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Advice

Guideline



Guideline for information provision under the Local Government Advice Scheme 2023-24

Version: LGAS 2023-24/1

May 2023

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Amendment record

Issue number	Commencement date	Pages
1	8 August 2022	13
2	10 August 2022	13
3	24 May 2023	13

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1 Introduction

1.1 Local Government Advice Scheme

- 1.1.1 The Local Government Advice Scheme (**Advice Scheme**) came into operation on 30 April 2022 with amendments to the *Local Government Act 1999* (**the Act**). The State Government introduced the Advice Scheme to give ratepayers confidence that their council's rate levels are reasonable. It applies to all 68 councils in South Australia.
- 1.1.2 The first cycle of the Advice Scheme spans four-years (2022-23 to 2025-26), and the Essential Services Commission (**Commission**) has allocated different groups of councils to the Scheme each year. The Commission's *Fact Sheet - Local Government Advice Scheme - Schedule of councils – May 2023* indicates which councils were subject to the Advice Scheme in 2022-23, which councils are subject to the Scheme in 2023-24, and which councils will be subject to it in subsequent years (2024-25 to 2025-26) (Appendix 1 sets out the Schedule).

1.2 About this document

- 1.2.1 Under section 122(1e) of the Act, a council must, on or before 30 September in the relevant financial year for the council, provide to the Commission, as the designated authority, with all relevant information on the following matters (the Relevant Matters) in accordance with guidelines determined by the Commission (if any):
 - 1.2.1.1 material amendments made or proposed to be made to the council's long-term financial plan (**LTFP**) and infrastructure and asset management plan (**IAMP**) and the council's reasons for those amendments
 - 1.2.1.2 revenue sources outlined in the funding plan (being a component of the LTFP), and
 - 1.2.1.3 any other matter prescribed by the regulations.
- 1.2.2 Chapter 2 of this document sets out the information that councils must provide to the Commission in 2023-24 and by when and are guidelines for the purposes of section 122(1e) of the Act. The Commission has carefully considered whether the information required is reasonable in terms of the relevant matters outlined in section 122(1e) of the Act, in determining the scope of the guidelines.
- 1.2.3 Chapter 3 of this document is for information purposes only and does not impose any binding legal obligations pursuant to section 122(1e) of the Act. The purpose of Chapter 3 is only to explain the general nature and scope of information that the Commission may separately require from councils using the other power to issue a written notice under section 122(1j) of the Act. Where the Commission forms the view that it does reasonably require information of that nature (or other information to assist it in the performance of its advisory function), the Commission will issue a written notice to a council under section 122(1j). That notice will require the council to give the Commission, within a time and in a manner stated in the notice (which must be reasonable), information in the council's possession that the Commission has identified as reasonably required for the performance of its functions.

1.3 Annual Rollover

- 1.3.1 The Commission will update this document for councils on a rolling financial year basis, with revised financial year dates and application to different groups of councils accordingly.
- 1.3.2 The main information requirements and timelines during the year should not change in subsequent years. However, the Commission may make updates to account for new information or other matters as the Advice Scheme progresses.

1.4 Input from Interested Parties

- 1.4.1 The Commission welcomes comments, discussion, or suggestions for amendments to this guideline from any interested party. Any contributions in this regard should be addressed to:

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2 Information guidelines for councils pursuant to 122(1e) of the Local Government Act 1999

2.1 Summary of Information Requirements

- 2.1.1 Pursuant to this Guideline and section 122(1e) of the Act, by **30 September 2023**, a council must submit to the Commission the following information:
- 2.1.1.1 where available, a copy of the council's updated or draft strategic management plans documents for 2023-24 (ie, the LTFP and IAMP)
 - 2.1.1.2 an explanation of material amendments made or proposed to be made to the council's LTFP and IAMP (as at the end of the 2022-23 financial year) and the council's reasons for those amendments
 - 2.1.1.3 revenue sources outlined in the funding plan (being a component of the latest available version of the LTFP)
 - 2.1.1.4 any other relevant matter prescribed by the *Local Government (Financial Management) Regulations 2011 (Regulations)* (see Table 1 below), and
 - 2.1.1.5 any other material a council considers relevant to assist the Commission to perform its statutory scheme functions.

2.2 Material Amendments

- 2.2.1 Materiality is a relative term, determined by considering the qualitative (quality) and quantitative (amount) factors arising from an event. In general, councils should consider 'material amendments' to their LTFP and IAMP in the context of the changes and relevant circumstances. This will help the Commission to focus on key overarching targets and measures in its Advice, rather than on minor changes.
- 2.2.2 From a qualitative perspective, 'material amendments' would include adjusted or new spending, revenue sources or savings introduced into the council's budget and forecasts. It would also include any influential changes in the assumptions underpinning the forecasts (eg, for asset depreciation, inflation, or growth).
- 2.2.3 From a quantitative perspective, the Commission generally considers 'material amendments' to be any nominal difference to a forecast variable (eg, capital expenditure) for a single year of at least 10 percent from the previous forecast, and possibly between 5 and 10 percent, depending on the overall trend in the variable and reason for the variation. In some cases, lower differences which are repeated over multiple years might also be considered 'material'.

Table 1: 2023-24 Information for the 2023-24 Scheme Year

2023-24 Information	Guidance for councils
<ul style="list-style-type: none"> ▶ 2023-24 LTFP and IAMP documents. 	<p>The adopted 2023-24 LTFP and IAMP (or latest versions) must be provided by councils, or latest draft versions endorsed by the council, when final versions have not yet been adopted.</p> <p>(Note: The IAMP may be in multiple documents for some councils.)</p> <p>Councils should explain to the Commission their timeframe to adopt plans if they submit them in draft form.</p>
<ul style="list-style-type: none"> ▶ Material amendments made or proposed to be made to the council's LTFP and IAMP and the council's reasons for those amendments. 	<p>A separate written statement explaining any material amendments from year to year (or providing reference in plans to these amendments) must be provided by the council with appropriate supporting evidence (eg, from council reports, briefing notes, minutes, letters or media releases).</p> <p>Refer to Clause 2.2 above for advice on what constitutes 'Material Amendments'.</p>
<ul style="list-style-type: none"> ▶ Revenue sources outlined in the funding plan (being a component of the LTFP). 	<p>Information on revenue sources could form an extract from the LTFP.</p> <p>Councils must also include appropriate supporting evidence for current and projected rate levels and other revenue sources, including, but not limited to:</p> <ul style="list-style-type: none"> ▶ internal briefings on revenue issues, if relevant ▶ the updated Audit Review Committee report for the 2023-24 LTFP, if available, and ▶ consultation outcome reports associated with rates or other revenue changes, if relevant.
<ul style="list-style-type: none"> ▶ Any other relevant matter prescribed by the Regulations or material a council considers relevant to assist the Commission to perform its statutory scheme functions. 	<p>No specific format is prescribed for this information, if it is required, but sufficient information should be provided to convey meaningful understanding of the matter (eg, with council reports, briefing notes, minutes, letters or media releases).</p>

3 Non-Guideline information requirements

This section is for **information only** and does not of itself create any legal obligations for councils to provide information to the Commission and any written notices must be issued to individual councils under section 122(1j) of the Act. However, this section of the guideline explains the general nature and scope of the Commission's other power to require the provision of information through written notices issued under section 122(1j) of the Act. Where the Commission forms the view that it does reasonably require information of that nature (or other information to assist it in the performance of its advisory function), the Commission will issue a written notice to a council under section 122(1j). That notice will require the council to give the Commission, within a time and in a manner stated in the notice (which must be reasonable), information in the council's possession that the Commission has identified as reasonably required for the performance of its functions.

3.1 Summary of other Information requirements for councils

3.1.1 The Commission through the use of written notices under section 122(1j) of the Act will require the relevant councils for the 2023-2024 Scheme Year, by **15 August 2023**, to provide the following information, current as at the end of the 2022-23 financial year (see Table 2 below):

- 3.1.1.1 long-term financial plan
- 3.1.1.2 infrastructure and asset management plan
- 3.1.1.3 the CEO financial sustainability report
- 3.1.1.4 the audit committee report for the LTFP, and
- 3.1.1.5 annual business plan (**ABP**).

Table 2: Current Information for the 2023-24 Scheme Year

2022-23 Information	Guidance for councils
▶ LTFP, and IAMP documents, current at the end of the 2022-23 financial year.	The IAMP may be in multiple documents for some councils. Prepared in accordance with section 122(1a) of the Act.
▶ 2022-23 CEO financial sustainability report.	CEO report (or statement), as generally published in the LTFP. Prepared in accordance with section 122(4a) of the Act.
▶ 2022-23 Audit Committee Review of LTFP and IAMP, current at the end of the 2022-23 financial year.	The Audit Committee report, which reviews the LTFP (and IAMP as relevant) and its assumptions. Prepared in accordance with section 126(4) of the Act.
▶ ABP, current at the end of the 2022-23 financial year.	Prepared in accordance with section 123(2) of the Act.

- 3.1.2 The Commission through the use of written notices under section 122(1j) of the Act will require the relevant councils for the 2023-2024 Scheme Year, by **30 September 2023**, to provide the following information in relation to its 2023-24 LTFP (or draft LTFP) in a specified manner and form (see Table 3 below).

Table 3: 2023-24 Information for the 2023-24 Scheme Year

2023-24 Information	Guidance for councils
<p>► Financial Reporting Template completed with 2023-24 LTFP forecast data.</p>	<p>Completion of an Excel-based the Financial Reporting Template with financial data from its 2023-24 LTFP (or draft LTFP) for 2022-23 and the forecast period 2023-24 to 2032-33.</p> <p>Instructions will be included within the Financial Reporting Template.</p> <p>Councils may also wish to verify the pre-populated history and forecast data from the previous year's LTFP (current as at the end of 2022-23) already entered by the Commission into the Template.</p>

3.2 Data Collected by the Commission

- 3.2.1 To reduce the burden on councils, the Commission has pre-populated a Financial Reporting Template for each council with historical information (from audited financial statements) and forecast information for the 2022-23 financial year (based on a council's 2022-23 LTFP).
- 3.2.2 The Financial Reporting Template includes data that extends back 10 years (from 2012-13) to the latest actuals, then forward for ten years for each LTFP (as at the end of 2022-23 and the available 2023-24 version), this being the minimum forecast period that councils must forecast in their plans.
- 3.2.3 The extent of information already collected by the Commission in relation to a council will be shown in the Financial Reporting Template provided to that council with any information request.¹ A council may choose to verify the pre-populated data and discuss any proposed amendments with the Commission.
- 3.2.4 The historical data already completed by the Commission (from 2012-13) helps it to establish a baseline from which to provide advice on the council's LTFP and IAMP forecasts, and revenue sources and rate levels.
- 3.2.5 Appendix 2 sets out the presentation of the council financial statement data that is collected in the Financial Reporting Template for the relevant time periods. The presentation of line items mirrors the Annual Financial Statements for councils, consistent with the Model Financial Statements.²

3.3 Financial Indicators

- 3.3.1 The Financial Reporting Template automatically calculates the three main financial indicators on an annual basis to inform the Scheme Advice: the operating surplus ratio, the net financial liabilities ratio and the asset renewal funding ratio.

¹ In accordance with section 122(1j) of the Act.

² The 2022 Model Financial Statements are available: https://www.dit.sa.gov.au/local-government/documents/office-of-local-government/ECM_776954_v2_LGA_-_Model_Financial_Statements_2022_FINAL.pdf.

- 3.3.2 The formulas for these ratios are consistent with Note 15 on Financial Indicators in the Model Financial Statements (as referred to in the Regulations).³

3.4 Other Non-Financial Data

- 3.4.1 The Financial Reporting Template includes other non-financial data:
- 3.4.1.1 Number of rateable properties: The Commission has pre-populated historical data to 2021-22. Councils are requested to populate the number of rateable properties for 2022-23 and the forecast period 2023-24 to 2032-33.
 - 3.4.1.2 Number of council staff: Full-time equivalent (**FTE**) basis: The Commission has pre-populated historical data to 2021-22, obtained from the South Australian Local Government Grants Commission. Councils are requested to populate the number of FTE staff for 2022-23 and the forecast period 2023-24 to 2032-33. The number of FTEs is as of 30 June each year.

³ Or Note 14 for some councils.

Appendix 1 Schedule of councils

2022-23	2023-24	2024-25	2025-26
Urban Development & Urban City Centre			
Burnside	Marion	Adelaide	Holdfast Bay
Prospect	Mitcham	Campbelltown	Norwood, Payneham & St Peters
Salisbury	Walkerville	Charles Sturt	Port Adelaide Enfield
West Torrens		Gawler	Tea Tree Gully
		Unley	
Urban Fringe			
Adelaide Hills	Onkaparinga	Alexandrina	Barossa
	Playford		
Urban Regional			
Murray Bridge	Roxby Downs	Mount Barker	Coober Pedy
Port Lincoln	Victor Harbor	Mount Gambier	Port Augusta
	Whyalla		
Rural Agricultural: Small & Medium			
Barunga West	Karoonda East Murray	Elliston	Ceduna
Goyder	Kimba	Flinders Ranges	Mount Remarkable
Kingston	Northern Areas	Orroroo Carrieton	Peterborough
	Robe	Tumby Bay	Southern Mallee
	Cleve ¹	Wudinna	Streaky Bay
			Franklin Harbour ²
Rural Agricultural: Large & Very Large			
Adelaide Plains	Clare & Gilbert Valleys	Coorong	Berri Barmera
Mid Murray	Grant	Loxton Waikerie	Copper Coast
Wattle Range	Light	Port Pirie	Kangaroo Island
Yankalilla	Lower Eyre Peninsula	Tatiara	Naracoorte Lucindale
Yorke Peninsula		Renmark Paringa ³	Wakefield

^{1.} The District Council of Cleve was reallocated to year two of the scheme, to allow the council to focus on unavoidable repairs to its road infrastructure in 2022-23 resulting from a severe storm disaster that impacted 70 percent of its road network.

^{2.} The District Council of Franklin Harbour was reallocated to year four of the scheme, to allow the council to focus on unavoidable repairs to its road infrastructure in 2022-23 and 2023-24 resulting from Cyclone Tiffany.

^{3.} Renmark Paringa Council was reallocated to year three of the scheme, to allow the council more time to address the significant operational impacts arising from the recent Murray River flood event.

Appendix 2 Presentation of Data in the Financial Reporting Template

A2.1 Data from the Statement of Comprehensive Income

The Financial Reporting Template (at rows 10-34) replicates the format of the 2022 Model Financial Statements *Statement of Comprehensive Income* (to Operating Surplus/Deficit), as follows:

Statement of Comprehensive Income	Time series data from 2012-13 to final year of the LTFP	
<u>Income</u>		
Rates		
Statutory charges		
User charges		
Grants, subsidies, and contributions		
Investment income		
Reimbursements		
Other income		
Net gain – equity accounted council businesses		
Total income		
Rates		
Other revenue		
Total income		
<u>Expenses</u>		
Employee costs		
Materials, contracts, and other expenses		
Depreciation, amortisation, and impairment		
Finance costs		
Net loss – equity accounted council businesses		
Total expenses		
Operating surplus/(deficit)		

A2.2 Data from the Analysis of Rates Revenue

The Financial Reporting Template (at rows 36-58) replicates the format of the 2022 Model Financial Statements *Note 2 – Income – Rates Revenue*, as follows:

Analysis of Rates Revenue (Per Financial Statements Note 2)	Time series data from 2012-13 to final year of the LTFP (for the 2022-23 and 2023-24 LTFPs separately)	
<u>General rates</u>		
General rates		
Less: Mandatory rebates		
Less: Discretionary rebates, remissions, and write-offs		
Total general rates		
<u>Other rates (including service charges)</u>		
Natural resource management levy		
Waste collection		
Water supply		
Community wastewater management systems		
Separate and special rates		
Electricity supply		
Total other rates		
<u>Other charges</u>		
Penalties for late payment		
Legal and other costs recovered		
Total other charges		
Less: Discretionary rebates, remissions, and write-offs		
Total rates revenue		

A2.3 Data from the Statement of Financial Position

The Financial Reporting Template (at rows 65-112) replicates the format of the 2022 Model Financial Statements *Statement of Financial Position*, as follows:

Statement of Financial position	Time series data from 2012-13 to final year of the LTFP (for the 2022-23 and 2023-24 LTFPs separately)	
<u>Current assets</u>		
Cash and cash equivalents		
Trade and other receivables		
Other financial assets		
Inventories		
Non-current assets held for sale		
Total current assets		
<u>Non-current assets</u>		
Financial assets		
Equity accounted investments in council businesses		
Investment property		
Infrastructure, property, plant, and equipment		
Other non-current assets		
Total non-current assets		
Total assets		
<u>Current liabilities</u>		
Trade and other payables		
Borrowings		
Provisions		
Other current liabilities		
Liabilities relating to non-current assets held for sale		
Total current liabilities		
<u>Non-current liabilities</u>		
Trade and other payables		
Borrowings		
Provisions		

Statement of Financial position		Time series data from 2012-13 to final year of the LTFP (for the 2022-23 and 2023-24 LTFPs separately)	
Liability – equity accounted council businesses			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities: Trade and other payables			
Total liabilities: Borrowings			
Total liabilities: Provisions			
Total liabilities: Other			
Total liabilities			
Net assets			
<u>Equity</u>			
Accumulated surplus			
Asset revaluation reserve			
Other reserves			
Total equity			

A2.4 Data from the Statement of Cash Flows

The Financial Reporting Template (at rows 124-173) replicates the format of the 2022 Model Financial Statements *Statement of Cash Flows*, as follows:

Statement of Cash Flows	Time series data from 2012-13 to final year of the LTTP (for the 2022-23 and 2023-24 LTTPs separately)	
<u>Cash flows from operating activities</u>		
<u>Receipts</u>		
Rates – general and other		
Fees and other charges		
User charges		
Investment receipts		
Grants utilised for operating purposes		
Reimbursements		
Other revenues		
<u>Payments</u>		
Employee costs		
Materials, contracts, and other expenses		
Finance payments		
Net cash provided by (or used in) operating activities		
<u>Cash flows from investing activities</u>		
<u>Receipts</u>		
Amounts specifically for new or upgraded assets		
Sale of replaced assets		
Sale of surplus assets		
Sale of investment property		
Net disposal of investment securities		
Sale of real estate developments		
Repayments of loans by community groups		
Distributions received from equity accounted council businesses		
<u>Payments</u>		
Expenditure on renewal/replacement of assets		
Expenditure on new/upgraded assets		
Purchase of investment property		
Net purchase of investment securities		

Statement of Cash Flows		Time series data from 2012-13 to final year of the LTFP (for the 2022-23 and 2023-24 LTFPs separately)	
Development of real estate for sale			
Loans made to community groups			
Capital contributed to equity accounted council businesses			
Net cash provided by (or used in) investing activities			
<u>Cash flows from financing activities</u>			
<u>Receipts</u>			
Proceeds from borrowings			
Proceeds from aged care facility deposits			
<u>Payments</u>			
Repayment of borrowings			
Repayment of principal portion of lease liabilities			
Repayment of aged care facility deposits			
Net cash provided by (or used in) financing activities			
Net increase/decrease in cash held			
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period			



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