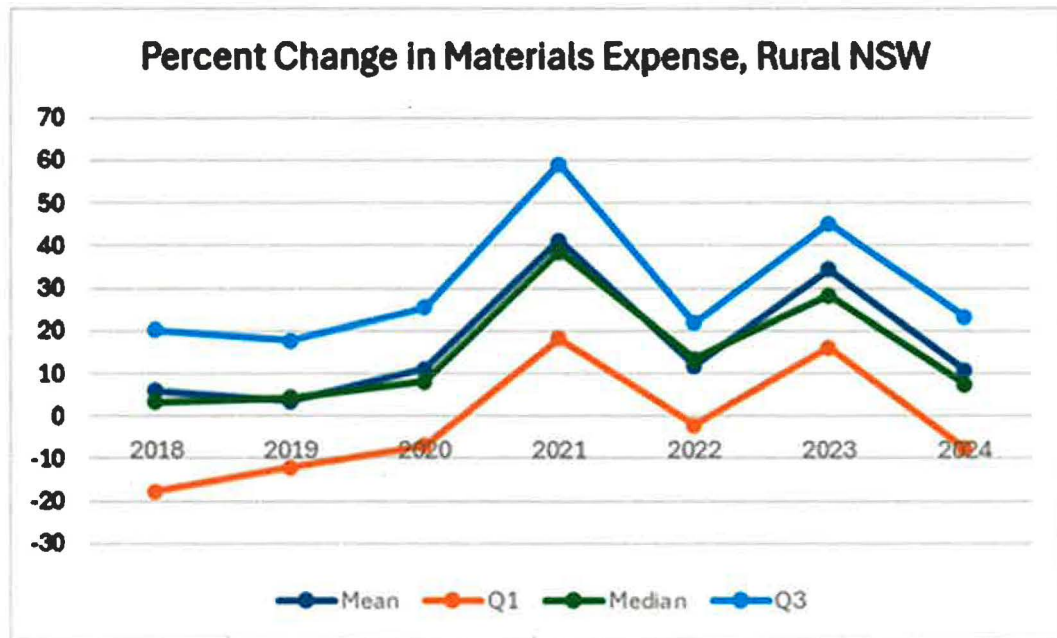


Figure 5 – Percent Change in Material Expense

- The Roads to Recovery Program is extremely important to Council's annual roads budget. The commencement of the doubling of the funding in 2024/25 year is very welcomed. The program is well run and easy for councils to administer. Council suggests the program funding model could be used for other non-competitive grant funding initiatives.
- The state government funded Regional Road Block Grant, unfortunately, has not kept pace with roads costs inflation, as shown by Figure 6 below:

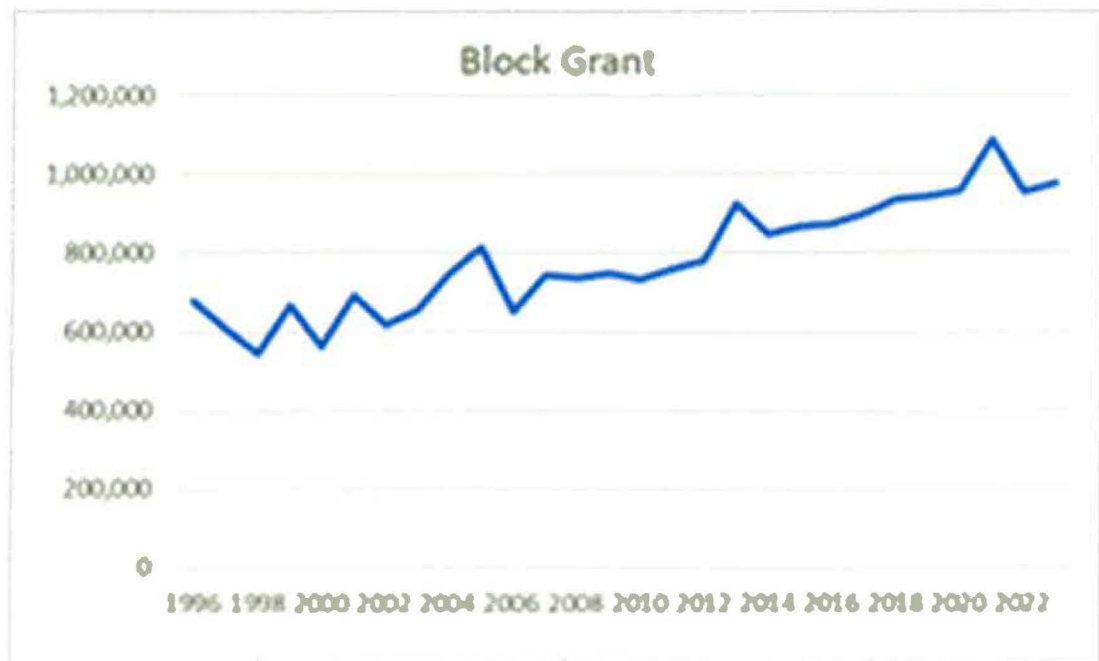


Figure 6 – NSW Block Grant – Hay Shire Council

While the state government has provided additional roads funding through the Regional and Local Roads Repair Program (\$4.12M over four years), Council is concerned there is no matching funding beyond June 2027. This will leave a significant gap in Council's road budget, impacting both roads maintenance and renewal programs.

- Council's assets value in 2018 was \$86M and in 2025 its \$250M. This also means Council's annual depreciation has increased from \$2,996,000 to \$5,133,000 in this time. This increase of \$2M hits Councils bottom line and is expected to be funded from the operating budget. By closing the gap on cost shifting, as well as rate peg adjustment and FAGs redistribution, as outlined above, this will allow Council to address the current financial shortfall of approximately \$1.8M in its operating budget (12% of total 2025/26 budget) to allow the fully funding of depreciation and satisfy asset renewal requirements.
- In NSW, Councils are unable to increase around half of their fees, relative to rising costs, as they are regulated by the NSW Government. Rural councils, in particular, are mindful of their community capacity to pay, with an increase in some of their fees may mean the service provided is no longer affordable. Most Council services do not achieve full cost recovery.

- While Council is supportive competitive grant programs, the interim report from the federal parliamentary inquiry into local government sustainability noted that competitive grants were unpopular with the councils that gave evidence. A number of smaller councils said these were swept up by LGAs who can afford co-contributions, and grant writers. Hay Shire Council is unable to afford grant writers, meaning this workload falls onto existing staff. In addition, Council has had to pass up on many grant programs as it has not been able to provide the required co-contribution (i.e. Regional Airports Program). Rural councils should be exempt from being required to provide any co-contributions in grant funding streams. The smaller regional councils are missing out on funding opportunities because they do not have available cash to fund a co-contribution.
- The Heavy Vehicle Safety & Productivity and Bridges Renewal Programs provide much needed funding to local government. Council believes these are good programs to assist councils with road asset renewals. Hay Shire has been fortunate to receive \$8.4M in recent years to fund projects such as bridge and culvert asset replacement.
- Recent initiatives by the Commonwealth, such as Growing Regions Program and the Community Energy Upgrade Program are game changers in terms of providing funding for significant projects that would be normally out of reach of rural councils like Hay. Again, Council has been fortunate to have been successful in receiving funding under these programs of \$4.27M.
- Other programs including Local Roads & Community Infrastructure (\$2.8M) and Murray Darling Basin Economic Development Program (\$1.7M) again provide funding for community initiatives not typically possible for regional and rural councils. These coupled with Disaster Recovery Funding (administered via the State) assist in giving reassurance to councils that they are able to maintain service delivery obligations to their communities.
- As stated above, Councils now provide many services to the community that it was never set up or funded to undertake, such as youth and seniors services, childcare, economic development, tourism, health (provision of facilities for GP's) and aerodromes. This places added pressure on an already limited budget to continue to maintain service infrastructure requirements.

- In recent years, Hay Shire Council has assumed increasing responsibility for the delivery of social infrastructure, particularly in responding to the impacts of climate change. As an agrarian economy, the region is highly vulnerable to extreme weather events such as drought and flooding, which places pressure on interconnected economic, social, and environmental systems. Building resilience requires a coordinated, whole-of-community and government response across all three systems.
- While initiatives such as the Regional Drought Resilience Plans have provided funding to support community-based planning, the practical responsibility for implementation has defaulted to local government. This shift is due in part to the decline of local volunteer networks and community organisations, many of which have weakened as residents face greater work demands and reduced capacity to participate. The decline in volunteers in the community often results in local government having to pick up the shortfall, which places further pressure on overall service delivery capability. This is evidenced by Council now having to undertake maintenance of showgrounds, recreational areas, museums and community halls, which were historically undertaken by volunteers.
- Although disaster and climate resilience are not traditional functions of local government, in rural and remote areas councils often serve as the lead agency by necessity. Community expectations reflect this. For example, Council was recently contacted by the Federal Member for Farrer on behalf of a constituent, inquiring about the local government response to drought. Despite having no operational authority or funding to lead drought responses, Council is perceived as the responsible body. This reflects a broader and ongoing shift in public expectations, driven by cost shifting and the centralisation of government services away from rural communities.
- Government policy settings and the rapid expansion of emerging industries, particularly large-scale renewable energy developments, are placing increasing and often unfunded pressures on rural communities and local governments. Hay Shire Council supports the national transition to renewable energy and recognises the long-term economic and environmental benefits of large-scale renewable developments. However, current government policy settings and the pace of project delivery are placing significant and largely unfunded pressures on Hay Shire's community, infrastructure and Council's limited organisational capacity.

- Hay Shire has a very limited housing and short-term accommodation market. Large-scale renewable energy projects proposed and underway in and around the Shire require sizeable construction workforces over extended periods.

While workforce accommodation arrangements are largely outside Council's direct control, Council is often the first point of contact for community concern and is expected to manage the social impacts of these developments without access to dedicated funding or specialist housing resources. Council is proactively working with developers and the state government to try and address this problem, however, to be successful it requires a whole of government funding solution.

- As noted above, Hay Shire Council manages an extensive road network that services agriculture, freight movements and regional connectivity, including key freight routes linking to regional centres and state highways. Large-scale renewable projects introduce heavy vehicle movements, oversized loads and increased traffic volumes on roads that were not designed for sustained construction-phase use of this nature.

The transport of turbine components, plant and construction materials accelerates wear on sealed and unsealed local roads, increases maintenance demands, and raises safety risks for local road users, including school buses and agricultural traffic. While proponents may contribute to specific upgrades or repairs, Council remains responsible for asset management planning, condition assessments, compliance monitoring and long-term maintenance, way beyond the construction period. These responsibilities place additional financial and operational burdens on Council that are not adequately recognised in existing funding models.

- Managing large-scale renewable developments requires specialised planning, engineering, environmental, legal and community engagement expertise. Council staff are required to assess complex development applications, negotiate planning and infrastructure agreements, liaise with state agencies, monitor compliance conditions, and respond to ongoing community concerns, all while across multiple projects concurrently.
- Under the South West Renewable Energy Zone (REZ) access rights tender announced in April 2025, the Hay Local Government Area (LGA) will host two large-scale renewable energy projects: Pottinger Wind Farm and Bullawah Wind Farm. These projects are expected to require peak workforces of approximately 850 and 450

personnel, respectively, representing a temporary 72% increase in the Hay LGA workforce. While the majority of workers will be accommodated onsite, ancillary, ramp-up and ramp-down personnel will place further pressure on an already limited local housing market over the next 5 – 10 years. Additionally, increased demand will impact waste management, local roads, and water supply infrastructure. The responsibility for managing these impacts has largely fallen to local government, without corresponding funding, staffing or policy support.

- The impacts of the energy transition extend beyond the two confirmed South West REZ projects. Hay Shire Council continues to engage with proponents of four additional large-scale renewable projects and one mid-scale development. The administrative, planning, and community engagement workload associated with these proposals is significant. However, unlike larger regional councils, smaller LGAs such as Hay lack the organisational scale to manage these pressures effectively. For context, Dubbo Regional Council, also located within a designated REZ, has a workforce of approximately 600, compared to Hay Shire Council's 60 staff. Despite the disparity in staffing, the regulatory and operational expectations placed on both councils are effectively the same.
- Hay Shire Council's experience highlights the disconnect between nationally driven policy objectives and the on-the-ground capacity of rural local governments to support them. There is a clear need for federal funding frameworks to better account for the cumulative impacts of emerging industries on small rural councils.

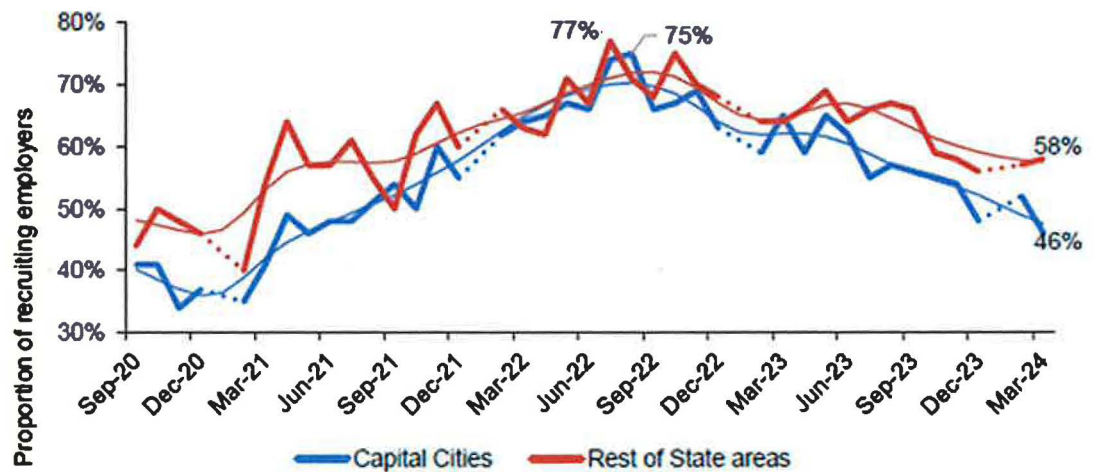
Without targeted and sustained funding support, rural communities such as Hay risk bearing a disproportionate share of the costs associated with the renewable energy transition, despite delivering outcomes of national benefit.

- The attraction and retention of a skilled workforce is a real challenge for rural councils. Hay Shire Council has worked hard on its staff attraction and retention with a grow your own philosophy and other initiatives, which has resulted in currently zero vacancies in the organisation. Local government often requires specialist skills not necessary in other sectors, such as Planners, Building Surveyors, Water Treatment Plant Operators, Rangers, Chief Finance Officers, with all taking years to train and develop the mandatory skills required. Being financial sustainable allows councils to

compete against other industries in an inadequate labour market and implement a grow your own philosophy.

The Labour Market update from Jobs and Skills Australia released in May 2024 outlined the greater challenges regional Councils and other employers face with recruitment, compared to capital cities, shown in figure 7 below:

Monthly recruitment difficulty rate (proportion of recruiting employers) by region, September 2020 to March 2024



Source: JSA, Recruitment Experiences and Outlook Survey, March 2024.

Notes: The recruitment difficulty rate is the proportion of recruiting employers who report having difficulty filling advertised roles.

Figure 7 – Local Government Labour Market Recruitment

The recent growth in the renewable energy sector, and in particular the South West Renewable Energy Zone, will place increased pressure on the already tight labour workforce, and quite likely price councils out of both the lower and higher skilled staff market.

- As Hay Shire Council manages a large area with a small workforce and limited rate base, improving productivity and coordination across all levels of government is essential to ensure rural councils can deliver services efficiently and support nationally significant projects. Large-scale renewable and infrastructure projects often proceed with limited early involvement of Council, despite its responsibility for local roads, community impacts, and long-term asset management.
- Improving productivity and coordination in Hay Shire Council is about aligning national and state policies with local delivery capacity. Stronger government

coordination, clear accountability, regional collaboration, digital investment, and stable funding will enhance rural council productivity and deliver better outcomes for communities and the nation.

- We see local government's partnership with the Australian Government as vitally important to the wellbeing and liveability of the communities of Australia. Together we can progress towards a more healthy, secure, sustainable, cohesive and prosperous Australia, particularly in rural and remote regions like Hay.

Thank you for your consideration of our submission. Hay Shire Council is willing to participate in further discussions if required.

If you have any further queries, please do not hesitate to contact me on (02) 6990 1100 or email [REDACTED]

Yours faithfully

[REDACTED]

David Webb
General Manager