Temora Shire Council

TEMORA
The Friendly Shire

Our reference:

19 December 2025

Committee Secretary
House of Representatives Standing Committee
on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
CANBERRA ACT 2600

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Dear Committee Secretary

Inquiry into Local Government Funding and Fiscal Sustainability – Parliament of Australia

Temora Shire Council welcomes the resumption of the inquiry into local government funding and fiscal sustainability and the opportunity to make a submission.

Temora Shire is in the Riverina Region of NSW, covering approximately 2,800 square kilometres, with a population of 6,029 (ABS estimate 2023). The Shire is a major centre for agriculture and is one of the states leading producers of wheat, canola, other cereals and wool. Council manages a road network of approximately 1,328 kilometres, comprising 363 kilometres of rural sealed roads and 837 kilometres of rural unsealed roads. The road network provides essential connectivity for agricultural movements, freight and community access between rural properties, townships and regional centres. Temora Shire has a large ageing population with 34.5% of the population aged over 60 with the median age being 47, compared to 39 in NSW and 37 in Australia (2021 ABS Census).

There are several components for achieving a sustainable organisation including;

- A planned and strategic approach to service and infrastructure delivery
- Appropriate maintenance and renewal of assets
- The ability to attract and retain a skilled workforce
- Effective forecasting, planning and management of long-term financial sustainability
- Integration of assets, people and financial resources into a cohesive resourcing strategy
- Alignment of policies strategies, systems and processes with a focus on continual improvement; and
- Decision-making that is consistent with agreed direction, strategies and plans

However, Council's capacity to fully deliver on these components of organisational sustainability is significantly constrained by its current financial context, and like many rural and regional councils we are under mounting fiscal strain driven by factors such as:

- The scale, age and geographic spread of Council's infrastructure network – including roads, bridges, stormwater, buildings, sewer and community facilities – places significant pressure on Council's limited revenue base, with increasing renewal and maintenance needs outstripping our capacity to sustainably fund them.

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- The cost implications of delivering extensive road and road related infrastructure with a relatively small population base. Road expenditure is one of the main non-employee related expenses and one of the most significant asset classes managed by Temora Shire Council
- Declining real value of untied Commonwealth funding, particularly Financial Assistance Grants (FA Grants)
- Long-term cost shifting from other levels of government
- Structural constraints on our own-source revenue, especially rate pegging.

These factors collectively threaten our financial sustainability, service levels and capacity to invest in critical infrastructure.

1. Financial Sustainability and Funding

1.1 Rate pegging and limited own-source revenue

Rate pegging in NSW is a core structural constraint. The rate peg has frequently been set below CPI and significantly below the actual increases in local government costs such as construction, fuel, utilities, insurance, wages and compliance. Over many years this has eroded our real revenue base and limited our ability to respond to new demands.

As a rural council our revenue raising opportunities are limited, our population is small and we have limited commercial opportunities. In the 2024/25 financial year income derived through rates was $4.597 million representing just 11.29% of total income and 15.17% of operating income.

We note that the commonly quoted target of 60% own-source revenue is unrealistic for rural councils with small rate bases and high fixed costs. In the 2024/25 financial year Council's own source revenue was 57.71%

1.2 Financial Assistance Grants (FA Grants)

FA Grants are our most important source of untied funding. They support core services, basic infrastructure and local priorities that cannot be funded from rates alone. In the 2024/25 financial year FA Grant allocation represented 12.4% of Council's income.

However, FA Grants have declined over time as a share of Commonwealth taxation revenue with the compounding impact of past indexation freezes further reducing their real value.

Councils like ours, with limited own-source revenue capacity, rely heavily on FA Grants to provide a reasonable level of service and maintain infrastructure to an acceptable standard.

In line with the position of advocacy bodies such as the Country Mayor's Association, we strongly support restoring FA Grants to 1% of Commonwealth taxation revenue, with ongoing indexation reflecting real cost movements. A restoration back to 1% would represent approximately $5 million additional income for Council and would provide Council with a stable, untied revenue base that could be directed to critical service delivery, asset maintenance and infrastructure renewal that are currently underfunded. It would ease pressure on ratepayers, reduce reliance on short-term grant programs and one-off measures, and significantly improve the Council's capacity to plan and invest for long-term financial and service sustainability.

1.3 Cost pressures and new obligations

We face rising costs in roads and construction, electricity, insurance, regulatory compliance and audit. New obligations – such as expanded audit, risk and improvement requirements, asset recognition issues, emergency management and modern slavery – all have real resource implications that are not funded.

Without adequate and predictable funding, each new obligation can only be met by cutting services or deferring maintenance.

Recently Council has undertaken an Organisational Efficiency and Productivity Gains Improvement Plan, which identified that whilst Council continues to operate efficiently and has achieved notable improvements in several operational areas (estimated to total at least $1.011 million per year in financial benefits to Council) that Council's proposed future initiatives – while important – will not be sufficient on their own to materially alter Councils long term financial sustainability. It was found that even with full implementation of the initiatives the projected position remains structurally constrained by factors outside of Councils control, including rate-pegging, cost shifting, inflationary cost pressures and the increasing service expectations of the community.

2. Infrastructure, Service Delivery and Cost Shifting

2.1 Infrastructure

Rural and regional Councils manage a diverse and geographically dispersed asset base – including roads, bridges, drainage, buildings and sewer networks, along with community facilities such as airports, swimming pools and sporting facilities, and infrastructure to support the provision of aged and disability support services. These assets have a combined value that dwarfs any other line item on the Balance Sheet. Council's infrastructure is ageing and requires an increased level of maintenance and renewal, with road and road-related infrastructure in particular representing by far our largest cost pressure. Without increased untied funding such as FA Grants, Councils cannot sustainably maintain these essential assets to the standard expected by our communities and required for regional economic productivity and safety.

2.2 Disaster recovery and resilience

More frequent natural disasters are placing unprecedented pressure on Council's infrastructure and finances. Floods, fires and storms are now regular events, damaging local infrastructure.

We are grateful for disaster and recovery funding, but we observe that:

- Funding is often short-term and project-based, making it hard to offer permanent roles and build internal capacity.
- Funding and audit requirements can be duplicated between Commonwealth and State agencies, increasing administrative burden on already stretched staff.

A more streamlined, multi-year approach to disaster recovery and resilience, with clearer and simpler accountability, would greatly improve our ability to plan and deliver works.

2.3 "Provider of last resort"

Temora Shire Council has a history of being the "provider of last resort" in our community. As other levels of government and private providers withdraw or consolidate services, we are expected to step in to support various services including:

- Aged and disability support services, community transport, youth and community wellbeing services.
- The provision of accommodation services for medical professionals.

- Being Trustee of the Temora Agricultural Innovation Centre, formerly the Temora Agricultural Research & Advisory Station.
- Economic development, tourism, events and town-centre activation.

These roles are vital to the liveability and resilience of our community but are often unfunded or under-funded, and fall outside traditional "roads, rates and rubbish".

2.4 Cost shifting and legislative layering

Cost shifting from other tiers of government is a major contributor to Council's structural deficit. Examples include:

- State-imposed levies and charges, such as the Emergency Services Levy
- Regulatory functions including development applications, companion animals and noxious weeds.
- Funding programs such as the library, road safety program and Service NSW.
- Concession schemes such as pensioner rebates that are only partially funded, leaving Council to carry a significant share of the cost.
- Rate exemptions.

Each individual change may appear modest, but the cumulative effect is significant and ongoing.

<u>3. Workforce and Service Delivery Capacity</u>

Small rural councils face acute workforce shortages and intense competition for skilled staff, particularly in:

- Engineering, asset management and project management.
- Planning, building surveying and regulatory roles.
- Financial and risk management, governance and compliance.

The cost-of-living crisis has put pressure on wages, as employees look for higher wages in other industries. Being financially sustainable allows council to compete in the tight labour market.

At the same time, the skill-set required in local government is unique and has broadened. We now need staff who can manage complex funding programs, comply with more sophisticated assurance and reporting frameworks, and support growing social and community development roles. These skills often take years to develop. We acknowledge the NSW Office of Local Government's Fresh Start Program and would benefit from the continuation and strengthening of this program.

Temora Shire Council is working hard to improve attraction and retention of staff by investing in "grow your own" strategies, traineeships, flexible work arrangements and regional collaboration on specialist roles. However, these efforts are constrained by our overall financial position and by the insecure nature of much grant funding.

<u>4. Role of the Australian Government – Priority Reforms</u>

We see a critical role for the Australian Government in addressing the structural issues that threaten local government sustainability, particularly for small rural councils.

We recommend the Committee:

- Restore and grow untied funding by increasing FA Grants to 1% of Commonwealth taxation revenue, with robust indexation. This could be staged over several budgets to ultimately restore back to 1% of total commonwealth taxation revenue. Investing in local government means that the whole population of Australia will benefit from improved infrastructure and services.

- Maintain and strengthen core infrastructure programs such as Roads to Recovery and Local Roads Community Infrastructure, and provide long-term, formula-based community infrastructure funding that councils can plan around.
- Reduce reliance on fragmented, competitive grants by shifting the emphasis to predictable allocations with proportional reporting and streamlined acquittal processes.
- Address cost shifting and regulatory duplication by working with States and local government to identify and quantify cost shifting, and to integrate new requirements into existing planning and reporting systems.
- Support regional workforce and collaboration through scholarships, cadetships, regional training hubs, shared specialist positions, support for regional alliances and funding programs such as the Fresh Start Program.

5. Conclusion

Small rural councils are efficient, innovative and deeply connected to their communities, but we are operating within a funding and regulatory system that is increasingly unsustainable.

In summary:

- Our core revenue is tightly capped while our costs and responsibilities continue to grow.
- Untied Commonwealth funding has declined in real terms, even as we take on more roles as provider of last resort.
- Short-term, competitive and administratively heavy grant programs do not align well with the realities of small rural councils.
- Workforce shortages and insecure funding undermine our ability to deliver essential services and infrastructure.

We respectfully urge the Committee to use this inquiry to drive structural reform, particularly in relation to untied funding, cost shifting and program design. We would welcome the opportunity to provide further information.

Yours sincerely

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