

ESCOSA DFA Reference	Council Comments
<p>Ref: 2.3.1</p> <p>Overarching intent of the legal framework</p>	<p>(ESCOSA Question 2.1)</p> <p>Do stakeholders agree with this interpretation of the legal framework?</p> <p>If not, why not?</p> <p>Provided ESCOSA operates within the ambit of the legislation (i.e. Long Term Financial Plan, Long Term Asset Management Plan), then Council has no concern regarding the interpretation of the legal framework.</p>
<p>Ref: 2.3.2</p> <p>The scope and context of the advice</p>	<p>(ESCOSA Question 2.2)</p> <p>Do stakeholders agree with this interpretation of the scope and context of the advice to be provided under the scheme?</p> <p>If not, why not?</p> <p>The Discussion Paper suggests that, after the first four year cycle of the Scheme, ESCOSA may extend the scope of their advice to comparisons with other Councils.</p> <p>Given there are too many major variables between Councils', the Council does not support the advice extending to comparisons with other Councils. The focus should be on each individual Council and its own unique circumstances, which would be reflective in each Council's Long Term Strategic Management Plans.</p> <p>Further, it should be noted that each Council's Long Term Infrastructure Management Plans may be materially different relative to asset investment required, depending on where each Council is positioned relative to the economic life and condition of their major infrastructure and building assets.</p> <p>For example, the Town of Gawler has in recent times invested material \$ (approx. \$16m) in the major upgrade of its former Town Hall and Library, as both building assets were at the end of their serviceable life and required major investment to restore the buildings to a fit-for-purpose use and standard.</p>

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<p>Ref: 4.2</p> <p><i>The Principles underpinning the analytical framework</i></p>	<p>(ESCOSA Question 4.1)</p> <p>Do stakeholders consider these principles appropriate for the analytical framework? If not, why not? How should they be changed and why?</p> <p>The proposed principles are an appropriate basis upon which to undertake a high-level review.</p> <p>However, with regard to <i>Principle 2: Long-term planning focus</i>, it is not appropriate to assume that a Council's long-term plans would not exhibit significant variation through time, particularly in the circumstances of a major growth Council.</p>
<p>Ref: 4.3</p> <p><i>Overarching analytical framework</i></p>	<p>(ESCOSA Question 4.2)</p> <p>Do stakeholders consider this an appropriate analytical framework? If not, why not? How should it be changed and why?</p> <p>The Council supports the application of the established statutory financial indicators as an appropriate analytical framework. The statutory financial indicators monitor financial performance (i.e. operating ratio), financial position (i.e. net financial liabilities ratio), and asset management (i.e. asset renewal funding ratio).</p>
<p>Ref: 4.4.1.1</p> <p><i>The relevance of historical trends</i></p>	<p>(ESCOSA Question 4.3)</p> <p>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?</p> <p>The Council acknowledges that, to provide a degree of context for ESCOSA, the provision of some historical data is appropriate – but the suggestion for each Council to have to provide data as far back as 2007/8 is impractical and unreasonable. The Council suggests a maximum historical view of no more than 10 years would be appropriate and provide sufficient context.</p>

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	<p>Further, the Discussion Paper proposes that each Council provide the historical and future-looking financial data into new template forms, which will require a significant staff resource from each Council.</p> <p>Council is of the view that the historical financial data for each Council could be readily independently sourced by ESCOSA from the extensive financial information that already needs to be provided by each Council to the SA Local Government Grants Commission, thereby avoiding duplication of financial data capture.</p> <p>(ESCOSA Question 4.4)</p> <p>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?</p> <p>Refer response to Question 4.3 above.</p>
<p>Ref: 4.4.1.3 Accounting for scale</p>	<p>(ESCOSA Question 4.5)</p> <p>Do stakeholders agree that, where it is useful to do so, information should be normalised on a per rateable property basis? If not, why not? How should it be changed and why?</p> <p>The Council concurs with the approach of accounting for growth on a per rateable property basis.</p>
<p>Ref: 4.4.1.4 Accounting for inflation</p>	<p>(ESCOSA Question 4.6)</p> <p>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?</p>

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	<p>Whilst it is acknowledged that the Consumer Price Index (CPI) is a useful and readily recognised index for individuals (as it relates to movements in the price of goods/services for the household sector), its application in a Local Government setting is not appropriate or relevant. In recognition of this, the independently determined Local Government Price Index (LGPI), which measures increases in the costs of goods and services actually purchased by Councils, was established.</p> <p>Consequently, the utilisation of the LGPI is considered more appropriate.</p> <p>The Discussion Paper also suggests the use of the Australian CPI and not the Adelaide CPI. The Council is of the view that the use of the Adelaide CPI is more appropriate and relevant.</p>
<p>Ref: 4.4.2</p> <p><i>The key questions to address</i></p> <p><i>Whether a council's LTFP and IAMP are robust, consistent with each other and successfully implemented, with actual performance relative to plans monitored?</i></p> <p><i>Do the LTFP and IAMP, and the implementation of those plans, ensure the sustainability of the council's long-term financial performance and position?</i></p>	<p>(ESCOSA Question 4.7)</p> <p>Do stakeholders consider these to be appropriate questions for implementing the analytical framework? If not, why not? How should they be changed and why?</p> <p>Agree.</p> <p>Agree.</p>

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<p><i>What are the implications of the above for a council's long-term financial sustainability and service risk profile, and the consequent appropriateness of the path projected for general rates and other income sources?</i></p>	<p>The new legislative provisions under Section 122 do not provide for ESCOSA having to consider a Council's 'risk profile'.</p> <p>With regard to 'risk profile', the Discussion Paper notes that the Commission considers the following factors relevant:</p> <ul style="list-style-type: none"> • The cost control measures within the LTFP and IAMP • The affordability of the LTFP and IAMP, given the demographics of the ratepayers • The credibility of the LTFP and IAMP from a practical implementation perspective <p>The Council is of the view that the consideration of such factors descends the review from ESCOSA into a level of detail beyond the scope of the legislation, and that such matters are for the consideration of the democratically elected Members of Council, the Council Administration, the Council's Audit & Risk Committee and its External Auditors.</p>
<p><i>Ref: Table 5: Key questions</i></p>	
<p><i>Material amendment</i></p>	<p>(ESCOSA Question 4.8)</p> <p>Do stakeholders consider the proposed approach to a material amendment appropriate? If not, why not? How should it be changed and why?</p> <p>Council agrees that the concept of a material amendment should only be considered within the context of each Council's historical and projected performance.</p> <p>As noted in the Discussion Paper, there are far too many variables between Councils' for a sector-wide definition of a 'material amendment' to be reasonably determined.</p>
<p><i>Ref: 4.4.3</i></p> <p><i>How the analytical framework can address the</i></p>	<p>(ESCOSA Question 4.9)</p>

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key questions and what information is required to do so	<p>Do stakeholders consider this an appropriate approach to the analytical framework to assess the key questions in Table 5?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>From a quantitative information approach, the Council believes that the LGPI should be utilised instead of the CPI.</p> <p>As previously noted above, providing historical data as far back as 2007/8 is considered impractical and unreasonable. The Council suggests a maximum historical view of no more than 10 years would be appropriate and provide sufficient context.</p> <p>Outside of this, the Council's view is that the analytical framework approach is considered appropriate.</p>
<p>Ref: 4.5.1</p> <p>Content of the advice</p>	<p>(ESCOSA Question 4.10)</p> <p>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?</p> <p>The Discussion Paper proposes that the advice provided by ESCOSA will cover:</p> <ul style="list-style-type: none"> • The extent to which the Commission considers, or otherwise, the appropriateness of a Council's LTFP and IAMP, any material amendments to it, and the proposed path for General rates and other revenue sources • The long-term financial and service sustainability, cost control, and affordability risk considered to exist, based on implementing the analytical framework, and • Any other factors the Commission considers relevant <p>Provided the review is undertaken at a high-level, as contemplated by the legislation, then the Council is of the view that the approach proposed by ESCOSA relative to the content of advice is appropriate.</p>
Ref: 4.5.2	(ESCOSA Question 4.11)

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Publication of the advice	<p>Do stakeholders consider this an appropriate approach to adopt for the publication of the advice, given the legal framework?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>The legislation prescribes (Section 122)(1h) that each Council must include the advice provided by ESCOSA, and Council's response to it, in its draft <i>and</i> adopted Annual Budget / Business Plan in the relevant financial year and each subsequent financial year (until the next relevant financial year for the Council).</p> <p>Council notes that, depending on the length of the advice provided, this may materially add to the size and readability of a Council's Annual Budget / Business Plan.</p> <p>In this context, it may be appropriate for an Executive summary of the advice prepared by ESCOSA (i.e. the findings and recommendations) be published in the Council's Annual Budget / Business Plan, together with an ESCOSA link to the full document. This approach would ensure the full advice was available to anyone who wished to access it, whilst at the same time keeping the Council's Annual Budget / Business Plan to a manageable size.</p>
Ref: 4.6.1 Alignment with the legal framework	<p>(ESCOSA Question 4.12)</p> <p>Do stakeholders consider the analytical framework aligned with the legal framework?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>Outside of matters elsewhere raised in this response to the Discussion Paper, the Council is of the view that the proposed analytical framework is aligned with the legal framework.</p>
Ref: 4.6.2 Alignment with the overarching principles for the analytical framework	<p>(ESCOSA Question 4.13)</p> <p>Do stakeholders consider the analytical framework to be aligned with the overarching principles for its development?</p> <p>If not, why not?</p>

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	<p>Outside of matters elsewhere raised in this response to the Discussion Paper, the Council is of the view that the proposed analytical framework is aligned with overarching principles for its development.</p>
<p>Ref: 5.2 Guidelines and information provision</p>	<p>(ESCOSA Question 5.1)</p> <p>Do stakeholders consider publishing a revised set of guidelines and proforma Excel template no later than the start of each the Relevant Financial Year appropriate?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>Principle 5 contained within the Discussion Paper (<i>Leveraging existing information and evidence</i>) proposes a scheme that leverages existing information and evidence.</p> <p>However, the Discussion Paper proposes that Council staff will be required to populate new datasets, which will consume significant Council Finance staff resources which are already at capacity (particularly in view of the proposed information to be provided being backdated from 2007/08).</p> <p>Further, given the proposed data information requirement from as far back as 2007/08, Council notes that some documents may no longer be readily available – i.e. certain historical documents will likely have been archived with State Records and will subsequently require time and payment of a fee before they can be retrieved.</p>
<p>Ref: 5.3 Timing of information provision</p>	<p>(ESCOSA Question 5.2)</p> <p>Do stakeholders consider the proposed timing for information provision appropriate?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>Given the July-September period each year is already an extremely busy for a Council's Finance staff (i.e. most notably the preparation of the Council's Annual General Purpose Finance Statements), it is paramount that the timeline for providing information to ESCOSA is extended to after 30 September.</p>

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<p>Ref: 7.1</p> <p>Cost recovery - Introduction</p>	
<p>Ref: 7.2</p> <p>Reasonable costs</p>	<p>(ESCOSA Question 7.1)</p> <p>Do stakeholders agree with the Commission’s approach to allocating its projected indicative costs across the first cycle of the scheme?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>Section 122 (1k) prescribes that <i>‘the designated authority may recover from a Council (as a debt due from the Council) the costs reasonably incurred by the designated authority in performing its functions under this section in relation to the Council’</i>.</p> <p>Former Minister Vickie Chapman previously advised Parliament that the costs of an ESCOSA review were <i>‘likely to be in the order of \$20,000 per Council’</i>. ESCOSA now propose a process that would cost each Council \$52,000 per review.</p> <p>Interestingly, the Council notes that the amendments to Section 262M of the <i>Local Government Act 1999</i>, which will create the new Behavioural Standards Panel (the Panel), permit the Panel to invoice Councils for the <i>‘reasonable costs of establishing the Panel’</i>. There is no similar clause entitling ESCOSA to recover its establishment costs from Councils.</p> <p>The legislative provision authorises ESCOSA to be able to charge Councils for costs that are incurred <i>‘in relation to the Council’</i>. Consequently, this does not extend to including overheads or fixed costs of ESCOSA that are not attributable to a particular Council, or the establishment costs of the new scheme.</p> <p>(ESCOSA Question 7.2)</p> <p>Do stakeholders agree with the Commission’s approach to addressing any material difference between its actual costs and its projected indicative costs?</p>

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	<p>If not, why not? How should the approach be amended and why?</p> <p>The Discussion Paper notes <i>‘the Commission can only provide the indicative costs associated with implementing the scheme, the actual costs over the first cycle maybe materially higher or lower than this. If the Commission finds that the actual costs for the initial cycle vary significantly from the indicative costs, it proposes that the implications of this be considered in the context of the second cycle of the scheme’.</i></p> <p>The Council expects that the Commission will be transparent and accountable to Councils’ in this regard.</p>
<p>Ref: 7.3 Cost recovery</p>	<p>(ESCOSA Question 7.2)</p> <p>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?</p> <p>If not, why not?</p> <p>Council is of the view that ESCOSA should separately invoice each Council.</p>
<p>Ref: 7.3.2 When should councils be billed and with what frequency?</p>	<p>(ESCOSA Question 7.4)</p> <p>Do stakeholders agree with the Commission’s approach to the timing and frequency of billing?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>Council has no concerns with the timing and frequency of billing proposed (i.e. annually at the end of the first quarter).</p>
<p>Ref: 7.3.3</p>	<p>(ESCOSA Question 7.5)</p> <p>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?</p>

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<i>How should costs be allocated between councils?</i>	If not, why not? How should the approach be amended and why? Council has no concerns with apportioning and invoicing the costs to each Council on an annual basis.