

28 April 2025



Mr Brett Whitworth
The Deputy Secretary
Office of Local Government
Department of Planning, Housing and Infrastructure

Email: olg@olg.nsw.gov.au

Dear Mr Whitworth

Draft Quarterly Budget Review Statement – Consultation Feedback

The Southern Sydney Regional Organisation of Councils (SSROC) welcomes the opportunity to provide a submission on the Draft Quarterly Budget Review Statement (QBRs) Guidelines intended to ensure council staff report clearly and consistently to their councillors and communities.

SSROC is an association of twelve local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. The organization provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils, and key bodies on issues of common interest. Together, our member councils cover a population of about 1.8 million, one third of the population of Sydney, including Australia's most densely populated suburbs. SSROC seeks to advocate for the needs of our member councils and bring a regional perspective to the issues raised.

SSROC and its member councils have a strong interest in the QBRs.

This submission is organised around the key areas and questions that were outlined in the Consultation Guide.

SSROC notes that it would have been helpful if the OLG had offered one or two webinars to Councillors about the changes as part of their consultation plan. This could have encouraged Councillors to participate and be better able to respond to the questions in the QBRs consultation guide.

1. Effective oversight

Does the revised process proposed in the draft Guidelines enable effective oversight and strengthen transparency? If no, outline the reasons why?

What is meant by "effective oversight" may be subject to interpretation, but a QBRs-style report provides a standard way for all councils to provide information to council and the community.

Councils plan and report extensively on their financial and operational performance under the Integrated Performance and Reporting (IP&R) framework. This includes a long-term financial plan and an operational plan, which support the implementation of the overarching community strategic plan. These have inbuilt oversight elements.

The Guideline should explicitly set out the current financial and operational reporting mechanisms

and performance indicators, which would better enable Councils and OLG to assess whether they are clear. It is important to consider whether the mechanisms are understood and whether the information presented through them can be well understood by Councillors, who have differing levels of financial management knowledge and capability.

It is also important to consider updating the existing performance indicators to make them more useful to “real-time” monitoring and to improve how adequately they represent the financial and operational effectiveness of councils.

Would you like additional training or capability development for councillors and council staff to apply the QBRS guidelines? If yes, what recommendations do you suggest?

SSROC recommends an initial series of webinars to explain the purpose of the QBRS and how QBRS can be best used for a council. This would be of use to new councillors and staff. These webinars could include several recent case studies of the “good, bad and ugly” financial issues from local government (NSW, Australia or even abroad).

Council staff are best placed to provide specific background and training on the financial position and QBRS for their own councillors.

The “efficient and cost-effective way” of councillors receiving the information, or the “efficient and cost-effective way” of allocating the public funds by Councillors are fundamental for the Guidelines to be enacted in practice. Understanding and considering the financial impacts of key council decisions is an important role for a councillor and the QBRS supports this process.

Councils are bound by legislation to follow the IP&R framework. This necessitates engagement with the community in developing the budget and the operational plan; these are on public exhibition annually for a minimum of 28 days before these are deliberated on by Council, at which time submissions received from community members will be considered. The QBRS could provide a broad guide on how to improve councillor and community understanding of budgets and related decision-making, and of the fit with councils’ obligations under IP&R.

2. Transparency

What is the role of the RAO in your council and what assurance should the RAO provide when signing the QBRS?

The role of the RAO should be to provide a somewhat independent view that the council is currently financially sustainable. The RAO should be a Qualified Financial Person who can verify that they have the skills to verify, interpret and present the financial position of Council.

Should the reference in the Regulation at 203 (2)(b) to ‘estimate of income and expenditure’ be extended? If so, should cash, reserves, assets, liabilities or other considerations be included?

Not necessarily. The primary roles of the QBRS are to update timing or reflect new decisions made since the last update, and to track the year-to-date expenditure to the budget.

However, SSROC encourages that there should be some consideration not only to the current year, but the position of Council in relation to the last adopted Long Term Financial Plan (LTFP). For example, a Council could have sufficient cash for the current year but insufficient for the next year's commitments as per the LTFP. There is nothing in the QBRS that would force or require a RAO to acknowledge this to the council. The 203 (2)(b) requirement in the regulation predates the IP&R requirement to have balance sheet and cash flow statements in the LTFP, and to review them annually. This could be referenced either through a mid-year statement or the words

(balance sheet and cash flow) added to the RAO narrative statement. Otherwise, only a part of the full council financial position is reported under this proposal.

What, if any, changes to the Regulation would be beneficial to strengthen the QBRS process?

SSROC is of the view that the working capital position of council (excluding External Restrictions) is key. The working capital or available funds balance should be very clearly stated. The current draft does not appear to achieve this. It is not clear if the expectation is that Councils would develop another schedule in addition to this.

3. Timeliness

Do you think a 4th quarter QBRS process should be implemented to improve effective oversight and the timeliness of year-round reporting to councillors? Please provide reasons for your response

There should be some type of report at Quarter 4 (Q4), as the period between a Q3 report (May) and the financial statements (October) to Council on that year's performance, exceeds three months. This is a long period of time to have no update on the financial performance of council and assess whether any adjustments need to be made.

A report covering the Q4 period should also provide update on any budget rollovers and re-votes to the next year and keep Council informed of any issues or opportunities. It should address the latest preliminary year-end figures, and note them as preliminary, as well as any rollover or re-votes to start the new financial year that amend the forecast budget for the subsequent year. It is conceivable that councils could do a "lite" version of the QBRS to achieve this.

Alternatively, should an end of year summary report be implemented? Please provide reasons for your response

Yes. It should summarise final management accounts, capital and cash balances. The Q4 report could be named an end of year summary report and include rollover/re-votes and interim financial results. It would still be a preliminary report as the statement at this stage is not yet signed off.

What financial reporting information do you provide to your councillors on a monthly basis?

Statutory reporting on cash balances, cash movements and Investments is required every month.

4. Builds trust

Is a mid-2025 release of the final Guidelines and the November commencement date feasible? If not, why not?

Overall, this is sensible, as it is the first QBRS prepared. SSROC realises that some councils may not be ready by that time but most Councils should be able to trial it at Q1. This is dependent on how well they are resourced to prepare their QBRS statements.

Should councils ensure the QBRS and other publicly available financial reports are available as stand-alone documents on council websites, in addition to through council business papers? If not, why not?

Yes. It should be included in the Quarterly or Six-Monthly reports on the Operational Plan.

It would be considered best practice to have the financial reports on a separate web page within the Council website and ideally pairing them with IP&R progress reports. This would integrate reporting for financial and non-financial progress.

5. Minimises risk

What impediments, if any, would you have to provide accurate and timely reporting at a fund level on a quarterly basis? If so, how could these be overcome?

Accrual system can distort accurate information and overstate **reserve balances** due to the way Councils recognise income and carry large debtors.

SSROC has reservations about the "waste fund". Clarity is necessary. Is this to be mandated as a new fund requirement? This would require some additional activity for balance sheet calculations.

Do the standardised templates include the right information to understand how council is tracking against its intended plan and to make decisions, including any necessary budget adjustments? If no, what information should be reported in a QBRS?

No, we need to focus on management reporting and should **exclude capital income** from income and expenses. Councils should report on Consolidated Fund. It is not clear why there is a new waste fund. Waste is an external reserve and not a fund. In addition, Developer Contribution is an annual assessment not quarterly. Under the Act, there is a general and trust fund and the income statement related to business activities. This reference to a waste fund needs to be clarified to avoid confusion.

The QBRS overview schedule appears to be showing only movements and not balances. The movements will not provide a sufficient indication of the financial position of Council. It would make more sense to have a starting balance column, then the movements/changes for the year and then a closing balance.

SSROC suggests that an alternative could be to have a year-to-date adjustment column instead of the individual previous quarter's adjustments.

The suggested order down the page should be Operating, Capital, Borrowings and Liquidity so that the cash available line is the bottom line, which for many will be the most important piece of information.

Should additional financial information be reported in the state-wide standardised QBRS templates? If so, what additional information should be mandated?

The QBRS does not point the reader to the working capital position of council at the current point or the project end of year position.

Insufficient Working Capital should be mandated for reporting.

6. Going forward

What analysis do you do at the end of the financial year to inform the development of the next year's budget?

Budgets are developed well before the end of the year. The only changes to budgets are through re-voting of funds for capital and plant and assets. The Q4 report provides an interim review on the full year results in the same style of reporting for the Councillors and community and the same reports address any budget adjustments to the previous or future years.

It is worth noting that budgets are finalised in April and Financial Statements in September. A Q4 Review has some influence on the following year's budget due mostly to unspent capital being rolled over/re-voted.

What additional support or resources would assist local councils to improve the quality, availability and consistency of the financial information they provide to their councillors and community?

SSROC is strongly of the view that the collection of the FDR data has to be made as easy as possible for Councils. OLG should consider automation of the data collection.

It would be beneficial for all councils to see the data submitted by all councils in an easy-to-access manner to provide transparency at a state wide level. This data should not be accessible to OLG alone but to all councils.

Other Comments

Developer Contributions

The Developer Contributions schedule does not need to be quarterly and it could be confusing as to its relevance to the overall funding position of Council for each quarter.

Layout of QBRs

The layout of the overview page could be improved. The most important figure is the **projected year end result**, and this is hidden in the second last column and the fourth line.

Reference to Financial Performance

The QBRs refers to the financial performance of Council: on page 12 it refers to "the original estimate of income and expenditure determined in the Council's Resourcing Strategy" The **Operational Plan** contains the operational budget and it is this document that Councils adopts to enact the provision of funds, not the resourcing strategy.

Satisfactory performance should focus on the current year end position and note any changes on the long term financial sustainability of council. For example, if reserves (allocation) is being depleted to zero as a budget adjustment this year and there were future commitments, this leaves a potential funding gap for those future years' projected costs. But this can be skipped over, under this format.

Difference in Councils comparability question

Councils are not homogenous and different councils treat items differently, which will lessen any comparability through the year. For example, regarding Rates income, some councils show the full amount to be levied at Q1 rather than 25% of the full year levy. For example, within SSROC, City of Sydney, Georges River and Inner West show the percentage of rates at every quarter, while Woollahra, Randwick, Canterbury, Sutherland, Waverley show the full levy amount at Q1. Other councils may operate and accrue items differently, and this could distort a more wider review of council financial sustainability.

Forecast column

There could be a separate forecast column. Budgets are the endorsed allowance for spending and revenues, but do not necessarily reflect the expected actual result. A forecast achieves this purpose.

This is further complicated by the Guideline definition of the projected year end result as it is described as "The revised forecast position at financial year end. It is the original budget plus the approved and recommended budget changes".

A forecast and a budget are two different concepts. A forecast can be different to the approved budget and would be an additional level of information as to the financial position of council. At the least, Councils should have the option to include a year end forecast in the schedule.

Grants and council finances and reporting

SSROC suggests that the QBRs reflects the current practices within the local government financial model, namely matters of current grant funding for local government and financial sustainability of Councils, in support of the needs of communities. For example, most NSW Government grant funding agreements require Councils in part to fund the project and then claim reimbursement at specified milestones and/or at the time of acquittal. Depending upon the size of the project, and the delay in any final reimbursement, this can cause a cash flow problem for Councils, particularly at year-end and when preparing financial statements and reports.

New QBRs Format

It is proposed the new QBRs contain the following schedules:

1. Overall statement by the Responsible Accounting Office on the projected financial position
2. Financial Overview for all councils' funds including waste fund (new) and a one-line Developer Contributions summary
3. Income and Expenses Statements – a Consolidated Fund statement (as per existing) and then one each for General, Water (if applicable), Sewer (if applicable) and Waste (new)
4. Capital Budget Review Statement (as per existing)
5. Cash and Investments Summary (as per existing but change of terminology)
6. Developer Contribution Overview (new – see attached)

The format should not include the need for reports on a contracts, legal fees and consultants.

Conclusion

Thank you for the opportunity to contribute this submission on the Draft Quarterly Budget Review Statement (QBRs) Guidelines.

In order to make this submission within the timeframe for receiving comments, it has not been possible for it to be formally reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed.

If you have any queries, please do not hesitate to contact me or Dr Vincent Ogu, SSROC Program Manager on 8396 3800.

Yours faithfully



Helen Sloan
Chief Executive Officer
Southern Sydney Regional Organisation of Councils (SSROC)

Attached: Proposed Developer Contributions Schedule

Proposed Developer Contributions Schedule

	Opening Balance As at 1 July 20xx \$000's	Total Cash Contributions Received As at this Q \$000's	Total Interest Earned As at this Q \$000's	Total Expended As at this Q \$000's	Total Internal Borrowings (to)/from As at this Q \$000's	Held as Restricted Asset As at this Q \$000's	Cumulative balance of internal borrowings (to)/from As at this Q \$000's
Developer Contribution							
Total Developer Contributions	0	0	0	0	0	0	0

* requires manual input

'Approved changes' include any budget changes endorsed at a council meeting during the quarter.

Developer Contribution Summary

Summary Developer Contributions										
[Name] Council										
Budget review for the quarter ended - XX XXXXXXX 20XX										
Purpose	Opening Balance As at 1 July 20xx \$000's	Contributions Received			Total Actual Interest Earned As at this Q \$000's	Total Amounts Expended As at this Q \$000's	Total Internal Borrowings (to)/from		Held as Restricted Asset As at this Q \$000's	Cumulative balance of internal borrowings (to)/from As at this Q \$000's
		Total Actual Cash As at this Q \$000's	Total Non-Cash Land As at this Q \$000's	Total Non-Cash Other As at this Q \$000's			As at this Q	As at this Q		
Drainage									0	
Roads									0	
Traffic facilities									0	
Parking									0	
Open space									0	
Community facilities									0	
Other									0	
Total S7.11 Under plans	0	0	0	0	0	0	0	0	0	0
S7.11 Not under plans									0	
S7.12 Levies									0	
S7.4 Planning agreements									0	
S64 Contributions									0	
Other									0	
Total Developer Contributions	0	0	0	0	0	0	0	0	0	0

Notes

All developer contributions received are to be disclosed, and distinguished as cash or non-cash. Recognition occurs when Council gains control over the asset (cash or non-cash).

Councils have obligations to provide facilities from contribution revenue levied on developers under the provisions of s7.4, 7.11 and 7.12 of the EPA Act 1979.

Developer contributions may only be expended for the purpose for which the contributions were required, however council may apply contributions according to the priorities established in work schedules for the contribution plan.