



14 July 2025

SUPPLEMENTARY AGENDA:

- (1) **MAYORAL MINUTES**
 MM6/2025 Cost Shifting Onto Local Government.....2

Mayoral Minute

Report No. MM6/2025

General Manager's Unit



MAYORAL MINUTE No. MM6/2025

SUBJECT: *COST SHIFTING ONTO LOCAL GOVERNMENT*

RECOMMENDATION

- 1. That Council note the findings of the LGNSW Cost Shifting report for the 2023/2024 financial year; and**
- 2. That Council place a copy of the cost shifting report on Council's website so that our communities can access it; and**
- 3. That Council writes to the Premier, the NSW Treasurer and the NSW Minister for Local Government seeking that they urgently address these costs through a combination of regulatory reform and appropriate funding.**

REPORT/PROPOSAL

The pressure on councils to maintain services of appropriate standard that meet the needs of our communities has reached unprecedented levels.

The unrelenting growth of cost shifting to councils, coupled with rate pegging and insufficient state and federal funding, is increasingly eroding the possibility of financially sustainable local government and risking the capacity of councils to deliver the essential infrastructure and services required by their communities.

The latest research commissioned by Local Government NSW (LGNSW) shows that the increase in cost shifting has continued unabated by various State and Federal Government policies.

The cost shifting report, produced by independent consultants Morrison Low for the 2023/2024 financial year, reveals that \$1.5 billion of expense has been imposed on councils. This is an increase of approximately \$140 million (10 per cent) since the last report for the 2021/22 financial year, when the total cost shift was estimated at \$1.36 billion.

On average, this also now represents an inflated cost of \$497.40 for each ratepayer, an increase of \$36.72 from 2021/22. It is unfair to our communities that such a large portion of their rates are being diverted away from local priorities.

(The full report is available online at www.lgnsw.org.au/costshifting)

With councils having to fund this ongoing subsidy primarily for the State Government each and every year, it means our communities get less or go without. They go without safer roads. They go without parks. And they go without important community services that only councils provide, while their communities are effectively paying hidden taxes to other levels of government.

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For Council, the total dollar figure of cost shifting exceeds our current roads maintenance budget. Every dollar of cost shifting means that Council will have:

- A reliance on grants to improve open space facilities
- Delays in necessary road, bridge and drainage improvements
- Slower investment in new infrastructure for a growing LGA
- Increases the need for further financial sustainability initiatives including potential service level reductions and rate level increases.

Councillors should note that while the new NSW Fire and Rescue station is a great resource for our community, this will come at increased cost shifting via the emergency services levy.

Councillors, our communities deserve better. The decades-long practice of cost shifting is continuing to undermine the financial sustainability of the local government sector. This must stop. The November 2024 report of the parliamentary inquiry into the ability of councils to fund infrastructure and services called for the NSW Government to identify opportunities to reduce cost shifting to local government. This call must be heard and acted upon.

It is essential to councils and communities that the NSW Government urgently seek to address cost shifting through a combination of regulatory reform and appropriate funding.

ENCLOSURES

There are no enclosures for this report