



ATTACHMENT

Hawkesbury City Council submission to Inquiry into Local Government Funding and Fiscal Sustainability

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

1. Introduction

Hawkesbury City Council welcomes the opportunity to provide a submission to the Committee's Inquiry into Local Government Funding and Fiscal Sustainability. As the local government authority serving a growing region, with significant infrastructure obligations including roads, drainage, community services, and disaster recovery, Council is committed to contributing evidence-based insights into current funding arrangements and pathways to more sustainable fiscal outcomes.

Council's submission is informed by its Operational Plan and Budget 2025/2026, which outlines a total funding envelope of approximately \$224.8 million to deliver services, capital works and community programs in the Hawkesbury Local Government Area. This plan reflects the lived realities of local government delivery pressures under current intergovernmental funding arrangements and revenue constraints.

2. Interactions Between Governments

Council acknowledges the role of Commonwealth and State funding in supporting local service delivery and infrastructure investment. Major funding sources include:

- Financial Assistance Grants: untied funding that supports core community services.
- Tied and project-specific grants: often for capital upgrades or strategic initiatives, but frequently requiring co-contributions.
- Disaster recovery and resilience funding: critical for flood and emergency response given the region's exposure to natural disasters.

These funding streams are vital for Council's financial sustainability, but experience suggests that:

- Funding often lags behind actual cost increases associated with project delivery, this is especially important in the context of the Western Sydney Infrastructure Grants where a number of Western Sydney councils have similar issues with initial grants no longer being sufficient to deliver the scope of works initially envisaged.
- The complexity and competitive nature of tied grants can create planning uncertainty and administrative burdens. The reporting requirements of Federal and State Government create an overwhelming burden on smaller Councils where a number of staff roles are taken up in compliance and reporting roles which do not add value to the community. Council would envisage a similar number of Government staff is devoted to digesting the required reporting from Council's which adds no value to service delivery.

Council supports a comprehensive mapping of all direct and indirect funding mechanisms (as envisioned in the terms of reference) to improve transparency and policy coherence. It would be worthwhile to tally the administration burden on all levels of Government from tied grants and contrast with the funding capacity that would be freed up by transitioning to less tied grants or less onerous reporting of grants.

3. Identification of All Funding Sources

Council's revenue base comprises:

- Rates and charges
- Fees and user charges
- Commercial activity and interest earnings
- Grants from other levels of government

While Council's Operational Plan 2025/2026 includes robust own-source revenue strategies, these are under pressure due to statutory rate pegs (particularly in NSW) which limit Council's ability to adjust for



rising costs. Hawkesbury City Council resolved to apply for a special rate variation for 2026/2027 given the inability of the rate peg to provide the required revenue to fund infrastructure renewal.

Council supports measures that:

- Enable local Councils to raise the appropriate level of revenue required to provide critical services to their local communities.
- If rate pegs are retained, fair indexation of rate pegs to reflect local cost pressures.
- Recognise the value of untied federal funding to provide greater flexibility in planning and delivery.
- Avoid over-reliance on highly conditional, short-term project grants.

This transparency around funding sources is essential to understanding the true fiscal sustainability of local councils across Australia.

4. Impacts and Effectiveness

Council welcomes the Committee's focus on the impact of funding arrangements on sustainability. Hawkesbury City has faced:

- Elevated service delivery expectations.
- Significant infrastructure renewal backlogs.
- Disaster response costs following flooding and related events.

These pressures are exacerbated when incremental cost movements (e.g., for labour or materials) are not matched by untied funding increases or adjustments in grant indexation. Greater federal support, particularly in untied financial assistance, would help local governments better plan long-term service delivery and infrastructure investment.

5. Previous Inquiry Evidence and Sector Collaboration

Council urges the Committee to consider evidence from the previous Commonwealth inquiry into Local Government Sustainability. Aligning this Inquiry with prior evidence ensures continuity, reflects persistent challenges, and prevents unnecessary duplication.

Council also supports collaboration with peak bodies (e.g., Australian Local Government Association) to consolidate sector views on matters such as:

- Restoring real growth to untied federal grants.
- Intergovernmental funding reform to bridge fiscal gaps.
- Shared approaches to workforce and infrastructure strategy.

6. Recommendations

1. ***Enhance Untied Funding***
 - Increase annual Financial Assistance Grants to reflect real cost pressures and population growth.
 - Consider mechanisms tied to at least inflation + community growth indices.
2. ***De-risk Infrastructure Projects by Funding Outcomes***
 - Incentivise multi-year funding models that enable councils to plan beyond annual cycles or provide grants tied to project scope where the local Council does not bear the risk on grant funding being insufficient to deliver the project.
 - Support strategic infrastructure planning in partnership with federal and state agencies.
3. ***Improve Funding Efficiency***
 - Streamline application and reduce reporting obligations.
 - Map all Commonwealth and State funding flows, including tied and competitive grants, to local government.

7. Conclusion

Hawkesbury City Council appreciates the opportunity to contribute to this important inquiry.