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WinZero Inc Submission to the
Inquiry into Local Government Funding and Fiscal Sustainability
House of Representatives Standing Committee on Regional Development,
Infrastructure and Transport

1. About WinZero and Context

WinZero Inc is a volunteer-led, community-based environmental organisation in the Wingecarribee Shire of NSW. Over the past five years we have worked closely with Wingecarribee Shire Council (WSC) on climate action, environmental protection, river health and disaster recovery.

Through this work it has become clear to us that the current local government funding model is not fit for purpose. In regional areas such as ours, local government is expected to take on increasing responsibilities with funding and revenue-sharing mechanisms that are inadequate, fragmented and often unpredictable.

Our submission responds to the Terms of Reference by highlighting the lived experience of a regional council area and offering practical options for reform.

2. Interactions Between Governments

(i) Nature and scale of funding from Australian, state and territory governments

From our perspective, the core problem is structural under-funding of local government operations by other levels of government, particularly for regional councils with:

- **High disaster exposure** – Wingecarribee Shire sits near the top of the table for natural disasters in NSW. Each flood, storm or fire event generates substantial recovery costs, especially for local roads, bridges and other council-owned infrastructure.
- **Expanding responsibilities** – Local government is increasingly expected to lead on environmental protection, climate adaptation, disaster resilience and waterway health, but core funding from Australian, state and territory governments has not kept pace with these expanded roles.



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- **Large networks serving dispersed communities** – Our road and infrastructure network services a widely dispersed population, so repairs and maintenance costs are disproportionately high per ratepayer compared with more densely populated LGAs.

Despite this, the primary funding mechanisms from other tiers of government often appear designed for “average” councils, not for regional, disaster-prone areas with high infrastructure costs and growing environmental duties.

(ii) Legislative and policy frameworks underpinning Commonwealth support

The current frameworks rely heavily on formula-based grants and state-level regulation (e.g. IPART in NSW) but do not:

- Recognise the real costs of modern environmental standards (e.g. nutrient reduction and PFAS management in sewage discharges).
- Provide predictable, long-term funding that matches legislated responsibilities.
- Allow councils sufficient flexibility to raise or receive income commensurate with their obligations.

As a result, councils are often caught between compliance obligations set by higher levels of government and a funding system that does not provide the means to meet those obligations.

3. Identification of All Funding Sources

(i) Funding from Australian and state/territory governments

From the vantage point of a regional community working closely with council, local government funding typically comprises:

- **Untied grants** – Financial Assistance Grants are essential but constrained and have not kept pace with growing responsibilities.
- **Tied / specific-purpose grants and competitive programs** – Councils are compelled to lodge numerous grant applications to fund essential work, especially in environmental, wildlife and climate programs. These grants:
 - Are highly competitive and administratively burdensome.
 - Are uncertain in timing and continuity.
 - Make it very difficult to plan multi-year programs or retain staff.
- **Emergency, disaster recovery and resilience funding** – Critical after major events, but largely reactive and focused on rebuilding, rather than building in long-term resilience and environmental protection.
- **One-off or ad hoc funding streams** – Useful but unpredictable; they cannot form the backbone of sustainable service delivery.

This patchwork of funding is no way to run an organisation charged with safeguarding infrastructure, communities and the natural environment.

(ii) Local government own-source revenue

Council revenues are heavily constrained by:

- **Rate-setting controls** – In NSW, rate increases are limited by IPART, a remote independent body with limited local context. This can prevent councils from raising revenue to meet real needs.
- **Community pressures** – Many ratepayers understandably resist rate rises, but often have little visibility of the true costs required to maintain infrastructure and deliver the services that underpin their lifestyles.
- **Salary and workforce pressures** –
 - Councillor remuneration is relatively low given the complexity and responsibility of the role, making it harder to attract highly qualified candidates.
 - Council salaries often lag behind equivalent positions in the private sector. Combined with housing affordability challenges in regions like Wingecarribee, this makes it difficult to attract and retain skilled staff.

In addition, **more of the retail income from water and sewerage services needs to be shared with councils and local water utilities**, so they can:

- Upgrade sewage treatment plants and related infrastructure.
- Properly remove nutrients and PFAS from sewage discharges.
- Protect river health and drinking water quality in local catchments.

At present, councils are expected to manage the environmental consequences of sewage and stormwater, without a fair share of the revenue generated from water and sewerage charges.

4. Impacts and Effectiveness of Current Funding Arrangements

(i) Financial sustainability, service delivery and infrastructure investment

The combined effects of constrained revenues, fragmented funding and growing responsibilities result in:

- **Chronic under-funding of core work** – Council budgets routinely include tens of millions of dollars of “unfunded” items, many of which relate to environmental protection, wildlife, climate resilience and waterway health.
- **Deferred infrastructure upgrades** – Critical projects such as improved sewage treatment (including nutrient and PFAS removal), stormwater management and road resilience are delayed or proceed piecemeal.

- **Over-reliance on grants** – Councils must chase competitive grants to perform what are, in reality, essential functions. This diverts staff time, undermines planning certainty and is not an effective or efficient way to run any sizeable organisation.

In effect, current arrangements undermine both financial sustainability and the capacity of councils to deliver the services and infrastructure the community expects.

(ii) Evolving responsibilities of local government

Local government responsibilities have expanded to include:

- Climate adaptation and disaster resilience.
- Protection of waterways, wetlands and biodiversity.
- Addressing emerging contaminants such as PFAS, alongside nutrients and other pollutants in sewage and stormwater.
- Supporting social cohesion, mental health and community resilience in the face of repeated disasters.

However, funding mechanisms and indexation processes do not reflect this evolution. Councils are increasingly the “first responder” tier of government for complex environmental and social challenges, but are funded as if they were primarily responsible for traditional roads, rates and rubbish.

(iii) Barriers to infrastructure service delivery and workforce issues

Significant barriers include:

- **Attracting and retaining a skilled workforce** –
 - Lower salaries than the private sector.
 - Housing affordability pressures in regional and peri-urban areas.
 - Limited career pathways in smaller councils.
- **Insecure project-based funding** – Reliance on short-term grants makes it hard to offer secure employment and build institutional expertise.
- **Councillor remuneration and expectations** – The responsibility level of councillors is high, but remuneration is modest. This can deter high-calibre candidates and limits the diversity of people able to serve, particularly those without independent income.

(iv) Opportunities to improve productivity and coordination

Despite these challenges, there are clear opportunities:

- **Regional collaboration and shared services** – Larger operational areas or collaborative arrangements can support shared specialist staff, joint infrastructure

planning, and coordinated environmental programs (e.g. wildlife corridors, national parks interfaces and catchment-wide river health strategies).

- **Partnerships with community organisations** – Well-structured community organisations can take pressure off council staff in areas such as environmental stewardship, climate education, social resilience and wildlife preservation.
- **Improved alignment of funding and responsibilities** – Productivity will improve when councils can focus on long-term planning and delivery rather than constant grant-seeking.

5. Previous Inquiry

We understand that the previous Inquiry into Local Government Sustainability highlighted:

- Cost-shifting from other levels of government onto local councils.
- The structural mismatch between responsibilities and revenue.

Our experience in Wingecarribee strongly confirms these findings. The issues identified then have, if anything, become more urgent as disasters, climate impacts and environmental obligations intensify.

6. Options and Recommendations (Other Relevant Matters)

We propose three broad options, which could be pursued individually or in combination.

Option 1: Consider Larger Operational Areas and Regional Structures

While previous amalgamations in NSW were partial and sometimes reversed, there remain potential benefits in examining larger operational groupings and stronger regional structures, including:

- Better ability to attract and retain high-quality staff through larger salary pools and more residential options.
- Election of higher-calibre councillors from a broader candidate base, supported by more appropriate remuneration.
- Improved alignment of LGA boundaries with state and federal electorates, aiding coordination.
- Economies of scale in planning, delivering and maintaining roads, sewerage, water supply and waste management.
- More effective management of regional environmental assets such as wildlife corridors, national parks, natural habitats and endangered species.
- Stronger regional capacity for emergency management and disaster recovery.

These benefits must be weighed against real risks:

- Reduced and less effective local community engagement.

- A sense of isolation in smaller or more remote communities within a larger LGA.
- Less place-based strategic planning and a tendency to “average out” decisions rather than tailor them to local conditions.

If amalgamation or regionalisation is pursued, community engagement and place-based planning must be protected.

Option 2: Enhance the Funding Model for Councils

We strongly support reforms that improve the adequacy, flexibility and predictability of local government funding, including:

1. Greater flexibility in rate setting

- Adjust the parameters used by IPART and equivalent bodies so councils with demonstrated needs (e.g. high disaster exposure, extensive networks, stringent environmental obligations) can raise revenue appropriately, subject to transparent community consultation.

2. Lump-sum, locally determined funding

- Provide a base lump-sum allocation to each council to spend in line with community priorities, using a formula that recognises population, area, disaster risk, infrastructure load and environmental responsibilities.

3. Fair sharing of water and sewerage retail income

- Ensure a greater share of retail income from water and sewerage services flows to councils and local water utilities for:
 - Infrastructure upgrades to sewage treatment plants.
 - Advanced nutrient removal.
 - Management of PFAS and other emerging contaminants.
 - Protection of river health and drinking water quality in local catchments.

Given that councils perform many functions of government, extra funding should appropriately come from state and federal sources. Realistically, given state budget constraints, the Commonwealth will need to play a leading role in any substantial top-up.

Option 3: Direct Support for Capable Community Organisations

We also recommend exploring mechanisms to **directly fund capable community organisations** to complement and extend council capacity in designated areas, particularly non-operational activities such as:

- Environmental protection and restoration.
- Social resilience and community cohesion.
- Wildlife conservation and habitat enhancement.

- Community education on climate, energy and water issues.

Examples of organisations with this capacity include:

- Southcoast Health and Sustainability Alliance (SHASA) – Eurobodalla.
- Geelong Sustainability – Geelong region.
- Bega Circular Valley – Bega region.
- WinZero Inc – Wingecarribee.
- Community Voice for Hume – Goulburn.

There are many similar groups across Australia that can work in partnership with councils, taking pressure off council staff while delivering high-impact, community-driven outcomes. Direct, recurrent support for such organisations would be a cost-effective way to improve local outcomes and strengthen civic infrastructure.

7. Conclusion

Local governments are on the frontline of disaster recovery, environmental protection, river health and community wellbeing. In regional areas like Wingecarribee, councils are being asked to do more, under more challenging conditions, with funding frameworks that do not match their responsibilities.

We urge the Committee to:

- Recognise the specific pressures on regional councils.
- Reform funding and revenue-sharing arrangements so councils can sustainably meet their obligations.
- Ensure a fair share of water and sewerage retail income is directed to local infrastructure and contaminant removal (including nutrients and PFAS).
- Support regional structures and community organisations that enhance productivity, coordination and resilience.

Thank you for the opportunity to contribute to this important Inquiry.

WinZero Inc

Wingecarribee Net Zero Emissions