

Memo

Corporate Services

Date: 28 August 2025

Subject: Copy of correspondence regarding cost shifting to local government

Record Number: 2025/566089

At the August 2025 Council meeting it was requested that a copy a response to a resolution of the Council regarding cost shifting to local government, be published on Council's website.

A copy of the correspondence from the Minister for Local Government, the Hon Ron Hoenig MP, is attached.

The Hon. Ron Hoenig MP

Leader of the House in the Legislative Assembly

Vice-President of the Executive Council

Minister for Local Government



Your Ref: 2025/139738
Our Ref: A949635 / M025-0085

Mr Scott Phillips
Chief Executive Officer
Northern Beaches Council
PO Box 82
MANLY NSW 1655

Via email: council@northernbeaches.nsw.gov.au

Dear Mr Phillips,

Thank you for your letter regarding Northern Beaches Council's recent resolution proposing several policy measures to address financial sustainability across the local government sector.

The financial sustainability of councils is a key priority for the NSW Government, and together with the Office of Local Government (OLG), I have been in regular discussions to investigate paths forward. While the NSW Government funds billions of dollars of services and infrastructure for councils every year, it is irrefutable that councils are facing financial challenges and something must be done to address this matter.

This is why I asked the Legislative Council's Standing Committee on State Development to report and inquire into the ability of local governments to fund infrastructure and services (the Inquiry). The Inquiry represented an important opportunity for experiences, views and recommendations to be heard about how the Government can address long term financial sustainability across the NSW local government sector.

The report and its recommendations are currently under consideration by the Government, and a response will be provided in due course. Many of the matters raised in the Council motion will be addressed in the Government response.

The NSW Government will not seek to specify the services local governments can provide, as this would undermine councils as a democratically elected third tier government. The *Local Government Act 1993* provides appropriate discretion for councils to provide a range of core and discretionary services that suit local needs. Councils are independently elected, responsible for their finances, and accountable to their communities for the decisions they make. Imposing a legislative limit on service provision would prevent councils from being able to respond flexibly to changing local community needs over time.

My focus is on supporting councils to build financial sustainability, including by ensuring that councils receive transparent and timely financial information so that they can better consult with communities and make informed decisions about service priorities. By aligning general revenue and expenses, councils will be able to ensure that limited public money is directed at most needed assets and services.

The NSW Government has removed the option for councils to employ senior council executives, other than the general manager, under statutory contracts, requiring them be employed under the Local Government (State) Award or another applicable industrial instrument. Staff currently employed under pre-existing statutory contracts will continue to be employed under those contracts until they expire, or the employee and council agree to transition their employment to the award or another applicable industrial instrument.

The Government is committed to ensuring a robust SRV process and is considering the Inquiry's recommendation to work with key stakeholders, including councils and the Independent Pricing and Regulatory Tribunal (IPART), to review the SRV Guidelines to improve their efficiency and effectiveness. It should be appreciated that the criteria against which IPART assesses SRV applications include assessing evidence of whether the community is aware of the need for, and extent of, a rate rise. Also, IPART's public consultation sessions on SRV applications generally occur in February and March.

At the request of the Government, IPART has made significant changes to the rate peg methodology to ensure the general income of councils is more reflective of changes in costs incurred. As you would be aware, these changes commenced in this financial year and use forward-looking measures of council costs to more accurately reflect cost changes and to capture the diversity of councils in NSW. The new rate peg methodology includes a more direct reflection of the costs of the emergency services levy, to ensure there is no overall burden on a council's financial sustainability due to this expense.

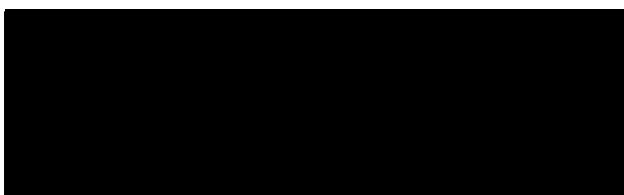
To improve community confidence in the local government sector, the 2024-25 NSW Budget invests an additional \$37.4 million to bolster the capacity of the OLG, which has been under-resourced for decades. This will empower the OLG to provide the sector with improved regulatory oversight and enhance the OLG's ability to quickly identify and intervene when issues of governance and financial mismanagement arise across any of the state's 128 councils. The OLG will also utilise the funding to prioritise reform to the councillor code of conduct and identify methods for increased transparency and accountability across the sector.

In addition, the NSW Government is investing \$252 million for councils to employ 1,300 apprentices and trainees. This investment will enhance the capacity of the local government workforce by training up the next generation of plumbers, engineers, civil construction workers, mechanics, childcare workers and planning cadets that local governments rely on.

The Inquiry, the commencement of the new rate peg methodology, and the Budget demonstrate the NSW Government's commitment to addressing financial sustainability issues across the local government sector.

I trust this information is of assistance to you.

Yours sincerely,



22 APR 2025

The Hon. Ron Hoenig MP
Leader of the House in the Legislative Assembly
Vice-President of the Executive Council
Minister for Local Government