



15 March 2024

Carmel Donnelly PSM  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35, Haymarket Post Shop  
Sydney NSW 1240

Dear Ms Donnelly

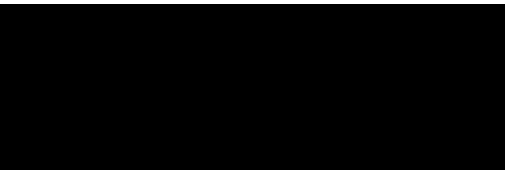
**HORNSBY SHIRE COUNCIL SUBMISSION – REVIEW OF DRAFT TERMS OF REFERENCE TO INVESTIGATE AND REPORT ON THE FINANCIAL MODEL FOR COUNCILS IN NSW**

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Hornsby Shire Council (HSC) welcomes the opportunity to provide a response to the 'Draft Terms of Reference – Investigation of Council Financial Model in NSW'. Responses to each of the draft Terms of Reference proposed by IPART are included within this submission.

HSC additionally notes that this submission has focussed on our view of the appropriateness of the Draft Terms of Reference for inclusion within the Review, and at the appropriate time HSC would also welcome the opportunity to provide a submission to respond to each of the Terms, once finalised by IPART.

Yours Sincerely



Steven Head  
**General Manager**

Ref F2013/00751

## **Review of Draft Terms of Reference**

### **Draft Terms of Reference:**

#### **1. The visibility of councillors and the community over the financial and operational performance of their councils**

Council Comment – Partially Supported

Council does not support a review of the Accounting Code for Local Government in full as the Accounting Code is governed by Australian Accounting Standards and the majority of the format and disclosures of the General Purpose Financial Statements cannot be amended without departing from the requirements of these standards, which would likely result in a qualified audit report from the NSW Audit Office.

However, Council does support a review of some of the other information included within the Financial Statements, such as the Statement of Performance Measures, Performance Against Budget and other additional disclosures, whilst noting that some of these disclosures are excluded from the audit report provided by the NSW Audit Office. Nonetheless, Council believes that some of the Key Performance Measures could be improved or replaced to provide more accurate and meaningful information to users of the Financial Statements and would welcome the opportunity to provide advice in respect of this at the appropriate time.

Council does not support a review of the current Quarterly Budget Review Statement as it provides a comprehensive report on the cash liquidity result of each Council each Quarter. This statement, in conjunction with the statutory yearend Financial Statements (the 'non cash' result) is the best method to report a complete view of each Council's financial performance each year.

It should be noted that there is sufficient oversight of Council's financial performance through the Audit, Risk and Improvement Committee and regular reporting to Council in respect to the Quarterly Budget Review and approval of the Annual Financial Statements. It does appear that an expenditure committee proposal in the term of reference of external public members may diminish the role of elected Councillors and further duplicate governance within local government.

#### **2. Whether the current budget and financial processes used by councils are delivering value-for-money for rate payers and residents**

Council Comment – Partially Supported

Council supports a review of the current Integrated Planning and Reporting framework only if the review assesses whether the cost of delivering each of the components of the framework provides value for money and assesses the extent that each of the components are used by the community. Noting this, Council recommends that this Term is amended to seek feedback on the most cost-effective way of providing meaningful information, including seeking feedback from councils as to whether a more streamlined alternative to the existing Integrated Planning & Reporting framework is available.

It should be noted that delivering value for money for rate payers should be achieved through recently adopted legislation by the Office of Local Government that requires Councils to undertake a rolling service review program.

#### **3. Whether the current funding model will sustainably support the needs of communities**

Council Comment – Not supported

Council does not support a review that detracts from the importance of an appropriate rate peg that adequately provides for the expenditure increases incurred by councils each year.

It is not possible to implement a 'user pays' model for most council services. HSC controls more than \$2 billion in assets such as roads and footpaths, parks, bushland and stormwater drainage, and maintaining these assets to provide services to the community forms a significant part of Council's Annual Budget. As it is not possible for Council's to charge for most services associated with these assets (e.g. traversing down a road or footpath) the cost of service provision can only be funded from general revenue, not User Charges and Fees.

Council requests that this ToR is removed and that the methodology used to set the rate peg is continually reviewed to ensure that the cost of providing council services is adequately covered by the rate peg each year.

#### **4. Whether councils (both councillors and staff) have the financial capacity and capability to meet current and future needs of communities**

Council Comment – Partially Supported

Council supports a review into the appropriateness of qualifications for internal staff in key positions responsible for each of Council's services, such as whether CPA or CA qualifications should be a requirement for certain finance roles.

Council also supports a review that assesses the success of the Audit Mandate and requests that this Term of Reference is updated to specifically examine the cost of providing an Audit and Risk Improvement Committee at each Council within the State, including an assessment as to whether value for money has been achieved. Council would also like this Term to be updated to specifically review whether there is a duplication of audit procedures completed by both Internal and External audit, including an assessment as to whether this is duplicating cost unnecessarily.

Council also supports a review of whether there are methods of best practice capability and innovation that could be implemented widely across the sector.

At present there is legislation that requires newly elected Councillors to have established a professional development program to develop their skills in a range of Council related matters. It may be appropriate for Councillors as part of this requirement to meet a prescribed level of financial literacy.

#### **5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community?**

Council Comment – Not supported

Council believes this Term is adequately covered by Terms 1 to 4 and is a duplication of different parts of each of these terms, which are already proposed by IPART.

#### **6. Any other matters IPART considers relevant**

Council Comment – Not supported

Council believes the review should be limited to the Draft Terms of Reference that have been circulated to Council's for comment, amended based on feedback received where appropriate.

**Are there any other terms that we believe should be added?**

Council Comment – Yes

As part of the Terms of Reference consideration should be given to existing legislative requirements through various State Government Agencies that examine Local Councils in NSW in order to avoid duplication. Further consideration should be given in respect to resourcing and financial consequences of such initiatives, including assessing whether value is achieved against the cost of implementation and ongoing monitoring.