

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

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

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