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# Rural and regional infrastructure funding and delivery

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# What will we cover?

*Context – what challenges are faced by the regions?*

*Preparing contributions plans*

*Governance – putting the plans into practice*

*Sydney's growth councils are dealing with the challenge of funding growth…*

*Rural and regional councils are increasingly dealing with the challenge of* **<u>funding their existence</u>.**

Rural and regional councils have extensive infrastructure responsibilities but limited population growth, limited rate revenue, and limited capacity to spread costs across a large ratepayer base.

# Setting the scene

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| Growth Councils (Sydney, Central Coast, Hunter, Illawarra) | Rural and Regional Councils |
|---|---|
| • Strong population growth<br>• Significant development activity<br>• Large developer contribution revenue streams<br>• Growing ratepayer base<br>• Political pressure to deliver infrastructure quickly<br>• Housing targets driving further growth<br>• More employees and resources | • Static or declining populations in many areas<br>• Limited development activity<br>• Small ratepayer base<br>• Large geographic areas<br>• Extensive road networks<br>• Water and sewer responsibilities often retained by council<br>• Higher exposure to natural disasters<br>• Fewer employees and resources |

# The rural infrastructure burden

Rural and regional councils manage vast **road** networks servicing:

- Agriculture
- Freight
- Mining
- Tourism
- Renewable energy projects

in addition to towns and villages.

The road burden is often disproportionate to population.

Recent estimates indicate NSW councils face a road maintenance backlog **exceeding $3 billion,** with the overwhelming majority located in regional NSW

# The rural infrastructure burden

Unlike many metropolitan councils, regional and rural councils frequently operate:

- Water treatment plants
- Sewer treatment plants
- Water networks
- Sewer networks

The NSW Audit Office recently estimated **almost $1 billion** is required to maintain water infrastructure at agreed service levels across councils

Water and sewer networks are funded through a mix of user charges and Development Servicing Plan (DSP) charges under s64 plans but funding gaps are real

Many Councils run water and sewer networks at an operating loss

# Financial sustainability challenges

*A growing number of Councils are under pressure*

In 2025 the NSW Audit Office identified:

- 17 councils reporting operating losses in 2024-25
- 19 councils unable to cover three months of operating expenses from unrestricted cash
- Most councils experiencing these pressures are regional and rural councils

# Cost shifting

<u>Emergency Services</u>

Councils contribute to emergency service funding while having limited control over costs.

<u>Regulatory Functions</u>

Councils increasingly administer:

- Planning
- Environmental regulation
- Public health functions
- Asset compliance obligations

without equivalent revenue growth.

Cost shifting has **repeatedly** been raised in NSW Parliamentary Inquiries into local government sustainability.

# Dependence on grants

Many regional and rural councils rely heavily on:

- Financial Assistance Grants
- Roads funding
- Disaster recovery funding
- Regional development grants

This creates:

- Revenue uncertainty
- Difficulty planning long-term infrastructure renewal
- Exposure to policy changes by higher levels of government

# Disaster recovery and climate resilience

Regional and rural councils face disproportionate exposure to:

- Floods
- Bushfires
- Storms

Challenges include:

- Repeated asset damage
- Cash flow impacts
- Matching funding requirements
- Escalating insurance costs

Many councils are still addressing road and infrastructure damage from major flood events.

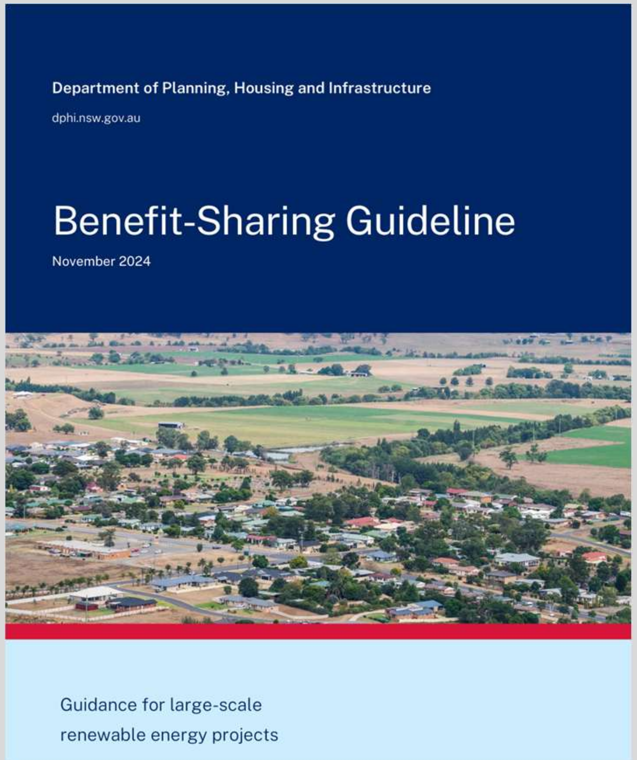
# Renewable Energy Zones

Opportunities:

- Jobs
- Economic activity
- Community benefit funding

Challenges:

- Heavy vehicle impacts
- Local road upgrades
- Workforce accommodation
- Community expectations




Contributions often made through VPAs under DPHI's Benefit Sharing Guidelines or Council REZ VPA policies

# Contributions plans

# ***Do contributions plans matter less for regional and rural areas?***

No… but the role they play is different.

The biggest infrastructure problem is not growth infrastructure—it is renewal of ageing infrastructure.

Limited growth dictates limited contributions plan income – meaning contributions play a smaller role in funding infrastructure – <u>only part of the broader funding mix</u>

Preparing the right type of plan that is easy to implement is key.

Councils often concerned about contribution rates relative to adjoining LGAs.

******NEWS FLASH******

# *Wider application of higher-rate s7.12 plans?*

DPHI’s presentation during Day 1 described a review of the higher-rate s7.12 guidelines.

Potential to unlock 3% higher rate plans for regional and rural councils (along with other parts of NSW).

Game-changer – easier to prepare and more flexible – supporting Councils to fund and deliver infrastructure more easily.

Keep your eyes peeled for further communication from DPHI including potential discussion paper or exhibition outlining the suite of changes.

# What would higher rate s7.12s mean for s7.11 plans?

For many Councils, the preparation of complicated nexus-based s7.11 plans that levy up to the capped $20,000 per dwelling will become redundant.

My crystal ball predicts that many Councils will prepare 3% s7.12 plans with new/updated works schedules, repeal current s7.11 plans and roll-over the funds into the new s7.12 plans as “seed funding”.

s7.11 plans will still be relevant for release areas or large subdivisions with higher infrastructure costs, and where an IPART-approved plan will generate more income than a s7.12 plan.

Will s7.11 heavy haulage road maintenance contributions plans go the way of the dodo? Will s7.12 rule the roost?.

# Preparing regional/rural contributions plans

Determine your anticipated growth (DPHI forecasts, Forecast.id etc)

****(Hint – minimal or no population growth means a s7.11 plan is a no-go)****

Prepare your infrastructure schedule:

- long term capital works program and DPOP
- Informed by Council's IP&R framework including Community Strategic Plan
- Commissioning QS cost estimates not always necessary – use previous Council tender costs or IPART benchmark rates
- Think about opportunities for part-funding to support grant applications

Review capital works program and DPOP mindful of contributions income and other funding sources

# Simple = good

Complex plans are harder to implement and require more resources >>> biggest challenge for many regional and rural councils.

For s7.11 plans, streamline or eliminate the use of individual catchments – easier in low-growth scenarios. Results in a consistent contribution rate across the LGA.

s7.12 plans are easier to prepare and implement:

- no contributions buckets,
- no need to establish nexus and determine apportionment
- no financial administration with pooling of funds – collect and spend!

<u>s7.12 especially attractive if broad-brush higher rate plans are supported by DPHI!</u>

# Updates and education

Update your policies and templates – VPA/WIK.

Regular review and updates to works schedule - minimum standard:

- align review with Council's 4-year delivery program updates
- remove items delivered and add new items from long term capital works program and strategies

Educate staff and Councillors – what can plan income be used for?

***Every plan needs oversight, monitoring and decision-making - GOVERNANCE***

# Contributions framework governance

# Governance

- Bad governance = bureaucracy >>>>>> good governance = efficiency.
- No governance = no decisions
- Well designed governance = effective administration of developer contributions

*Regional and rural councils must provide the same level of governance as metro councils with less resources.*

# Questions?