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23 May 2022

Essential Services Commission of SA
(ESCOSA)
GPO Box 2605
ADELAIDE SA 5001

Dear Sir/Madam,

SUBMISSION – LG RATES OVERSIGHT SCHEME – ESCOSA DRAFT FRAMEWORK AND APPROACH

Council at its recent meeting on 10 May 2022 received the Local Government Association (LGA) Consultation Paper on the Local Government Rates Oversight Scheme Draft Framework and Approach proposed by the Essential Services Commission of SA (ESCOSA) for the provision of advice in accordance with section 122 of the *Local Government Act 1999*.

The LGA has identified a number of concerns with the ESCOSA DFA in the Consultation Paper and Council concurs with their analysis.

Council at its meeting on 10 May 2022 resolved to:

- “1. Endorse the Local Government Association (LGA) advocacy position in relation to the scheme established in section 122 of the *Local Government Act 1999* under which the Essential Services Commission of SA (ESCOSA) will provide advice to councils in relation to strategic management plans, and notes the following concerns in response to the ESCOSA proposed framework and approach:
 - The scope of information requested by ESCOSA should be directly relevant to and used for the purpose of provision of advice regarding councils Long-Term Financial Plan, Infrastructure and Asset Management Plans and total revenue sources, in accordance with the requirements of section 122 of the *Local Government Act 1999*.
 - the first four years of operation of the scheme should be used to set a baseline for each council and then, using a risk-based approach, the scope of the review could be scaled up for a particular council if a need is identified. This is consistent with ESCOSA’s espoused “better regulation” approach, which it describes as being risk-based, proportionate to the problem that is being addressed and subject to continuous improvement and monitoring.
 - The period for which historical data is provided should reflect the timeframe anticipated within the proposed scheme, i.e. four years, and a request for historical information for a longer period is not supported.

- The costs associated with the proposed scheme are far in excess of what was anticipated, and the scope of the proposed scheme should be reduced to address the unreasonable costs.
- The removal of the discretion provided in the *Local Government Act 1999* for Council to determine the reasonable assumptions to be used in the development of the Long-term Financial Plan is strongly rejected. These assumptions may include consideration of the Local Government Price Index (which accounts for the costs of items usually purchased by councils as opposed to CPI which accounts for the costs of items usually purchased by households), endorsed Enterprise Bargaining Agreements, the ABS wage price index and other actual cost factors which collectively provide a more accurate representation of inflation pressures to be considered by Council.
- The use of the term 'CPI constrained' will lead to unreasonable criticism of councils that justifiably increase rates greater than CPI and will have a practical effect of capping council rates to the CPI rate. 'Rate capping' was not supported by Parliament. The assertion that councils should be CPI constrained is rejected."

Council looks forward to the wider results of the consultation process.

Yours faithfully

