

## **Mosman Council Response to Referral to commence review of the financial modelling of Councils: Draft Terms of Reference IPART.**

### **Introduction**

The Office of Local Government is seeking input from NSW Councils regarding draft Terms of Reference seeking that IPART review the adequacy or otherwise of the variety of planning, budgeting and engagement tools used by Councils to support financial sustainability, optimal service delivery and accountability. The draft Terms also seek to investigate the ability of Council planning and financial processes to deliver services and hold Councilors accountable.

The areas for review include:

- Mechanisms for reporting on council performance – are they clear and understood?
- Whether timely and appropriate information is being provided to Councillors to enable efficient and cost-effective allocation of public funds
- The effectiveness of Integrated Planning and Reporting Guidelines, (IP&R) in allowing community engagement by Councillors on the challenges associated with budgeting setting and meeting service level expectations
- Whether community engagement more generally allows for long-range planning and sustainable funding
- How well the setting of service standards aligns with budgeting and what opportunities for improvement exist
- Whether the current framework of reporting and compliance is appropriate and effective

### **General Mosman Council Input**

The framework for Integrated Planning and Reporting has been in place since 2009 (and further embedded in the *Local Government Act 1993* through legislative amendments in 2016). NSW councils have developed and adapted their approach to the framework over subsequent years, referencing successive IP&R Guidelines issued by the NSW Government in 2013 and 2021.

The IP&R framework was itself a further refinement and improvement of management planning practices previously enacted as part of the *Local Government Act 1993*. Although some IP&R practices may have originally been considered onerous by some councils, Mosman Council has proactively and fulsomely implemented IP&R practices and, as recently as 2023, received a very positive assessment by independent auditors who found that:

- Council has a good understanding and awareness of IP&R processes
- The Council's IP&R management system meets stakeholder needs and expectations (i.e. is fit-for-purpose)
- There are strong indications of extensive collaboration, consultation and involvement of key stakeholders
- Progress/performance reporting is data-driven
- IP&R documents are found by key stakeholders to contain useful and valuable information

As a general observation, the integrated planning and reporting framework, and the level of rigour and accountability it requires, has served Mosman Council and the Mosman community well over many years. The development of Mosman's suite of IP&R

documentation, collectively referred to as MOSPLAN, is undertaken in consultation with the community according to a Community Engagement Policy adopted by Council – most recently in November 2022.

Community engagement is extensive and particularly concentrated around the development of the Community Strategic Plan following the election of each new Council and the preparation of Delivery Programs every four years (reviewed annually), which set out how Council will deliver on the community needs and aspirations identified in the Community Strategic Plan. Both staff and Councillors are actively engaged in various consultation initiatives.

Mosman stakeholders are well informed about how and why budget allocations are proposed through such consultations. This approach has been well supported by Councillors and has provided a strong level of confidence that Council funding is being allocated in a fair and transparent way, bearing in mind limited resources and sometimes disparate community priorities.

Similarly, over a period of years, Council has refined and improved its approach to performance reporting on each of the Strategic Directions included in the Community Strategic Plan, with a suite of performance measures and key performance indicators, all with targets adopted by Council, reported on quarterly, annually, and at the end of each Council term to both Council and the community.

Mosman has a strong culture of accountability and transparency in relation to performance reporting, including the identification of areas for improvement where appropriate. Quarterly and annual financial reporting is comprehensive and transparent, providing Councillors with thorough and timely financial data on which Council can base further decision-making.

Given the above information regarding the successful operation of the IP&R Mosman Council questions the value of the proposed review.

Put simply what is the problem that is intended to be solved by reviewing the framework for planning and budgeting?

Mosman Council submits that planning and financial issues have arisen in Councils as a consequence of poor rate pegging outcomes (.7 % for 2022/23 against significant inflationary pressures) and cost shifting to Councils rather than any inherent issue with the IP&R Framework. The State by imposing one size fits all policies without recognizing the inherent uniqueness of differing communities is fueling sub-optimal service delivery and accountability by marginalizing Councillors autonomy over planning and local decision-making

Mosman Council submits that the level of transparency and Councillor oversight is already sufficient given the extensive requirements of the IP&R Framework, and the activities of Internal/External Auditors, the ARIC and the Performance reviews provided by the Audit Office. However, it is important to understand that the reach and scope of Councillor oversight is gradually being eroded through the continual stripping of powers from Councillors and Councils by the State Government including:

- lack of Councillor representation on ARICs from 1 July 2024
- removal of Council decision-making in appointing external auditor
- removal of Councillor representation on Local Planning Panels
- removal of Council decision-making in appointing members to Local Planning Panels

- proposed removal of certain strategic planning powers under the guise of the Housing Accord

If the draft Terms of Reference maintain their focus on the effectiveness or otherwise of various IP&R practices, it is highly likely that some councils will fare considerably better or worse than others. It is most probable, however, that such a result will not be due to the failings of the IP&R framework per se, but rather the capacity or commitment of individual councils. Further, while Mosman Council is currently meeting its IP&R obligations well, to the benefit of both Council and the community, any further complication or extension of these requirements are considered unnecessary.

The IP&R framework is a relatively new process which provides a thorough and transparent business planning and budgeting process. As stated above the success or otherwise of individual Councils to manage spending and business planning relates more to the capability of Staff and Councillors, and to prevailing economic circumstances.

### **Suggested Additional questions for the Terms of Reference.**

The proposed Terms of Reference consider the impact of Council performance, using the IP&R, on Communities. Further the Terms seek to investigate how to increase Councilor involvement and accountability for operational plans and performance.

The Terms of Reference seek to understand the financial capability of Councilors and Staff to deliver services. The operational and financial processes have become significantly more complex in recent years including frameworks such as the IP&R, audits, and Accounting practices. Whilst capabilities to administer these complex systems can be increased, such increases ultimately come at a cost, including employee costs, and increased Councilor fees may assist in persuading financial specialists into the industry.

In addition to understanding capabilities, the Terms of Reference should also seek to understand how the complex frameworks could be simplified to make the administration of Councils actually easier, such that existing staff and Councilors can provide better services.

Adding further requirements on already overloaded Councils will not improve financial planning or delivery of services.

Mosman Council proposes the following areas be considered should the Terms of Reference proceed:

1. Should performance ratios be modernised?
2. What corruption risks arise should Councilors become more accountable for operational delivery and with respect to planning projects and budgeting?
3. The ARIC and Internal/External Auditors provide guidance and reporting to Councilors regarding projects, budgets, and financial performance. Do Councilors and the Community get sufficient visibility of the financial and operational performance of Council taking this additional guidance into account?
4. What are the drawbacks of moving to dedicated budget or expenditure committees?
5. The draft question: "How to visibly boost elected councillor accountability for Council budgets and expenditure to the Community?" Is antithetical to reality as the State has systematically been removing the autonomy of Councilors over local decision making from DA's to Strategic planning and membership of audit and Planning Panels. Until local autonomy is restored, or Councilors have a greater role in operational execution then accountability can only rest with those charged in execution of policy and expenditures.

6. Regarding the draft question: "Are councils equipped with the right internal capabilities to deliver on the services which their community requires?" add a further question: "or are there other issues such as poor rates adjustments, that prevent councils from delivering services?" "How can the IP&R framework be simplified so as to make it easier for Council staff and Councillors to plan projects and manage budgets?"