



SNOWY MONARO
REGIONAL COUNCIL

LATE REPORT

PUBLIC EXHIBITION COPY

Ordinary Council Meeting
21 July 2022

**ORDINARY COUNCIL MEETING
TO BE HELD IN JINDABYNE MEMORIAL HALL, THREDBO TERRACE, JINDABYNE NSW
2627**

**ON THURSDAY 21 JULY 2022
COMMENCING AT 1:00PM**

LATE REPORT

11. MAYORAL MINUTES

11.2 Financial Sustainability Review

3

11.2 FINANCIAL SUSTAINABILITY REVIEW

Record No: 122/479

RECOMMENDATION

That Council

- A. Endorse the attached Scope of Works for the proposed Financial Sustainability Review;
- B. Seek an appropriately qualified contractor, using Council's standard procurement processes, to undertake the Financial Sustainability Review;
- C. At completion of the Review Identify savings equivalent to the full cost of the Review including the cost of staff time.

REPORT

At its April meeting, Council resolved as follows:

COUNCIL RESOLUTION

1/22

That Council

- A. Engage a suitably qualified consultant at a cost not exceeding \$10k, to assist in developing a scope, brief, estimated cost for the conduct of an independent audit and provide recommendations on proposals to carry out the audit.
- B. Refer the completed research to Council for consideration of the costs, timing and implementation of the audit.

Moved Councillor Hanna

Seconded Councillor Hopkins

CARRIED

Record of Voting

Councillors For: Councillor Castellari, Mayor Davis, Councillor Frolich, Councillor Hanna, Deputy Mayor Higgins, Councillor Hopkins, Councillor Johnson, Councillor Last and Councillor Summers.

Councillors Against: Councillor Beer and Councillor Stewart.

Subsequent to this Council advertised for an appropriate contractor and subsequently appointed UTS Institute for Public Policy and Governance.

The attached Scope for Works was developed by Councillors over two workshops and numerous emails commenting on draft documents.

The Scope of Works is now present to Council for consideration as required by Part B of the above resolution.

ATTACHMENTS

1. Proposed Scope for Financial Sustainability Review
 2. FSR Impact Statement
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Confidential FSR Request for Tender
For feedback purposes only

Snowy Monaro Regional Council Financial Sustainability Review¹

Prepared by UTS: IPPG - 20 July 2022

About this paper

This paper has been prepared by Institute for Public Policy and Governance, University of Technology Sydney, (UTS-IPPG) in confidence for the Snowy Monaro Regional Council (SMRC) Council.

It captures feedback from Councillors made after two scoping workshops held on 30 June and 14 July 2022, plus comments provided out of session on drafts circulated.

If, or when accepted by Council, the attached draft will be integrated into Council's standard Request for Tender (RfT) template which includes standard clauses including confidentiality, contracting responsibilities, legal requirements, publicity etc.

NOTE: The document does not reflect Council's position at this stage.

- **No decision has been made on whether to proceed with a review or not at this stage.**
- **A separate paper prepared by UTS-IPPG contains advice on the staff and cost impacts of the proposed financial sustainability review FSR (if undertaken).**

¹ While the initial Council motion referenced the scoping of an 'audit', the term 'audit' tends to be interpreted by the financial services and consulting sectors as being solely financial in scope. Financial Sustainability Reviews are understood to be much broader in scope and requirements.

Snowy Monaro Regional Council

Financial Sustainability Review

Background

In May 2016, the Snowy Monaro Regional Council (SMRC or the Council) was formed through an amalgamation of the Bombala, Cooma-Monaro and Snowy River Shires.

Like many rural and regional Councils, the three-predecessor councils reported various levels of deficit in the years preceding the 2016 merger. On average, the combined deficit in the final few years pre-2016 was of the order of \$7M.

The former Cooma-Monaro Mayor was appointed the new administrator for an 18-month period before Council elections in 2018. Since that time, the SMRC region has experienced significant challenges, including the 2019 bushfire season, the COVID-19 pandemic, and their related affects on local business, tourism, and Council revenue. In addition, new auditing and regulatory arrangements have also made local government finances more challenging in recent years.

At the end of 2020-21 financial year audit report revealed a \$24.8M operating deficit (excluding \$9.7M in grants provided for capital purposes). The operating deficit included:

- \$11.1M landfill legacy cost imposed on Council
- \$4.2M (net) in adjustments to prior year result, reducing the FY20 result from \$4.7m to \$540k
- \$2.5M related to asset reconciliations and land revaluations
(all figures rounded)

The reported deficit has created a range of concerns in the community, in part due to mixed communications with the public, political issues associated with the November 2021 Council elections, and residual dissatisfaction with the 2016 amalgamations.

An initial motion was passed to scope an audit. However, with an independent financial audit already underway it was deemed the scope of this work needs to be broader in order to accurately assess Council's current and projected financial situation, build trust in the community, and ensure it has a transparent evidence base to make decisions in the best interests of the local community. As such, Council is commissioning an independent **Financial Sustainability Review (FSR)**.



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About the Review

The prime goal of the FSR is to identify robust options to ensure SMRC can operate sustainably and efficiently into the future.

Terms of Reference

The FSR terms of reference are to:

1. Document factors contributing to SMRC current financial position.
2. Assess Council's current financial settings and oversight strategies from an efficiency, effectiveness, sustainability and performance management perspective.
3. Noting initiatives and reforms implemented since the 2020-21 audit, identify potential opportunities for Council to increase revenue and reduce costs including through, but not limited to current:
 - rates, fees and charges
 - Council management, operations, services, capital program, monitoring and governance systems
 - consideration of equity and distribution issues
 - broader Council planning and strategy activities.
4. Develop a set of recommended, evidence-based options for Council's deliberation, noting the potential risks and benefits of each, plus a recommended implementation strategy and timeframe.
5. Produce a clear and concise FSR final report, plus a summary report of findings suitable for public release.

Suggested Approach

Council has identified the following as suggested methods for the FSR, while welcoming submissions that include modifications or alternative options to address the terms of reference:

- Conduct a **thorough review** of Council's recent past, current and long-term financial plans, internal and external audit results, pricing policies and related operational and delivery plans
- Review **asset planning and asset audits**, plus internal management processes that have been undertaken and to identify any potential gaps or areas for improvement
- **Consult with Councillors, and key Council staff**
- Consider **community perspectives and expectations** via an online survey hosted on Council's website
- Compare **key measures and other comparable data sets and practices from other similar Councils** to inform the evidence base and potentially relevant options.



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Available Documentation

The successful consultant will be supplied with the documentation necessary to conduct the review. This will include the results of relevant audit reports plus financial planning information. All documentation will be subject to confidential clauses in the signed contract.

Deliverables

The review is expected to incorporate the following deliverables. (Each should be incorporated into the project timeline as part of the tender submission). All dates are related to the signing of the contract:

- Inception Workshop with Councillors (within 1 week)
- Inception Workshop with key Council staff (within 1 week)
- Preparation of a detailed project implementation plan, including survey instrument for approval (within 3 weeks)
- Preliminary Findings and Work-in-Progress Report (including stakeholder feedback to date), plus a Council briefing (within 6 weeks)
- First Draft FSR report for comments, plus Council briefing (within 8 weeks)
- Final Draft FSR report for final comments (within 9 weeks)
- Final FSR report, plus final Council briefing (within 10 weeks)

Governance

The day-to-day monitoring of project milestones will be the responsibility of the CEO.

It is expected the successful consultant will conduct three engagements with the full Council as documented above.

While the final FSR Report will be strictly the work of the independent consultant selected to undertake the review, the implementation of any review recommendations will be for Councillors to consider and vote on.

Additionally, an ad-hoc **FSR Advisory Group** will be convened to provide advice and feedback to the consultants. It is expected the consultant will meet with the FSR Advisory Group **at least once a month** throughout the review. The Advisory Group will comprise:

- Mayor (Chair) plus 2 other Councillors
- SMRC CEO
- SMRC CFO
- An independent from ARIC Committee.



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Project Timeline

Date	Milestone
21 July 2022	Council to consider the option of to proceed with the FSR
29 July 2022	RfT released
12 August 2022	Submissions received and RfT closes
19 August 2022	Successful consultancy selected and applicants notified
7 October 2022	Preliminary Draft FSR submitted to comment
14 October 2022	Revised Draft FSR submitted for comment
28 October 2022	Final FSR submitted

Tender Responses

Tender Submissions

Responses should address:

- **Each of the assessment criteria**, listing 3-5 projects over the last five years that demonstrate relevant experience to undertake this project
- Details of the **methodology** to be used
- **Project timeline** noting all major milestones
- Short biographies and qualifications of **each project team member**, noting their respective roles, day rates and anticipated time devoted to the project. This list should also include any proposed sub-contractors or other consultants
- Statement addressing the organisation's **professional and ethical standards**
- **Itemised budget**
- Names of **two referees** and their relationship to the organisation.

Tender Evaluation Criteria

Submission to the RfT will be assessed against both mandatory requirements and weighted criteria:

a) Mandatory Requirements:

- | | |
|--------------------------|--|
| <input type="checkbox"/> | Completed Tender Form |
| <input type="checkbox"/> | Statement of Compliance |
| <input type="checkbox"/> | Insurance Coverage |
| <input type="checkbox"/> | Statement of Conflict of Interests and Fair Dealings |
| <input type="checkbox"/> | Bank Guarantees |



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Signed Acceptance Form at [\(add details\)](#)

b) Weighted Criteria:

- 20% • Understanding of Requirements

- 25% • Experience in conducting financial sustainability reviews, preferably in within a local government setting

- 25% • Key Personnel and their expertise and qualifications to conduct a FSR

- 20% • Robust and ethical methodology, data analysis and approach to generating viable options to inform Council decision making

- 10% • Schedule of prices demonstrating good value for money

Submission details

Responses to the Tender should be submitted through the Vendorlink portal [\(add details\)](#) by 5pm 12 August 2022.

Confidential Draft



Snowy Monaro Regional Council - Financial Sustainability Review Council Impacts Paper

UTS: IPPG 20 July 2022

About this paper

This paper has been prepared by Institute for Public Policy and Governance, University of Technology Sydney, (UTS-IPPG) in confidence for the Snowy Monaro Regional Council (SMRC) Council.

It contains a summary of the impacts undertaking a Financial Sustainability Review (FSR) may have on Council should Council elect to go to market for a consultant to undertake an independent assessment – See FSR Scoping Paper dated 20 July 2022.

Note: No Council decision has been made on whether to proceed with the FSR or not at this stage. As such, this paper is for background and information purposes only

About the proposed FSR Review

An initial motion was passed to scope an audit. However, with an independent financial audit already underway it was deemed the scope of this work needs to be broader in order to accurately assess Council's current and projected financial situation, build trust in the community, and ensure it has a transparent evidence base to make decisions in the best interests of the local community. As such, Council is considering commissioning an independent **Financial Sustainability Review** (FSR) to address these issues.

The process recommended is for a Request for Tender (RfT) be advertised on VendorLink no later than the 1st of August with two weeks in market as specified in the attached scope of works.

Staffing Impacts

Council Staff

The SMRC CEO will be responsible for the day-to-day monitoring of the project milestones. However, we recommend the CEO works with a nominated Project Manager (another Council staff member) who can respond to ad-hoc queries and requests from the successful consultant.

The table below outlines the estimated number of hours for each stage of the project. The Project Manager should expect to spend slightly more hours than the CEO, as they should be responsible for sourcing the required documents, responding to day-to-day requests and queries from the consultant.



	Total estimated hours per person*	
	SMRC CEO	SMRC PM
Phase 1: Project inception (<i>attendance of workshop, sourcing and supplying required documents</i>)	2	4
Phase 2: FSR in progress (<i>attend WIP meetings & liaise with consultant, review WIP materials e.g., project plan, engagement survey etc.</i>)	10	15
Phase 3: Delivery (<i>review and feedback on draft and final reports</i>)	8	6
TOTAL over life of the project	20	30

Elected Officials

We have assumed that all Councillors will participate in the Council engagement activities outlined in the RfT; including, attendance of an inception workshop, one work-in-progress briefing, one first draft briefing and one final report briefing. We would anticipate each of these sessions would be no more than 1.5 hours, equating to approximately 6 hours per Councillor over the course of the project. Each Councillor should also expect to spend 2-3 hours reading and reviewing the report (including recommendations). Any further time spent would be at their own discretion.

FSR Advisory Group

The RfT states the successful consultant is expected to meet with the FSR Advisory Group at least once a month throughout the review. Over the course of a 10-week timeframe between the 19th of August and 28th of October 2022, this would equate to three meetings.

We estimate each member would need approximately 2 hours per session, this includes preparation time. Each member of FSR Advisory Group should expect to commit approximately 6 hours over the course of the project. Any further time spent would be at their own discretion.

Financial Cost

We understand Council has allocated a procurement budget of \$200,000 for the FSR. UTS-IPPG believes this an appropriate cost estimated based on the task list and timeframe listed in the 20 July Scoping Paper.

Documents required

To complete the scope of works outlined in the RfT, as a minimum, the successful consultant will need be supplied with the following confidential documentation.

- Current Long-Term Financial Plan (LTFP), Delivery Program and Operational Plan
- Previous LTFP and LTFP from previous 3 councils prior to amalgamation



- Relevant financial audit reports
- Any relevant Council/ ARIC papers or briefing notes documenting Councils' financial situation and 2021-2022 status
- Copies of Council resolutions relating to:
 - the establishment of this brief
 - the commissioning of the independent financial review
- Council's Internal Audit report
- Council's Organisational Review Report

Selection Process

As specified in the Scope of Works document, the FSR Advisory Group will be responsible for selecting the successful consultant based on the criteria and weighting listed.

Risks and Benefits

UTS- IPPG note that there are both risks and benefits to Council in undertaking a FSR at this time. A summary of key points are outlined in the table below.

Risks	Benefits
<ul style="list-style-type: none"> • Publicly commissioning a FSR will raise community expectations and potentially reactivate criticisms of Council 	<ul style="list-style-type: none"> • Publicly commissioning an independent FSR will help address community concern, generating a solid evidence based for all future decisions to be made
<ul style="list-style-type: none"> • The independent consultant may generate evidence and provide options that go counter to solutions preferred by some members of the community and Council 	<ul style="list-style-type: none"> • Provide reassurance to the Minister and Office of Local Government that Council is addressing its financial challenges and looking towards a sustainable future
<ul style="list-style-type: none"> • There are financial and opportunity costs to consider in conducting FSR at a time when resources are limited 	<ul style="list-style-type: none"> • The FSR should provide a wide range of recommendation that should provide Council with robust options for years to come
	<ul style="list-style-type: none"> • The FSR will generate reliable data and content that can be used in future Council submissions, including those to State and Federal Government authorities