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Date of submission: Wednesday, 13 March 2024

Your submission for this review:

Woollahra Municipal Council Submissions to the IPART Review of the Council Financial Model To Whom It May Concern
Thank you for the opportunity to provide a submission in response to the draft Terms of Reference (ToR) for the review of the Council financial model. Woollahra Council welcomes the review into the Council financial model and sincerely hopes that the IPART and the NSW Government gives due consideration to all submissions lodged as part of this review. Please note that the submission/s from Woollahra Council are staff submissions only, authorised by the General Manager and are not endorsed via a resolution of Council. Woollahra Council is lodging two submissions. Submission 1 responds to the written ToR as released by the IPART and includes commentary as well as some suggested revised questions that are shown shaded in grey for ease of reference. It is considered that these suggested questions are more targeted and may result in a more informed review. Submission 2 provides an alternate approach to the ToR for the review and is considered to be a cleaner and simpler approach to the review overall. Thank you once again for the opportunity to lodge submissions on the draft ToR, Council looks forward to continuing to participate in all stages of this most important review. If you have any questions in relation to the submissions as lodged, please contact Councils General Manager, Craig Swift-McNair

Council Ref: 24/45758
Your Ref:

Woollahra
Municipal
Council



14 March 2024

Independent Pricing & Regulatory Tribunal
PO Box K35
Haymarket Post Shop
NSW 1240

To Whom It May Concern

**Woollahra Municipal Council Submissions to the
IPART Review of the Council Financial Model**

Thank you for the opportunity to provide a submission in response to the draft Terms of Reference (ToR) for the review of the Council financial model.

Woollahra Council welcomes the review into the Council financial model and sincerely hopes that the IPART and the NSW Government gives due consideration to all submissions lodged as part of this review.

Please note that the submission/s from Woollahra Council are staff submissions only, authorised by the General Manager and are not endorsed via a resolution of Council.

Woollahra Council is lodging two submissions. Submission 1 responds to the written ToR as released by the IPART and includes commentary as well as some suggested revised questions that are shown shaded in grey for ease of reference. It is considered that these suggested questions are more targeted and may result in a more informed review.

Submission 2 provides an alternate approach to the ToR for the review and is considered to be a cleaner and simpler approach to the review overall.

Thank you once again for the opportunity to lodge submissions on the draft ToR, Council looks forward to continuing to participate in all stages of this most important review.

If you have any questions in relation to the submissions as lodged, please contact Council's ~~General Manager, Craig Swift~~ McNair on [REDACTED] or via email at [REDACTED]
[REDACTED]

Yours sincerely



Craig Swift-McNair
General Manager



Woollahra Council **Submission 2** – Alternate Terms of Reference

IPART Review of the Council Financial Model

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Woollahra Council is lodging two submissions. This submission, known as Submission 2 offers an alternate approach to the ToR as released for comment by the IPART. In this alternate ToR, key matters are prioritised into categories, with a range of questions linked to each category. It is considered that this approach is cleaner and simpler for people to understand and will allow the IPART to better respond to the issue of financial sustainability in Councils.

Draft Terms of Reference <u>Alternate</u>	Questions
Financial Framework	1) What is the current financial framework that Councils work within i.e. current legislation (including IPR) / accounting standards etc.?
Impacts on Council Finances	2) What are the key factors impacting on the financial sustainability of Councils? (This could cover the rate peg, cost shifting, increased community expectations, infrastructure & asset requirements, procurement constraints and any number of other factors the LG sector often talks about).
Revenue	3) What are the current sources of revenue for Councils and how effective are Councils in identifying and using other revenue sources (beyond grants and rates) to support the needs of communities? 4) Are there ways for Councils to increase their own source revenue that will result in putting downward pressure on rates? 5) How well is debt being used by Councils and is this an appropriate mechanism for funding inter-generational infrastructure etc.?



Woollahra Council **Submission 2** – Alternate Terms of Reference IPART Review of the Council Financial Model

Draft Terms of Reference <u>Alternate</u>	Questions
Expenditure	6) How well do Councils manage their expenditure in line with community expectations and current available funds i.e. living within their means?
Infrastructure & Assets	7) How effective are Councils in managing their assets (including the renewal of assets) and planning for the future growth of the area? 8) Do Councils have the financial capacity to manage assets appropriately and to build resilience into their assets for the long term?
Performance Measurement	9) How are Councils currently measured against their financial and operational performance? 10) What measurement mechanisms are in place (i.e. existing performance indicators / ratios) and do these current measures provide sufficient visibility and accountability to Councillors and the community? 11) What improvements should be made to the performance measures / indicators in order to provide the visibility and accountability required?
Informing Councillors	12) How do Councils currently inform Councillors of budget-related matters to enable effective decision making? 13) Is the budget and Operational Plan information provided to Councillors, timely, appropriate and sufficient for informed decision making?
Decision-Making	14) What controls are in place to ensure that Councillors are not making service and or priority decisions that will threaten the long term financial sustainability of their Council i.e. potentially making such decisions against the advice of staff?



Woollahra Council **Submission 2** – Alternate Terms of Reference IPART Review of the Council Financial Model

Draft Terms of Reference <u>Alternate</u>	Questions
Community Engagement	15) Is the current IP&R framework adequate and appropriate i.e. fit for purpose, for engaging with the community about service priorities and related budgets and financial implications? 16) Does this engagement with the community via the IP&R framework, provide Councillors with adequate information with which to make informed decisions?
Service Provision	17) How well do Councils define their service levels to their community and are such service levels / service standards set in line with current available funds?
Efficiency	18) How should the efficiency of Councils be determined and what opportunities exist for improvements in Council efficiency? 19) How do Council's currently demonstrate their efficiency to Councillors and the community?
Financial Sustainability	20) How should financial sustainability in NSW local government be defined and measured now and into the future?



Woollahra Council Submission 1

IPART Review of the Council Financial Model

Woollahra Council welcomes the review into the Council financial model and sincerely hopes that the IPART and the NSW Government gives due consideration to all submissions lodged as part of this review. Please note that the submission/s from Woollahra Council are staff submissions only, authorised by the General Manager and are not endorsed via a resolution of Council.

Woollahra Council is lodging two submissions. This submission, known as Submission 1 responds to the written ToR as released by the IPART, with Submission 2 (provided under separate cover), providing an alternate approach to the ToR.

As noted above, this submission responds to the written ToR as released by the IPART and includes commentary as well as some suggested revised questions that are shown shaded in grey for ease of reference. It is considered that these suggested questions are more targeted and may result in a more informed review.

Draft Terms of Reference	Woollahra Council Feedback
<p>1. The visibility of Councillors and the community over the financial and operational performance of their councils</p> <ul style="list-style-type: none">- 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?	<p>To be clear on what is being asked here, it is suggested that this question be broken down into the following individual questions:</p> <ul style="list-style-type: none">- What are the current mechanisms (incorporating existing performance indicators) that are in place for reporting on Council performance, both financial and operational?- Are the current mechanisms (including the existing performance indicators) for reporting on the financial and operational performance of Councils clear and understood to Councils?- Are the existing performance indicators satisfactory in being able to determine the financial and operational performance of Councils?- Is there a need to update the existing performance indicators to make them more useful for 'real time' monitoring and of so, what performance indicators are suggested?



Woollahra Council **Submission 1**

IPART Review of the Council Financial Model

Draft Terms of Reference	Woollahra Council Feedback
	<p>present written information to the Councillors for them to take into consideration when deliberating on the matters before them.</p> <p>During the budget and OP development process and the public exhibition period, the community is actively engaged by Council through a range of engagement mechanisms, in order to facilitate discussions on the budget and OP.</p> <p>Having said the above, moving to an expenditure review committee model does not in itself means that Councillors and or the community would have any greater understanding of the budgets or budget decisions necessarily.</p> <p>The other matter for consideration is the make-up of such an expenditure review committees and what authority they would have in relation to resolutions of Council etc. There is also the matter of who would be funding such committees.</p>
<p>2. Whether the current budget and financial processes used by councils are delivering value-for-money for ratepayers and residents</p> <p>- 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</p>	<p>This point is confusing. It is not current budget and or financial processes themselves that deliver value for money decisions (or not as the case may be) as they are simply processes. Shouldn't this be more about how value-for-money decisions are made by each Council?</p> <p>An overarching issue with this however, it is what is value-for-money being defined as? The meaning of this could be very different for each Council for each budget / expenditure scenario being considered.</p> <p>There is an awful lot to consider in these two questions, so it may need to be broken down into several points i.e. service standards, expenses, efficiency, service quality and sustainability – whilst they may be inter-related, they are all very different issues.</p>



Woollahra Council **Submission 1**

IPART Review of the Council Financial Model

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	<p>If there were a comprehensive set of performance indicators across financial and operational areas, then this would be a visible sign to the community as to how the Council is travelling, potentially leading to increased accountability.</p>
<p>3. Whether the current funding model will sustainably support the needs of communities</p> <ul style="list-style-type: none"> - 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. 	<p>Following are some suggested revised words for consideration:</p> <ul style="list-style-type: none"> - Whether the current funding model for local government is adequate in providing for the financial sustainability of Councils, in support of the needs of communities. <p>No comments in relation to this question.</p> <p>This statement / question is possibly best dealt with it in two parts.</p> <p>The first part seems to be dealing with a mix of own source revenue and other revenues, noting that there is already a performance measure that all Councils are required to report on regarding own source revenue. This measure is the Own Source Operating Revenue Ratio (OSORR) which is set at >60%. This ratio is calculated by taking total continuing operating revenue (excluding all grants and contributions), divided by total continuing operating revenue.</p> <p>So as a starting point (and ignoring whether the existing ratio / measure is good, bad, appropriate or not) is this about seeing Councils increase the % of own source revenue that they could apply to services? If so, then it should state this.</p> <p>The second part of the point includes the statement 'services required to be delivered by Councils', noting that this is complex. How will the IPART determine what services are required to be delivered by Councils when the services delivered by Councils vary Council to Council? This is an age old argument about what are core and non-core services for a Council to</p>



Woollahra Council **Submission 1**

IPART Review of the Council Financial Model

Draft Terms of Reference	Woollahra Council Feedback
<ul style="list-style-type: none"> - 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 	<p>deliver and it is hard to understand how the IPART will be able to report meaningfully on this without some greater definitions around the services issues.</p> <p>It is unclear what is intended by the words 'downward pressure on rates' in the context of the current funding model for local government. With the rate peg now a permanent fixture for local government in NSW, is this point really about how we limit the need for Councils to apply for Special Rate Variations (SRV) over and above the rate peg, by ensuring Councils are focusing on growing their own source revenue and tighter controls over current expenditure? If so, the statement would benefit from some plain English so it is clearer to all concerned.</p> <p>The other point worth noting is that not all Councils are the same i.e. rural, regional, small metro, large metro etc. meaning that the ability for Councils to raise own source revenue (outside of rates) can vary greatly Council to Council, so there is no one size fits all in relation to own source revenue.</p> <p>This point seems to be a mixture of points detailed earlier in this ToR.</p> <p>Under the IPR framework, Councils already consider the needs of their diverse and distinct communities, noting that due to the wide and varied nature of Councils across NSW, it is not possible to compare apples to apples, as each LGA and their ratepayers will have specific needs.</p> <p>If this point statement is about limiting the need for Councils to have to apply for an SRV, thereby impacting 'unnecessarily' on the cost of living of ratepayers, then it needs to state this in plain English.</p> <p>What this statement fails to take into account is that communities generally have far greater demands for infrastructure and services than a Council can ever afford to meet and Councillors are under pressure to find ways to deliver whatever that demand is. This is where Councillors (and management) need to focus on prioritisation, however this is often</p>



Woollahra Council **Submission 1**

IPART Review of the Council Financial Model

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<ul style="list-style-type: none"> - 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? 	<p>Following are some suggested revised words for consideration, in addition to the question already posed above:</p> <ul style="list-style-type: none"> - Has the audit mandate resulted in value for money for ratepayers and what advantages has the audit mandate provided to ratepayers and Councils? <p>If the intent of this point is to talk about models of insourcing versus outsourcing, then that in itself is a large body of work that could be a study in its own right. In addition to this, insourcing / outsourcing will likely be different for every Council depending on their circumstances and potentially whether they are metro, regional or rural. Surely any decisions by a Council to insource or outsource would be the result of a formal service review process as is now required under the IPR framework.</p> <p>Unsure of the intent of the above question. For clarity, if this question is about innovation in service delivery, then it should say so. Also, does the capability building comment relate to Council staff and or Councillors or is this about capability building as a result of service innovation?</p>
<p>5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community?</p>	<p>This point seems to ignore the fact that Councils have been legislated since 2009 to comply with the IPR framework, which at its core is about providing greater transparency and accountability to the community.</p> <p>Also, as a comment, simply having better systems or processes in and of themselves does not necessarily improve budget performance or financial sustainability.</p> <p>Following are some suggested revised words for consideration:</p> <ul style="list-style-type: none"> - Are there any improvements that could be made to the Integrated Planning & Reporting framework that would see increased transparency and accountability of Councils to their communities?



Woollahra Council **Submission 1**

IPART Review of the Council Financial Model

Draft Terms of Reference	Woollahra Council Feedback
<ul style="list-style-type: none"> - Whether the current framework of reporting and compliance is appropriate and effective. 	<p>If this is referring to the IPR framework, then it should be clear in its intent. If not the IPR framework then some clarity is required on what is intended by this question.</p> <p>If this is referring to the IPR framework, then it should be clear in its intent. If not the IPR framework then some clarity is required on what is intended by this question.</p>
<p>6. Any other matters IPART considers relevant.</p>	<p>Following are a range of relevant matters that the IPART should consider if this review of the financial model for Councils is to be comprehensive (shown in no particular order):</p> <ul style="list-style-type: none"> - Introduction of Capital Improved Value (CIV) - Value capture (including the ability to use some of these funds for operational purposes) - Cost shifting - Regulatory / Statutory charge restrictions - Pensioner rebates - Rates exemptions - Developer Contributions and restrictions on their use - Fee waivers - State & Federal grant funding and impacts on Councils - Funding of environmental sustainability initiatives - Funding for increasing cyber related matters - Funding for resilience in infrastructure i.e. building back better than before and for the long-term - Funding for increased climate change impacts - Reducing State government red tape - Funding of infrastructure where (by way of example), changes are made to the State planning regime demanding intensification of development, however there is no funding provided to Councils for the additional infrastructure required to cater for larger populations.