Author name: C. Swift-McNair

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: Your Ref: 24/45758

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 Control Manager, Craig Cwift—McNair on or via email at

Yours sincerely



Craig Swift-McNai General Manager



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

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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	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?	

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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?

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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
The visibility of Councillors and the community over the financial and operational performance of their councils	To be clear on what is being asked here, it is suggested that this question be broken down into the following individual questions:
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?	 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?

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Draft Terms of Reference	Woollahra Council Feedback
Are Councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost effective way?	It is a little hard to determine what is being asked here i.e. receiving timely and appropriate information is in one thing, whereas the allocation of public funds is an entirely different matter. By way of example, Councillors could receive timely and appropriate information, but still make a decision that is not necessarily an efficient or cost effective way of allocating or expending public funds.
	For clarity, it should be noted that currently, there is regular financial reporting to Woollahra Council in the form of a monthly financial report (including investments) and a Quarterly Budget Review Statement (QBRS) presented to Council each quarter, which details a range of budgetary matters, movements and information. In addition to this, during the development of annual budgets and the annual Operational Plan, Councillors are briefed throughout this process and have several opportunities for input into the budget prior to the budget being considered for adoption.
 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? 	The intent of this question is not clear. Councils in NSW currently have a legislative requirement via the Integrated Planning & Reporting (IPR) suite of documents to engage with the community during the development of the budget and Operational Plan (OP), with these documents being placed on public exhibition annually for at least 28 days, prior to the final consideration by Council. Generally, this public exhibition process attracted a range of submissions on the budget and or OP from members of the community that Councillors then give consideration to.
	In the case of Woollahra Council there is a Standing Committee structure, where one of those Committees is a Finance, Community & Services Committee. Once a month, the community has the opportunity to address the Committee on any matters before them, including the monthly financial report and the QBRS.
	These reports (once discussed at the Committee), are then tabled at the next full Council meeting, where the community has an opportunity to

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Draft Terms of Reference	Woollahra Council Feedback
	present written information to the Councillors for them to take into consideration when deliberating on the matters before them.
	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.
	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.
	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.
Whether the current budget and financial processes used by councils are delivering value-for-money for ratepayers and residents	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?
	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.
- 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	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 interrelated, they are all very different issues.

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Draft Terms of Reference	Woollahra Council Feedback
 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. 	It is hard to understand how the IPART (or anyone) will be able to make any valid judgement calls on service standards matching revenue (or service quality), when service standards are different across all Councils and the actual services provided by Councils vary considerably across the board.
	Also, there is an assumption in this statement that service standards match revenue, when services are an expense that needs to be managed within allocated budgets, as per the second part of the above statement.
	Is the efficiency statement included above about overall Council efficiency or the efficiency of the budget process? Also, does the sustainability comment above refer purely to financial sustainability? These questions need to be clarified in order to ensure the IPART is able to deliver on these requests within the ToR.
	Following are some suggested revised words for consideration:
	 How well do Councils currently set their service delivery standards to match revenue / available budgets?
	 What mechanisms and or processes are in place to ensure that a Council manages its overall expenditure within available allocated budgets?
	 How should the efficiency of Councils be determined and what opportunities exist for improvements to Council efficiency?
How to visibly boost elected Councillor accountability for council budgets and expenditure to the community	Councillors are already accountable for the adopted budget and expenditure and are effectively held to account every four years. However, is this meant to relate to the overall financial and operational performance of the Council?

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Draft Terms of Reference	Woollahra Council Feedback
	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.
3. Whether the current funding model will sustainably support the needs of communities	Following are some suggested revised words for consideration: 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.
 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 	No comments in relation to this question.
 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. 	This statement / question is possibly best dealt with it in two parts. 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. 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. 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

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Draft Terms of Reference	Woollahra Council Feedback
	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.
- Identify measures to put downward pressure on rates through other 'own source' revenue or closer scrutiny of expenditure.	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.
	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.
 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 	This point seems to be a mixture of points detailed earlier in this ToR. 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.
	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 o ratepayers, then it needs to state this in plain English.
	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

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Draft Terms of Reference	Woollahra Council Feedback
	when decisions can be made that are not necessarily in the best interests of the long term financial sustainability of the Council, thereby impacting negatively on the community either in the short or long term.
4. Whether councils (both Councillors and staff) have the financial capacity and capability to meet current and future needs of communities.	It is unclear whether this point is meant to be looking at the capacity and capability of the individuals (i.e. Councillors and staff) to manage the Council, or is it meant to be about whether the Council (i.e. the organisation), has the capacity and capability to meet the current and future needs of the community? Also, this point implies that capacity and capability of individuals is linked to whether a Council can meet the current and future needs of communities, when that may not necessarily be the case.
	Following are some suggested revised words for consideration: Do Councils (i.e. Councillors and staff) have the capacity and capability to ensure the financial sustainability of their Council? What financial risk management practices are in place across Councils to assist with future financial sustainability?
 Are councils equipped with the right internal capabilities to deliver on the services which their community requires? 	This point needs to be clarified i.e. is this about the skills of the workforce to deliver the range of services the Councillors have deemed are a priority to be delivered for their community?
Has the Audit Mandate been successful in providing a consistent view on the accounting and risk management practices of councils?	This question does not go far enough. If this review is about the financial model of Councils, then there should be some questioning around whether the audit mandate across NSW has produced any value to ratepayers / Council in having the Audit Office (AO) managing audits. This comment is made in the context of audit now costing many Councils around 30% more than it was some years ago. AO timelines are blowing out across the sector, plus there is some dispute about the relevancy of some of the matters the AO asks Councils to undertake.

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Draft Terms of Reference	Woollahra Council Feedback
	Following are some suggested revised words for consideration, in addition to the question already posed above:
	 Has the audit mandate resulted in value for money for ratepayers and what advantages has the audit mandate provided to ratepayers and 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?	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.
What examples of best practice capability building and innovation could be implemented more widely?	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?
5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community?	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.
	Also, as a comment, simply having better systems or processes in and of themselves does not necessarily improve budget performance or financial sustainability.
	Following are some suggested revised words for consideration:
	 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?

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Draft Terms of Reference	Woollahra Council Feedback
How effective councils are in managing their assets and planning for future growth and renewal of assets?	Whilst this question is specifically about assets, it is not a dissimilar question to some of the other questions throughout this terms of reference document in that assets generally provide a service to the community and therefore are part of the prioritisation that all Councils must manage.
	Perhaps this point is really trying to get to the core of how capital projects are funded i.e. the future growth referred to above, with those assets then being able to be maintained adequately.
	Again, the way each Council manages its assets is likely to be slightly different, noting that some Councils have vastly larger amounts of assets to look after than other Councils i.e. some have water and sewer; some have extensive rural road networks and the like.
	Following are some suggested revised words for consideration:
	 How do Councils adequately fund the construction of new assets and the ongoing maintenance / renewal of those assets?
 Whether current community engagement allows for effective long-range planning and sustainable funding. 	This point is confusing. Community engagement in itself does not necessarily result in effective long term planning. Community engagement is one of the inputs into the prioritisation that Councils undertake and may not result in sustainable funding decisions.
	Following are some suggested revised words for consideration:
	- Does the community engagement that Councils currently undertake (as part of the IPR framework for the annual budget and Operational Plan), provide adequate transparency and information to the community so that they are aware of the impacts of their needs and wants (priorities) on the long term planning and financial sustainability of the Council?

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Draft Terms of Reference	Woollahra Council Feedback
 Whether the current framework of reporting and compliance is appropriate 	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. If this is referring to the IPR framework, then it should be clear in its
and effective.	intent. If not the IPR framework then some clarity is required on what is intended by this question.
6. Any other matters IPART considers relevant.	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):
	 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.

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