Consultation Issues Overview

Overall Feedback

City of Adelaide welcomes external reviews of our planning and processes that are designed to ensure the best outcomes for our community. This scheme and the principles by which it is established are aligned with our values regarding transparency to the public, continual review of planning and robust financial management.

Over the last 2 years, City of Adelaide has transformed its LTFP from a simple set of 10 year financial statements to a detailed document outlining assumption, analysis of risks and opportunities and scrutiny of the financial indicators for financial sustainability. The LTFP is a key element to defining the finance strategy of Council. City of Adelaide will continue to monitor, review and improve its LTFP and the scheme for its intent and purpose will provide another source of information and advice for Council to utilise to further strengthen our financial sustainability for generations to come.

Information provision

The paper discusses in detail the type of information required, both existing and new. It is clear by the principles laid out by ESCOSA that the intent is to utilise information already generated by established business planning processes of Council. However the level of analysis and additional information required to fulfil the other principles (detailed in the table below) will ensure there is further work required. To facilitate this process ESCOSA has provided a template and associated guidelines which they propose to update each cycle (every 4 years) to ensure that the information is provided consistently, this however will not remove the effort required to comply with the submission requirements.

Provision and publication of advice

The paper is clear that the basis of provision of advice will be based on the principle of monitoring not regulation. It is suggested that advice will be enable Council to mitigate/manage any risks identified to support Council's long term sustainability.

The Framework does not specifically allow for feedback or management response process that a normal audit process would cater for. Traditionally, a management response process would allow for corrections of facts if there is an element of misinterpretation or assumption made in the analysis process. However, it is unclear if ESCOSA will afford this step in the process. Consequently, it could mean Council's response would include corrections of fact, incorrect assumptions or misinterpretations. However, this response will only be after the published report.

While this suggests an open, transparent process. It does leave room for confusion for the general public if they do not review the advice and Council response in conjunction. It would therefore be encouraged that ESCOSA combine this is some way to ensure alignment of advice to the Council response and therefore provide a comprehensive review to the community.

Cost Recovery

ESCOSA has detailed a schedule of costs which is recoverable from all 68 Councils. The scheme comes at a costs of approx. $52k over 4 years if divided equally by 68 Councils. It will put more work onto administration to ensure the information is collated in the templates they have provided. While is stipulated to not be compliance, does add another layer of compliance to ensure all requirements are met.

In regards to recovery it is suggested to utilise existing billing schemes such as the size distribution method already installed via the LGA. Given this is a legislative scheme and will constitute a mandatory costs to Council, it is recommended that this is billed independently of the LGA to ensure there is transparency of costs to the community.

Detailed responses to Specific Consultation Questions

Consultation Questions	City of Adelaide Position
Chapter 2: The legal framework for the rates oversight scheme	
Section 2.3.1: Overarching intent of the legal framework Consultation question 2.1: Do stakeholders agree with this interpretation of the legal framework? If not, why not?	Understand the intent under the Local Government Act 1999 and agree the scheme is aligned with the legal framework
Section 2.3.2: The scope and context of the advice Consultation question 2.2: Do stakeholders agree with this interpretation of the scope and context of the advice to be provided under the scheme? If not, why not?	Agree with the scope and context of the advice as it is suggested. Given the broad scope it would be important that the advice is based on fact and practical to implement. It is also assumed that the premise of the advice would be on a basis of improvement and positive suggestions that genuinely drive sustainability.
Chapter 4: Provision and publication of advice	
Section 4.2: The principles underpinning the analytical framework Consultation question 4.1: Do stakeholders consider these principles appropriate for the analytical framework? If not, why not? How should they be changed and why?	Principles align with intent of the scheme
Section 4.3.4: Applicability to the analytical framework Consultation question 4.2: Do stakeholders consider this an appropriate analytical framework? If not, why not? How should it be changed and why?	Agree that financial sustainability elements for program stability, rate stability and intergenerational equity are appropriate. Agree that utilising the existing LGA core financial sustainability ratios are a good basis of analysis.
Section 4.4.1.1: The relevance of historical trends Consultation question 4.3: Do stakeholders consider it necessary to consider historical trends when applying the analytical framework? If not, why not? How should it be changed and why?	Agree historical trends should be utilised if a complete, comprehensive analysis is to be undertaken. Suggest that the timeframe applied in LTFP and IAMPS is applied historically i.e. 10 years in arrears rather than back to 2007.
Section 4.4.1.2: What historical information is needed from each council? Consultation question 4.4: Do stakeholders consider this to be an appropriate approach for the collection of historical information? If not, why not? How should it be changed and why?	Agree fully audited information ie financial statements are the best source of historical information. Also agree collation of rateable information for historical years is equally valuable to ensure ESCOSA can provide complete advice on rate stability.
Section 4.4.1.3: Account for scale Consultation question 4.5: Do stakeholders agree that, where it is useful to do so,	Understand that a per rateable property basis is simple to apply. It would suit a majority of scenarios. However, when

information should be normalised on a per rateable property basis? If not, why not? How should it be changed and why?	assessing program stability it may need to consider other factors such as utilisation of transportation and other assets, area distribution, number of non-residential vs residential properties, population, number of visitors etc. Economies of scale may not be achieved on rateable property if other factors such as these limit it. Agree rateable property basis is one level, a secondary level at least should look at commercial vs residential properties.
Section 4.4.1.4: Accounting for inflation Consultation question 4.6: Do stakeholders agree that use of the CPI is an appropriate index to utilise when considering a council's operating income and expenditure growth over time? If not, why not? How should it be changed and why?	Agree – consistency with CoA current methodology. Further would agree that the LGPI is not appropriate. Would also suggest that for predictive rates in this area a consistent source such as Deloitte Business Economics would align with principles of consistency and transparency.
Section 4.4.2: The key questions to address Consultation question 4.7: Do stakeholders consider these to be appropriate questions for implementing the analytical framework? If not, why not? How should they be changed and why?	Agree the questions are appropriate for each of the key indicators. Agree on the basis of both methods for Asset Renewal Funding Ratio. CoA has implemented CashFlow Ratio to complement the existing ARF Ratio as a result of the change in calculation to attest to the same cashflow issues highlighted by ESCOSA.
Consultation question 4.8: Do stakeholders consider the proposed approach to a material amendment appropriate? If not, why not? How should it be changed and why?	Agree that the concept of a material amendment should be considered within the context of each council's historical and projected performance rather than a rules-based approach.
Section 4.4.5: Comparison of historical trends to any revised SMP Consultation question 4.9: Do stakeholders consider this an appropriate approach to the analytical framework to assess the key questions in Table 5? If not, why not? How should the approach be amended and why?	Agree with this approach. This aligns with future developments of CoA's LTFP.
Section 4.5.1: Content of the advice Consultation question 4.10: Do stakeholders consider this an appropriate approach to developing the content of the advice that the Commission provides to each council? If not, why not? How should the approach be amended and why?	Agree with evidence based approach to creation of advice.
Section 4.5.2: Publication of the advice Consultation question 4.11: Do stakeholders consider this an appropriate	Agree on the principle of transparency regard publication of advice. Only suggest that each Council should have the opportunity to review the advice

approach to adopt for the publication of the advice, given the legal framework? If not, why not? How should the approach be amended and why?	prior to publication to ensure factual accuracy, ability to ensure correct historical context is provided etc. Similar to that of a regular audit/client relationship. This would be to ensure that the community is not confused by the possibility of inadvertent misinformation.
Section 4.6.1: Alignment with the legal framework Consultation question 4.12: Do stakeholders consider the analytical framework aligned with the legal framework? If not, why not? How should the approach be amended and why?	Agree
Section 4.6.2: Alignment with the overarching principles for the analytical framework Consultation question 4.13: Do stakeholders consider the analytical framework to be aligned with the overarching principles for its development? If not, why not?	Agree
Chapter 5: Guidelines and information provision	
Section 5.2: Guidelines and information provision Consultation question 5.1: Do stakeholders consider publishing the guidelines and proforma Excel template no later than the start of each the Relevant Financial Year appropriate? If not, why not? How should the approach be amended and why?	Agree – this is consistent with the provision of the model financial statements provided at least 3 months prior to required use.
Section 5.3: Timing of information provision Consultation question 5.2: Do stakeholders consider the proposed timing for information provision appropriate? If not, why not? How should the approach be amended and why?	Agree. Given the legislative date of 15 August for plan approvals, the proposed timing would suit. Provision of advice by end of February allows time to incorporate in the annual review of the SMP's.
Chapter 7: Cost recovery	
Section 7.2: Reasonable costs Consultation question 7.1: Do stakeholders agree with the Commission's approach to allocating its projected indicative costs across the first cycle of the scheme? If not, why not? How should the approach be amended and why?	Understand that there is legislative provision, however given this is driven from statutory changes, CoA suggest this cost should be borne by State and not shifted onto the community. Just because the provision is there, does not mean it needs to be actioned. In this regard, we should ensure we do what is most beneficial for the community. The provision of advice could provide benefit, the shifting of costs between state and local government does not.
Consultation question 7.2: Do stakeholders agree with the Commission's approach to addressing any material difference between its actual costs and its projected indicative	Understand that there is legislative provision, however given this is driven from statutory changes, CoA suggest this cost

costs? If not, why not? How should the approach be amended and why?	should be borne by State and not shifted onto the community. Just because the provision is there, does not mean it needs to be actioned. In this regard, we should ensure we do what is most beneficial for the community. The provision of advice could provide benefit, the shifting of costs between state and local government does not.
Section 7.3.1: Should councils be billed directly of via the LGA? Consultation question 7.3: Do stakeholders agree that the Commission should bill the LGA the total yearly cost associated with the scheme, noting that any such scheme would require unanimous agreement between the LGA and member councils covering at least the first four-year cycle? If not, why not?	If costs are to be shifted to local communities, suggest the Councils are billed individually given the statutory nature of the charge. It should not be combined with the membership based charge by the LGA.
Section 7.3.2: When should councils be billed and with what frequency? Consultation question 7.4: Do stakeholders agree with the Commission's approach to the timing and frequency of billing? If not, why not? How should the approach be amended and why?	If costs are to be shifted to local communities, suggest the Councils are billed annually so ongoing funding is aligned.
Section 7.3.3: How should costs be allocated between councils? Consultation question 7.5: If the Commission were to bill each of the 68 councils separately, do stakeholders agree with its proposed approach to allocating the total yearly cost between councils? If not, why not? How should the approach be amended and why?	If costs are to be shifted to local communities, suggest utilising the existing fee structures based on rateable properties or size of Councils to ensure fair and equitable distribution – the core principles of our rating system.