

Cost Shifting 2025

Report Summary

How State Costs Eat Council Rates

The financial sustainability of councils across New South Wales is now at a critical juncture. Both Federal and State Parliamentary Inquiries have recognised cost shifting as one of the most significant contributors to the financial concerns of local government.

What is cost shifting?

Cost shifting occurs when state and federal governments force councils to assume responsibility for infrastructure, services and regulatory functions without providing sufficient supporting funding.

How bad is cost shifting in NSW?

Cost Shifting 2025: How State Costs Eat Council Rates, by independent consultants Morrison Low, reveals that NSW councils are currently being asked to absorb cost shifting worth more than \$1.5 billion each year. The practice has imposed an estimated cumulative burden of more than \$11.31 billion over the last decade.

Importantly, as cost of living pressures for households only seem to be rising every month, cost shifting now amounts to an average annual cost of \$497.40 paid by each NSW ratepayer.

This average figure equates to nearly \$500 per ratepayer that councils cannot invest in the services and infrastructure their communities need and deserve. New libraries, sporting facilities or youth development programs are forfeited, road repairs are delayed, and rates have to rise as funds are instead diverted towards the unrecoverable cost of services, programs and functions that are imposed on councils, overwhelmingly from the NSW Government.

What needs to change?

The NSW Government needs to take urgent action to address cost shifting onto councils and their communities, through a combination of regulatory reform, budgetary provision and appropriate funding.

As always, LGNSW stands ready to work with the state government to address the practice of cost shifting and to strengthen the financial viability of our councils so they can continue the good work of supporting our communities.



Mayor Phyllis Miller OAM
LGNSW President



What's eating council rates?

\$1.5 Billion

Cost shift to council per year



Analysis by independent consultants Morrison Low calculated the total cost shifted onto councils in the 2023/24 financial year at **\$1.5 billion**.

\$11.31 Billion

Estimated cost shift to councils over the past decade



This is an increase of 10 per cent since the 2021/22 financial year, when the total cost shift was estimated at **\$1.36 billion**.

\$497.40

Per ratepayer per year

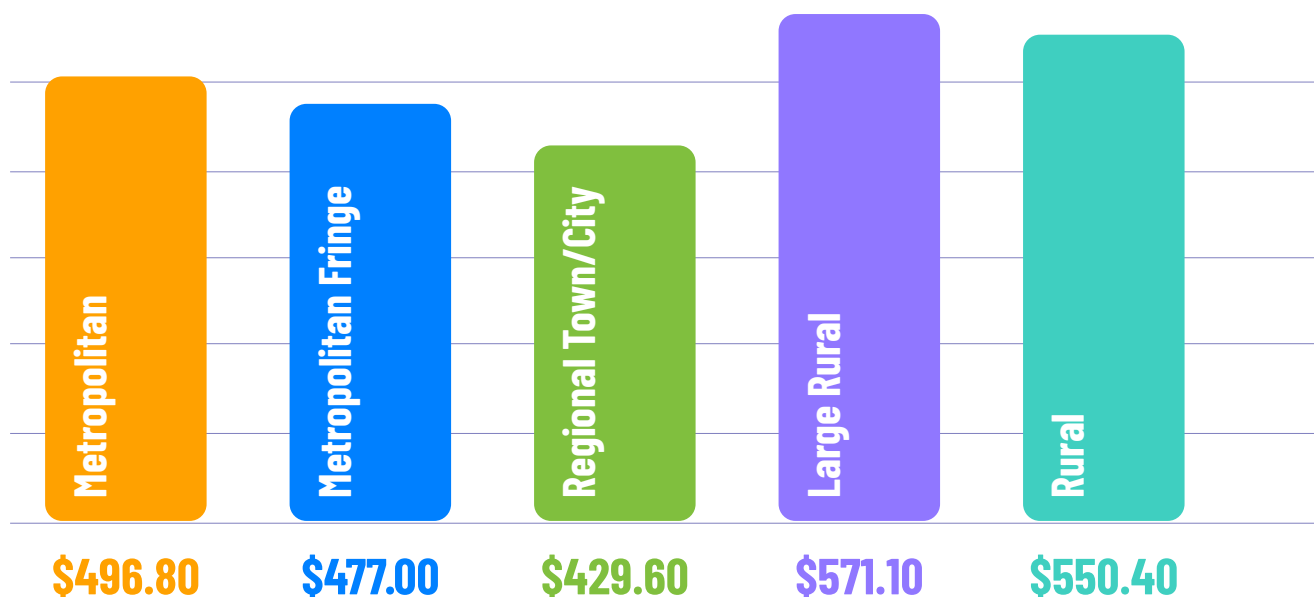


In 2023/24, each NSW ratepayer had the equivalent of **\$497.40** of their payments to councils eaten by costs imposed on councils by other spheres of government. (Up from \$460.67 in 2021/22). These are overwhelmingly state government costs.

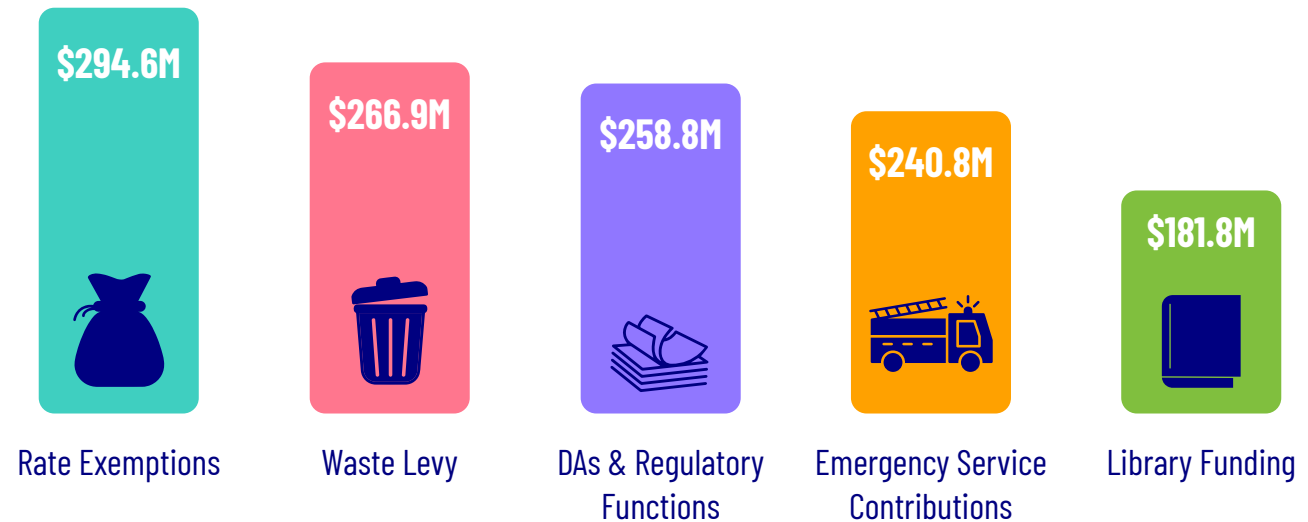


The amount of council revenue absorbed by cost shifted obligations ranges from **\$429.60 for ratepayers in regional towns and cities**, to **\$571.10 for ratepayers in large rural councils**

Cost shift per ratepayer per year by council classification



Top Five Cost Shifts onto NSW Councils



Forced rate exemptions

Councils are required to exempt profit-driven state-owned corporations and other organisations from paying rates, even though they use and benefit from local government services and infrastructure. As they are exempt from paying rates, the burden of the costs they incur is shifted to ratepayers to fund. Examples of exempt organisations include NSW Forestry Corporation, private schools, and non-government social housing providers. These are state government responsibilities, and the cost should be distributed across the state and borne by the State Government – not by local communities.

The waste levy

The waste levy is an invisible NSW Government tax on ratepayers. The waste levy is a levy paid by waste facilities in metro and some regional areas to the NSW Government. The cost of this levy is recovered through the waste collection fees levied by councils, in effect shifting the burden of this State Government tax onto ratepayers.

Development assessment and regulatory functions

Councils incur costs of increased regulatory responsibilities that are not fully funded by fees and charges. The most significant regulatory function cost shift is for assessing development applications. Development assessment fees are set by the NSW Government and are generally set well below the actual cost for this function. Councils are also being increasingly called upon to provide written feedback on State Significant Developments, which consumes significant resources without any cost recovery mechanism available.

Emergency services contributions and obligations

Councils are required to fund 11.7 per cent of the cost of the NSW Government's emergency services in addition to other financial obligations. From 2024-25, the rate peg methodology has changed to allow for an Emergency Services Levy (ESL) factor which will increase the rate peg to cover expected increases in council contributions. While this will partly address cost shifting concerns, LGNSW is calling for the NSW Government to remove the ESL from councils entirely as part of its current review.

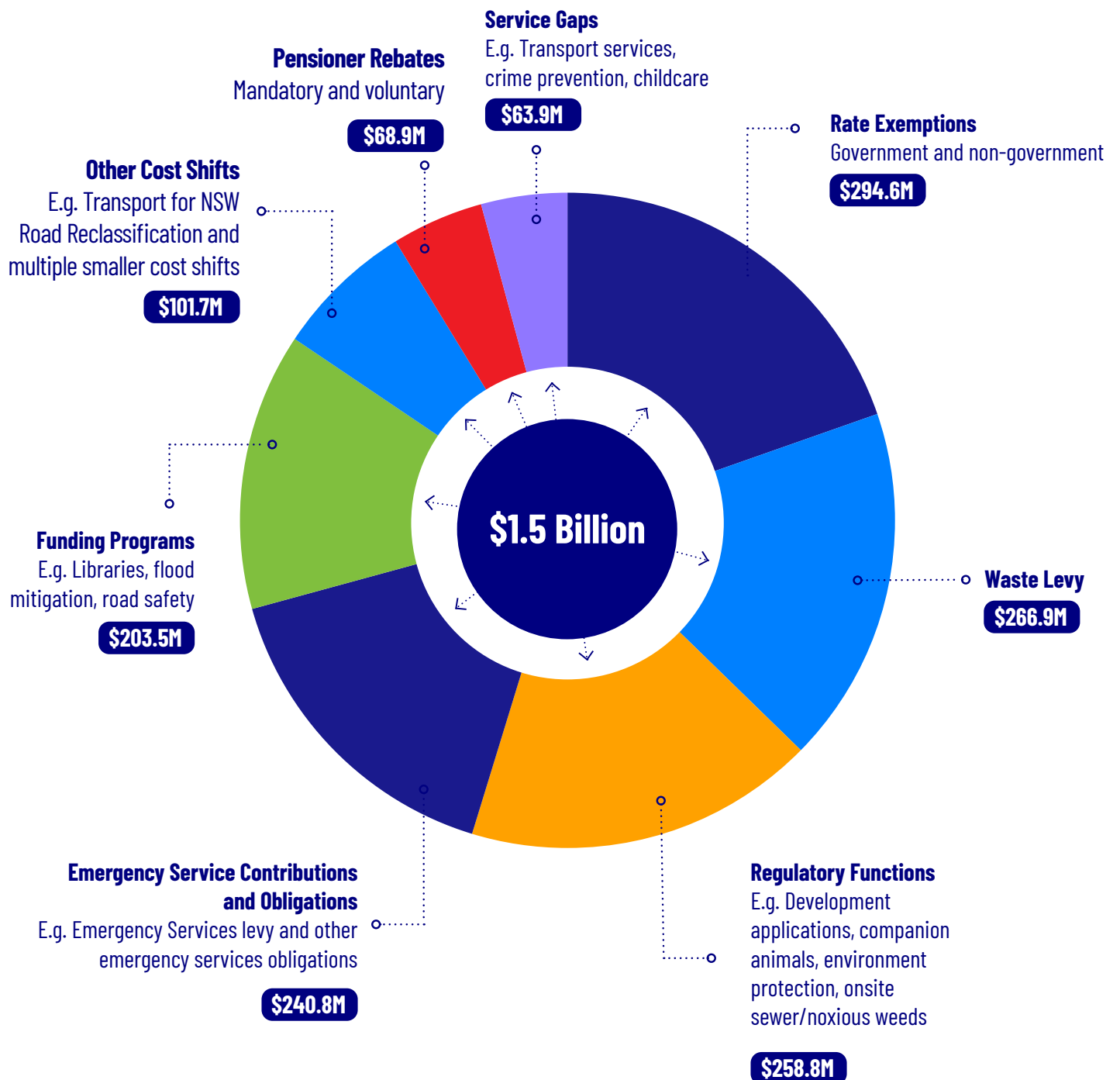
Library funding

Many funding programs announced by state or federal governments are required to be delivered by local government but are either not fully funded or have their funding reduced over time leaving councils with the decision to either continue the program – and make up the burden of the cost – or cease the program entirely. An example of this is libraries, where the original commitment from NSW Government was to fund up to 50 per cent of libraries' cost for many councils. The NSW Government now funds just 6 per cent of the total costs, leaving councils to fund an additional \$181.8 million to make up the shortfall.

Other cost shifts

Multiple smaller and emerging cost shifts are detailed in the full report.

Cost shifting components



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