

CM13.6. IPART Review of Financial Model for NSW Councils – Draft Submission

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CONFIDENTIAL	No		
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Purpose of Report

The report presents AlburyCity's draft submission to the Independent Pricing and Regulatory Tribunal (IPART) regarding their draft Terms of Reference to review the financial model for NSW councils.

Background

As a result of the IPART's review of the rate peg methodology, IPART recommended to the NSW Government in August 2023, that the NSW Government consider commissioning an independent review of the financial model for councils in NSW including the broader issues raised in this report. As detailed within their final report, IPART consider this independent review could provide greater transparency of councils' financial sustainability. In addition, the review could identify options to improve councils' financial sustainability, accountability and performance, as well as options to improve ratepayer equity and affordability, and community trust in the sector.

In response the Minister for Local Government has asked the Independent Pricing and Regulatory Tribunal (IPART) to examine the financial model for councils. The draft Terms of Reference asks IPART to review Councillor and community visibility over the financial and operational performance of their councils, whether current budget and financial processes deliver value for money and whether the current funding model will sustainably support the needs of communities.

Quotes attributable to the Minister for Local Government Ron Hoenig announcing the review:

- "The financial sustainability of councils is one of the most significant issues facing local government in this state.
- With the cost of delivering core services to communities rising, it's critically important councils are financially sustainable, but that needs to be balanced with the impact on tightening household budgets.
- That's why we've asked IPART to make recommendations about whether the current financial model of councils enables long-term financial sustainability and whether councils have the financial capacity and mechanisms needed to deliver budget improvements.
- There needs to be a closer examination so that the solution to financial challenges is not increasing revenue through raising council rates or seeking financial support from the State Government.
- This review is a key election commitment and will help ensure this vital tier of government can continue to deliver essential services to NSW communities."

Issues

The draft Terms of Reference (refer Attachment 1) provides that IPART should review and recommend improvements on:

1. The visibility of Councillors and the community over the financial and operational performance of their councils.
2. Whether the current budget and financial processes used by councils are delivering value for money for ratepayers and residents.
3. Whether the current funding model will sustainably support the needs of communities.
4. Whether councils (both Councillors and staff) have the financial capacity and capability to meet current and future needs of communities.
5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community.
6. Any other matters IPART considers relevant.

IPART is seeking feedback on the draft Terms of Reference until 15 March 2024.

Further detail is provided within the draft Terms of Reference on matters IPART should consider, as follows:

1. **The visibility of Councillors and the community over the financial and operational performance of their councils.**
 - Are the mechanisms for reporting on council performance clear and understood? Does the accounting code for local government provide meaningful financial information to enable Councillors to understand and influence the financial and budget performance of their council? Is there a need to update the performance indicators to make them more useful for 'real time' monitoring?
 - Are Councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost-effective way?
 - Are there benefits to moving to dedicated budget or expenditure review committee models to ensure budget decisions are understood by Councillors and the communities they serve?
2. **Whether the current budget and financial processes of councils are delivering value for money for ratepayers and residents.**
 - Is the Integrated Planning and Reporting process, currently used by councils to make budget decisions, effective in allowing Councillors to engage with the community on the challenges in setting a budget and meeting service level expectations?
 - How well councils are setting service delivery standards that match revenue, managing their expenses within allocated budgets, and what opportunities exist for improvement in efficiency, service quality and sustainability.
 - How to visibly boost elected Councillor accountability for council budgets and expenditure to the community?

3. Whether the current funding model will sustainably support the needs of communities.

- How do councils balance cash flow to manage the different, and sometimes uncertain, timeframes for revenue and grants money (including Financial Assistance Grants), coming into Council?
- How effective are councils in identifying and using other revenue sources beyond grants and rates to support the needs of communities and sustainably provide services required to be delivered by councils?
- Identify measures to put downward pressure on rates through other 'own source' revenue or closer scrutiny of expenditure.
- Consider the needs of diverse communities and councils and protect the interests of current and future ratepayers from unnecessary impact on their cost of living.

4. Whether Councillors and Council staff have the financial capacity and capability to meet current and future needs of communities.

- Are councils equipped with the right internal capabilities to deliver on the services which their community requires?
- Has the Audit Mandate been successful in providing a consistent view on the accounting and risk management practices of councils?
- Are there opportunities to look at long term expenditure and service delivery improvements by insourcing services? Where outsourcing models have been used, do they provide an efficient and effective means of meeting community needs?
- What examples of best practice capability building and innovation could be implemented more widely?

5. How better planning and reporting systems can improve long-term budget performance, transparency and accountability to the community.

- How effective councils are in managing their assets and planning for future growth and renewal of assets.
- Whether current community engagement allows for effective long-range planning and sustainable funding.
- Whether the current framework for reporting and compliance is appropriate and effective.

AlburyCity's Submission

AlburyCity has prepared a draft submission to IPART recommending that the draft Terms of Reference be expanded to also consider:

- What are the financial sustainability challenges that councils and their communities face and how these contrast for Metropolitan, Regional Cities and Rural councils?
- What is the role of the Office of Local Government in assessing, supporting and championing financial sustainability?

- What is the role and responsibility of the State and Federal Governments in regard to the financial sustainability of council services and infrastructure?
- To further assess additional improvement suggestions identified by IPART as part of the rate peg methodology review.

Risk

- **Business Risk** – The draft Terms of Reference proposes an independent review of Councillor and community visibility over the financial and operational performance of their councils, whether current budget and financial processes deliver value for money and whether the current funding model will sustainably support the needs of communities.
- **Corporate Risk** – If aligned to IPART's original recommendation the review could identify options to improve Councils' financial sustainability, accountability and performance, as well as options to improve ratepayer equity and affordability, and community trust in the sector.
- **WHS and Public Risk** – No risks identified.
- **Environmental Risk** – No risks identified.
- **Delivery Program Risk** – No direct risks identified.

Community Engagement

IPART is seeking feedback on the draft Terms of Reference until 15 March 2024.

IPART is to consult publicly as part of their review including publishing a draft report for comment and undertaking a public hearing prior to finalising its final report. IPART may undertake other methods including targeted consultation that it considers appropriate.

IPART is to provide their final report to the Minister for Local Government within 12 months of receiving the final terms of reference.

Options

That Council:

1. Endorses AlburyCity's submission to the Independent Pricing and Regulatory Tribunal regarding the draft Terms of Reference for the review of the financial model for NSW councils. **Recommended.**
2. Does not endorse the option of making a submission to IPART regarding the draft Terms of Reference provided by the Minister for Local Government. **Not Recommended.**

Conclusion

The report presents AlburyCity's draft submission to the Independent Pricing and Regulatory Tribunal (IPART) regarding their draft Terms of Reference to review the financial model for NSW councils.

The draft Terms of Reference asks IPART to review councillor and community visibility over the financial and operational performance of their councils, whether current budget and financial processes deliver value for money and whether the current funding model will sustainably support the needs of communities.

The draft Terms of Reference provides that IPART should review and recommend improvements on:

1. The visibility of Councillors and the community over the financial and operational performance of their councils.
2. Whether the current budget and financial processes used by councils are delivering value for money for ratepayers and residents.
3. Whether the current funding model will sustainably support the needs of communities.
4. Whether councils (both Councillors and staff) have the financial capacity and capability to meet current and future needs of communities.
5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community.
6. Any other matters IPART considers relevant.

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- What is the role of the Office of Local Government in assessing, supporting and championing financial sustainability?
- What is the role and responsibility of the State and Federal Governments in regard to the financial sustainability of council services and infrastructure?
- To further assess additional improvement suggestions identified by IPART as part of the rate peg methodology review.

IPART is seeking feedback on the draft Terms of Reference until 15 March 2024. AlburyCity's submission will be submitted via a portal as opposed to via written correspondence.

Recommendation

That Council endorses AlburyCity's submission to the Independent Pricing and Regulatory Tribunal regarding the draft Terms of Reference for the review of the financial model for NSW councils.

Attachments

1. Draft IPART Terms of Reference (DOC24/36481).
2. Draft AlburyCity submission (DOC24/36454).