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TCORP ASSESSMENT OF FINANCIAL SUSTAINABILITY

Purpose

To advise all councils that the New South Wales Treasury Corporation (TCorp) will undertake a review of the financial sustainability of each council. This will provide an independent assessment of each council's financial sustainability. All assessments are expected to be completed by 31 December 2012. The information from these assessments will be collated and provided to assist the Independent Local Government Review Panel.

Issue

- In March 2012, the Minister for Local Government announced the establishment of an Independent Local Government Review Panel (Review Panel) to be chaired by Professor Graham Sansom. The Review Panel is to develop options to improve the strength and effectiveness of local government in NSW.
- In accordance with its Terms of Reference, the Review Panel is required to consider the financial sustainability of each local government area in NSW.
- To assist the Review Panel, TCorp has been commissioned to prepare a Report for each council that provides an overview of its existing financial performance and position, a review of financial forecasts, future sustainability, and benchmarking and comparisons with other councils. TCorp's work will include:
 - A review of council's three most recent years audited consolidated annual accounts
 - Undertaking a detailed review of the council's 10 year financial forecasts. The review will include assessment of key assumptions that underpin the financial forecasts, and where appropriate, scenario analysis to stress test forecasts for adverse movements in key assumptions and risks
 - Identifying significant changes to future financial forecasts from existing financial performance, and highlight risks associated with such forecasts
 - Discussions with council management to understand overall strategy and management experience

- Benchmarking and comparisons with other councils against its comparable peers
- Conduct an analysis of each council's financial sustainability
- These reports will not only assist the Review Panel, but they will also serve as a valuable independent appraisal of council's financial position and its future outlook.
- In order for the assessments to be conducted TCorp will require information from each council. Councils are encouraged to assist TCorp and provide this information in a timely manner.
- TCorp is already working with those councils that have applied for funding under the Government's Local Infrastructure Renewal Scheme (LIRS) and it is anticipated that the reports for those councils will be completed by the end of August 2012. Reports for all other councils will be finalised by 31 December 2012.
- TCorp's Senior Manager Corporate Finance, Mr Kevin Pugh, is leading the TCorp Assessment Team. Councils with questions regarding the assessment process can contact Kevin on (02) 93259257 or by email at kevin.pugh@tcorp.nsw.gov.au.

Action

To maximise the value of the independent financial assessments councils are encouraged to work collaboratively with TCorp.



Ross Woodward
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A Division of the Department of Premier and Cabinet