Advocating for the people of Western Sydney

Western Sydney Regional Organisation of Councils Ltd
Suite 201, Level 2, 85 Flushcombe Road
PO Box 63, Blacktown, NSW 2148
Tel (02) 9671 4333 Email: info@wsroc.com.au
www.wsroc.com.au

3 February 2026

Committee Secretary
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

Dear Secretary,

The Western Sydney Regional Organisation of Councils (WSROC) welcomes the Committee's inquiry into local government funding and fiscal sustainability. Our member councils in Greater Western Sydney serve some of Australia's fastest-growing, most diverse communities, yet face structural revenue constraints, escalating cost shifting and increasing responsibilities in infrastructure, emergency management, climate resilience and digital security.

This fiscal imbalance has resulted in increasing pressures on council services, and risks maintenance delays, program cuts or service-level reduction. In addition, councils struggle to shoulder any urgent unexpected costs, such as disaster recovery, asbestos dumping and escalating Microsoft fees, disaster recovery, timely clean-up of asbestos or other hazardous waste dumping. Long-term risks of this imbalance include infrastructure deterioration and growing inequalities between councils.

Below are outlined five key points of recommendation that WSROC believes should be at the core of a review of Local Government Funding and Fiscal Sustainability. These are broadly in line with, and in support of, advocacy by ALGA and LGNSW. Several of our member councils may also submit responses to the inquiry. Our submission should be seen in addition and in support of those.

1. **Restore Financial Assistance (FA) Grants**
   Financial Assistance Grants have fallen as a share of national revenue over decades. This means less real funding relative to needs.

   - Recommendation: Restore FA Grants to at least 1% of Commonwealth taxation revenue and provide a $3 billion one-off payment to correct the longstanding practice of advancing FA Grants, improving budget certainty.

2. **Reform the NSW rate peg system**
   The current rate peg system for NSW councils has not kept pace with councils' growth and rising costs. This has constrained councils significantly in delivering required infrastructure and services for their communities and puts pressures on maintenance and replacement of infrastructure.

- Recommendation: Reform the NSW rate peg system to better reflect real costs and support councils' financial sustainability.
- Recommendation: Give councils more flexibility to raise revenue based on local needs (with safeguards for ratepayers).

3. **End cost shifting**

   Cost shifting from the Commonwealth and NSW Government has cost NSW local councils $1.36 billion[1]. This has increased pressure on councils. Any further transfer of responsibility should be supported by appropriate resourcing.

   - Recommendation: Clear rules so state and federal governments do not impose additional responsibilities without funding.
   - Recommendation: If councils must deliver new services (e.g., climate action plans), the level of funding from other governments should match these responsibilities.

4. **Shift from Short-Term Grants to Long-Term Funding Programs**

   Councils increasingly depend on grants from state and federal governments, which are often competitive, short-term and tied to specific projects instead of local priorities. This leads to inefficiencies and risks deficiencies in services and assets, as no sustainable long-term funding is available for renewal and maintenance of assets and infrastructure.

   - Recommendation: Establish predictable, formula-based programs beyond roads, to cover renewals and maintenance, climate adaptation, emergency management capability, and housing enabling infrastructure.

5. **Improve Disaster Recovery Funding Arrangements (DRFA)**

   Many Western Sydney councils are highly exposed to natural disasters — bushfire, flood, severe storms and extreme heat — which impose substantial recovery and resilience costs on local budgets.

   The current DRFA model does not sufficiently cover the cost of the disaster management and community recovery efforts and fails to recognise the diversion of staff resources required, and disruptions to business as usual.

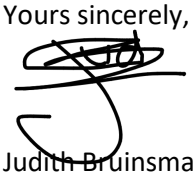
   - Recommendation: Accelerate DRFA cashflows and embedding betterment so damaged local assets are rebuilt to higher resilience standards.

WSROC would like to stress that any proposed solutions must be sensitive to the diversity of councils across Australia, including differences in demographics, population growth, geography and hazard exposure, infrastructure asset bases, and service needs. To get this right, councils should be engaged end-to-end, solutions codesigned and implemented in strong collaboration with councils (and their regional groupings) to ensure reforms are practical and equitable.

[1] 2025 LGNSW Cost Shifting Report – How State Costs Consume Council Rates

Thank you for your consideration.

Yours sincerely,



Judith Bruinsma
Acting CEO
Western Sydney Regional Organisation of Councils
Judith@wsroc.com.au
02 9671 4333

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Who are WSROC?

Formed in November 1973, the Western Sydney Regional Organisation of Councils (WSROC - pronounced 'wesrock') is one of Australia's oldest and most well-respected local government organisations.

A champion for the Greater Western Sydney region, WSROC advocates on a range of issues affecting its member councils and their communities.

WSROC has a reputation for considered policy analysis and has delivered policy reform, programs and projects across issues affecting Western Sydney.

These include transport and roads, economic development, urban planning and management, the environment, waste management, employment, community services, and local government funding.