



AGENDA

Late Reports

Ordinary Council Meeting

Date: 26 February 2024

Time: 5 pm

**Location: Cowra Council Chambers
116 Kendal Street, Cowra**

**Paul Devery
General Manager**

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8 LATE REPORTS

8.1 IPART Review of Council Financial Model

File Number: D24/261

Author: Paul Devery, General Manager

RECOMMENDATION

1. That Council note the draft terms of reference for the IPART review of the financial model of NSW Councils
2. That councillors provide any feedback to the General Manager by close of business Monday 11 March 2024 to enable any submission to be made on time

INTRODUCTION

The Independent Pricing and Regulatory Tribunal (IPART) has received a draft Terms of Reference (ToR) from the NSW Government to investigate and report on the financial model for councils in NSW (Attachment 1).

BACKGROUND

To date the following issues have been proposed for review:

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,
6. Transparency and accountability to the community?
7. Any other matters IPART considers relevant.

The review was recommended by IPART last year as part of the report on the review of the rate peg methodology.

Feedback can be provided up to the 15 March 2024 through:

- completing a short survey and/or
- making a submission via the IPART website.

Please note this current stage of consultation seeks feedback on the scope of the review, as set out in the draft ToR. There will be additional opportunities to provide feedback on the matters set out in the final ToR over the course of the review.

Once the final ToR is produced, IPART will have 12 months to complete the review which includes publishing a Draft Report, holding at least one public hearing and submitting a Final Report to the Premier and Minister for Local Government. They will also undertake further consultation such as publishing an Issues or Discussion Paper and conducting workshops.

Please see the IPART Fact Sheet (Attachment 2) or webpage <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Review-of-council-financial-model-in-NSW> for more information.

While the Draft Terms of Reference on the surface appear reasonable I would make the following comments that could be included in a submission:

- The focus is on outputs rather than inputs
- In line with the above point the review is fundamentally lacking in not examining the adequateness of the overall funding framework for local government in NSW given the scope of infrastructure/services provided by Councils
- There is a likelihood the draft ToR would lead to increased administrative and reporting burdens on already resource stretched councils

Councillors are asked to provide any feedback to the General Manager by 11 March 2024 to enable a submission to be finalised.

BUDGETARY IMPLICATIONS

Nil

ATTACHMENTS

1. Draft Terms of Reference [↓](#)
2. Fact Sheet for IPART Review [↓](#)

The Hon Chris Minns MP
Premier of New South Wales



Ref: A5922499

Carmel Donnelly PSM
Chair
IPART
PO Box K35
HAYMARKET POST SHOP
NSW 1240

Re: Referral to commence review of the financial modelling of councils

Dear Ms Donnelly,

I refer the financial modelling of councils to IPART under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (the Act).

Enclosed are a draft terms of reference as provided to me by the Minister for Local Government. I understand that IPART will consult on the draft terms of reference in line with the requirements of the Act.

I look forward to hearing about the next steps and outcomes of this work.

Sincerely,



Chris Minns MP
Premier of New South Wales

CC: The Hon. Ron Hoenig MP, Minister for Local Government

11 / JAN / 2024

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DRAFT TERMS OF REFERENCE

Investigation of council financial model in NSW

I, the Hon. Christopher John Minns MP, Premier, under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), request the Independent Pricing and Regulatory Tribunal (IPART) to investigate and report on the financial model for councils in NSW.

The task

IPART should review and recommend improvements on the following matters:

- 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 used by 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

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4. **Whether councils (both councillors and 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 can better planning and reporting systems 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 of reporting and compliance is appropriate and effective.
6. **Any other matters IPART considers relevant.**

The review process and timeline

IPART is required to consult publicly as part of this 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 will provide the final report to the Minister administering the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act) and the Minister for Local Government within 12 months of receiving the final terms of reference.

The Minister administering the IPART Act will table the final report in each House of Parliament and forward a copy to the Parliamentary Librarian in accordance with section 19 of the IPART Act. Once the final report has been tabled in Parliament or earlier if requested by the Minister administering the IPART Act, IPART will publish a copy of the report on its website.

The Hon. Christopher John Minns MP
Premier

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Review of NSW council financial model - Draft ToR consultation

12 February 2024

1 Why is this review happening and how long will it take?

IPART has received a [draft Terms of Reference \(ToR\)](#) from the NSW Government asking IPART to investigate and report on the financial model for NSW local councils.

This review was recommended by IPART late last year as part of our review of the rate peg methodology and supported by the Minister for Local Government. See our [review of the rate peg methodology](#) for more information.

Once we have received the final ToR, we will have 12 months to complete this review which includes publishing a Draft Report, holding at least one public hearing and submitting a Final Report to the Premier and Minister for Local Government. We will also undertake further consultation such as publishing an Issues or Discussion Paper and conducting workshops.

2 What is IPART consulting on?

We are seeking feedback on the scope of the review as set out in the [draft ToR](#) from a range of stakeholders including the community, ratepayers, councils, former and current councillors and council staff.

Stakeholders can provide feedback on the draft ToR until **15 March 2024** by:

- completing a [short survey](#)
- making a [submission](#) via our website.

The draft ToR asks IPART to review and recommend improvements to 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.

It also includes reviewing the capacity and capability of councils, how better planning and reporting systems can improve long term budget performance, transparency and accountability to the community and any other matters IPART considers relevant.

3 Why is IPART consulting?

Two of the ways the NSW Government can ask IPART to investigate a matter under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) (IPART Act) are:

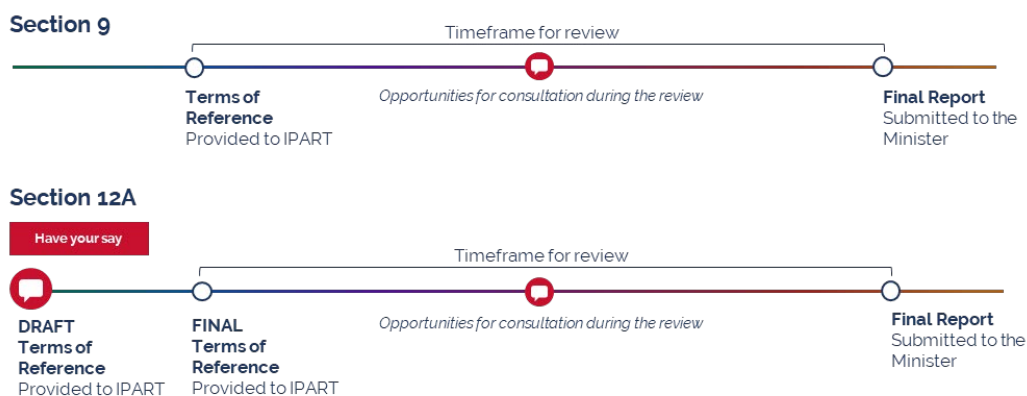
- **An arrangement under section 9 of the IPART Act** – Under this provision, IPART can enter into an arrangement with a government agency to provide services within IPART’s field of expertise and relevant to its functions.
- **An investigation under section 12A of the IPART Act** – Under this provision, the NSW Government can ask IPART to investigate and report on any matter with respect to pricing, industry or competition.

It is a requirement of the IPART Act that we consult the public on the ToR for an investigation under section 12A of the IPART Act before finalising the ToR with the NSW Government.^a There is no equivalent consultation requirement on the terms of an arrangement under section 9 of the IPART Act.

Accordingly, we are consulting with the public on the ToR as required by the IPART Act. This allows members of the public, councils and other stakeholders to provide feedback on the scope of the review. We may make recommendations to the NSW Government on the final ToR, as a result of feedback we receive. Once IPART receives the final ToR, we will have 12 months to complete the review under section 12A.

The difference between reviews provided to IPART under section 12A compared to section 9 of the IPART Act is demonstrated in **Figure 1**.

Figure 1 Types of IPART reviews



^a *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) s 13(3).

4 What happens to my feedback?

We are currently collecting all feedback on the draft ToR from submissions and responses to our survey.

Once consultation for the draft ToR has closed, IPART will consider all feedback and may recommend changes to the scope of the review, as a result of feedback we receive.

5 Can I provide feedback to the review at later stages?

Yes. There will be additional opportunities to provide feedback during the review once we receive the final ToR from the NSW Government.

We will update you with future consultation and stakeholder engagement opportunities.

6 How do I stay informed

To stay informed and be notified on this review you can subscribe for updates on our website [here](#).