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Shellharbour City Council Submission Draft Terms of Reference for NSW council financial model review

The following submission has been prepared by Council staff (Council) and is not necessarily a policy position of Shellharbour City Council. It follows on from Council's survey submission dated 11 March 2024 on the same matter. It has not been referred to the elected Council.

Council welcomes the review to address financial sustainability concerns for Local Governments and investigate and report on the financial model for Councils in NSW and cannot understate its importance.

Council believes the draft terms of reference (ToR) should include additional areas that significantly impact the financial positions of Councils in NSW including the impact of cost-shifting of levies from State to Local Government, increased regulatory responsibilities imposed upon Councils, reasonable revenue sources, funding mechanisms and the rating system as a whole. To adequately address these areas, the following should be considered for inclusion in the ToR:

- The suitability of the rate pegging methodology given its deficiencies, and long-term impacts on local government sustainability and infrastructure backlogs.
- The impact of increasing costs related to new infrastructure as a result of population growth, and the performance capability and regulatory compliance requirements when replacing or upgrading existing assets based on the modern engineering equivalent asset and community expectation for contemporary facilities.
- The growth in asset base and fair value, increases Council's depreciation expense, making it progressively difficult to meet the Infrastructure Renewal Ratio.
- Impacts of disasters, disaster funding management and infrastructure impacts on local government financial performance outside of standard asset management planning.
- The mechanisms and suitability of Financial Assistance Grant funding, and the diminishing revenue yielded by the current model versus the originally proposed model in the context of operating sustainability.
- The significant and ongoing impacts of State and Federal government cost shifting on Council's operating and asset performance.
- Limitations in use of Developer Contributions in addressing existing infrastructure maintenance requirements.

- Review of full cost recovery mechanisms for statutory and legislated services, such as development applications, where statutory set fees do not achieve full cost recovery.
- Impact of increased regulatory responsibilities imposed upon Councils and service requirements to meet the needs of evolving practices such as technology and governance risks

Shellharbour City Council welcomes the opportunity to discuss these matters further and the NSW council financial model review. Should you have any questions, please do not hesitate to contact [REDACTED]

Yours sincerely

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Chief Executive Officer