



**Australian Government**

**Department of Climate Change, Energy,  
the Environment and Water**

# **Submission - Inquiry into Local Government Funding and Fiscal Sustainability**

Date: 22 January 2026

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## **Purpose of this submission**

The Department of Climate Change, Energy, the Environment and Water (the department) welcomes the opportunity to contribute to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport's inquiry into the funding and financial sustainability of local government in Australia. Local governments play a critical role in delivering essential services, managing environmental assets, and supporting community resilience, and the department recognises the importance of ensuring that funding frameworks remain robust, equitable and responsive to emerging challenges.

This submission provides an overview of the department's programs that directly intersect with local government responsibilities, with a particular focus on the Urban Rivers and Catchments Program, the National Water Grid Fund and the Reef Guardian Councils grant program. The submission also provides an overview of the First Nations Water Investment program. It outlines how these programs operate, the nature of their funding arrangements, and the ways in which they support local governments in meeting their obligations in water security, environmental management and community wellbeing.

In doing so, the submission aims to contextualise the department's current funding mechanisms, highlight the collaborative role of local governments in program delivery, and identify considerations relevant to the Committee's examination of long-term fiscal sustainability. The department can provide additional information as required.

## **The Urban Rivers and Catchments Program**

The Australian Government's \$200 million Urban Rivers and Catchments Program, established in 2022, is a targeted Commonwealth investment program restoring the health of Australia's urban waterways to benefit native plants, animals, and local communities.

Administered by the Department of Climate Change, Energy, the Environment and Water, the program funds projects that improve waterways across urban, outer-urban and regional centres by:

1. Enhancing riparian areas, stream banks and aquatic habitats to support native and threatened species; and/or
2. Improving water quality, connectivity and aquatic habitat to benefit native aquatic species, including threatened species.

The program also supports complementary activities that improve urban green spaces, increase community access to nature, and help reduce heat-related impacts from climate change.

The Urban Rivers and Catchments Program provides tied, project-based Australian Government funding to a range of organisations to deliver place-based environmental outcomes within urban and peri-urban catchments. Funded projects include, but are not limited to:

- Habitat and corridor creation for native wildlife
- Riverbank revegetation, stream re-naturalisation, and wetland creation
- Wetlands to filter stormwater and improve water quality
- Fish ladders and passageways to support aquatic species migration
- Installation of litter and gross pollutant traps to prevent pollution entering waterways

Local government is the program's largest stakeholder and a key delivery partner, reflecting councils' role in planning, managing, and implementing place-based initiatives in urban and peri-urban catchments and waterways.

Under the program, the Australian Government is providing a total of \$85.36 million in direct funding to local governments across 41 projects (around 43% of the program funding), with individual project funding ranging from \$189,000 to \$10 million.

The program comprised of 2 rounds.

### **Round One**

The October 2022-23 Budget provided \$91 million over 6 years (2022-23 to 2027-28) for the first round of the program to implement election commitment projects announced in the lead up to the 2022 election.

Round One projects are administered through agreements with the states and territories under a Schedule to the Federation Funding Agreement - Environment.

Local government is delivering 20 Round One projects with \$46.44 million of Australian Government investment (with project funding ranging from \$200,000 to \$10 million).

### **Round Two**

The May 2023-24 Budget provided \$109 million over 4 years (2024-25 to 2027-28) to deliver projects through an open-competitive grant opportunity. This funding is drawn from the Natural Heritage Trust.

Round Two was a competitive grants round process launched on 15 November 2023. Applications opened on 27 November 2023 and closed on 13 February 2024.

The \$109 million comprises 2 funding streams:

- Stream One - small to medium-sized project grants of between \$150,000 to \$2 million for community-led projects. Eighteen councils are receiving grants under this Stream (with project grant funding ranging from \$189,000 to \$2 million).

- Stream Two - large scale project grants of between \$2 million to \$10 million for projects. Applicants were required to provide a matching cash contribution for these projects. Three councils are receiving grants under this Stream (with project grant funding ranging from \$2 million to \$8.65 million).

Combined, local government is delivering 21 Round Two projects with \$38.92 million of Australian Government investment.

Local governments responded strongly to Round Two of the program, accounting for 96 of the 210 applications received (around 46%) (Table 1).

**Table 1 - Number of applications submitted by local governments to Round Two of the Urban Rivers and Catchments Program**

State/ Territory	Total number of applications	Applications for Stream 1	Applications for Stream 2
QLD	14	13	1
NSW	36	32	4
VIC	21	18	3
TAS*	8	8	0
SA*	7	6	1
WA	10	8	2
NT	0	0	0
ACT	0	0	0
<b>Total</b>	<b>96</b>	<b>85</b>	<b>11</b>

\*includes groups representing multiple local governments

**Table 2 - Local government projects contracted under the Urban Rivers and Catchments Program**

Whole of Program			Projects contracted with Local Government			
State/ Territory	TOTAL Number of projects (including local government)	*TOTAL URCP funding \$m	URCP Round 1		URCP Round 2	
			Number of projects contracted	*URCP funding \$m	Number of projects contracted	*URCP funding \$m
QLD	19	\$21.90	3	\$6.67	5	\$7.89
NSW	23	\$43.90	4	\$15.75	9	\$20.40
VIC	22	\$61.39	6	\$9.49	2	\$1.03
TAS	5	\$13.09	0	\$0.00	1	\$1.69
SA	18	\$21.02	5	\$12.91	2	\$3.81
WA	11	\$26.46	2	\$1.62	2	\$4.11
NT	1	\$3.82	0	\$0.00	0	\$0.00
ACT	2	\$3.23	0	\$0.00	0	\$0.00
Multiple (VIC/NSW)	1	\$0.46	0	\$0.00	0	\$0.00
<b>Total</b>	<b>102</b>	<b>\$195.27</b>	<b>20</b>	<b>\$46.44</b>	<b>21</b>	<b>\$38.92</b>

\*plus GST where applicable

In line with Australia’s international obligations under the Kunming–Montreal Global Biodiversity Framework, which recognises the importance of urban green and blue spaces in halting biodiversity loss, the Urban Rivers and Catchments Program *is enabling local government to take coordinated, place-based action to create greener, healthier, and more resilient communities.*

At the 2024 National General Assembly, the Australian Local Government Association passed Motion 151, noting the value of the Urban Rivers and Catchments Program to its members and calling on the Australian Government to expand and continue grants funding, broaden the range of eligible projects, and work with state and territory governments to address barriers arising from complex land ownership and management along urban waterways.

### **Local Environmental Projects Program**

Local governments may also receive funding through election commitments for priority local issues. For example, \$19.84 million of funding was allocated to local government organisations through the Local Environmental Projects Program in the lead up to the 2025 election.

**Table 3 - Allocation of funding for the Local Environmental Projects Program**

Program	Total amount allocated and/or committed	Nature of funding availability to local governments
Local Environmental Projects Program (\$87.5 million)	\$19.84 million allocated to local governments. \$5.32 million was contracted as at 8 January 2026.	Local projects were identified in the 2025 election campaign and are being administered through a targeted grant opportunity.

### **National Water Grid Fund**

This section addresses the committee’s interest in local government funding by outlining the indirect way the National Water Grid Fund (NWGF) interacts with councils. The NWGF is a targeted Australian Government investment program focused on improving long-term regional water security through the delivery of nationally significant water infrastructure.

Through the NWGF, the Australian Government partners with state and territory governments to support large-scale, strategic water infrastructure for productive and community use while being economically, environmentally, socially and culturally responsible. As all NWGF project proposals are submitted by state and territory governments, local governments can work through their state or territory government to advocate for projects, noting that decisions on prioritisation of proposals to be brought forward rest with states and territories.

While the NWGF does not provide direct grants to councils, local governments may participate in state-led projects as co-funders or delivery partners where appropriate.

Although councils are not primary recipients, in some cases NWGF projects may influence local government financial sustainability by reducing service delivery risks or infrastructure costs. NWGF investment may deliver indirect benefits to councils and their communities, such as improved regional water security and resilience to drought. In some cases, councils may be asset owners, operators, or partners within broader state-

led delivery models, particularly where infrastructure integrates with local distribution networks or supports regional growth and resilience.

The design and delivery of NWGF investment is consistent with the roles and responsibilities set out under the National Water Initiative and the proposed National Water Agreement, which place primary responsibility for water service delivery and regulation with states, territories and local governments. In this context, the NWGF complements, rather than replaces, other funding and policy mechanisms that directly support local governments, by addressing large-scale infrastructure needs that individual councils generally cannot plan or fund alone.

## **First Nations Water Investment programs**

In April 2023, the Australian Government established a dedicated First Nations Water Branch within the department to advance its commitment to delivering meaningful and lasting inland water outcomes for First Nations peoples. The Government delivers a suite of First Nations water based programs that support strengthening First Nations authority, decision-making, and long-term outcomes in inland water management. These programs aim to increase access to, ownership and management of water and operate under First Nations leadership and governance structures, with decision-making held by First Nations peoples.

Key features of the programs include:

- First Nations-led governance and decision-making
- Engagement undertaken directly with First Nations peoples on Country
- Program design that reflects Cultural authority and community priorities
- Alignment with the Priority Reforms under the National Agreement on Closing the Gap

Local government does not hold a decision-making or delivery role in these programs. However, where activities occur on Country, there may be indirect benefits for local businesses within council areas.

## Reef Guardian Councils grant program – Activating Local Council Reef Action Plans

In May 2024, the Australian Government announced an investment of \$17.48 million in council-led projects in Queensland. The Reef Guardian Councils grant program recognises that local actions are pivotal to the protection and restoration of the Great Barrier Reef, and councils are well positioned to lead this work in partnership with local communities, Traditional Owners and private landholders. The program commenced in 2023 and on-ground activities are due to be completed by October 2026.

A total of \$920,000 has been made available to each of the 19 reef catchment councils via a closed, non-competitive grant round, enabling them to activate their Reef Action Plans. The implementation of these plans contribute to the protection and resilience of the Great Barrier Reef. Activities councils have been funded to undertake include:

- reducing sediment run-off
- improving riparian, catchment and wetland habitats
- removing marine debris
- managing pest plant and animal species
- reducing carbon emissions.

To-date, \$14.2 million has been provided to councils to implement these activities, enabling councils to fund projects that have been unable to be funded in the past due to competing priorities and limited resources. The Reef Guardian Councils Program is a partnership between local reef councils and the Great Barrier Reef Marine Park Authority. There are now 21 councils who comprise the Reef Guardian Council Program.



grant program catchment