



AGENDA

FOR GOVERNANCE AND COMPLIANCE COMMITTEE MEETING TO BE HELD ON

**20 NOVEMBER 2023 AT CONCLUSION OF THE FINANCE AND CORPORATE
SERVICES COMMITTEE**

**IN WITTBER & DR RUBY DAVY ROOMS, SALISBURY COMMUNITY HUB,
34 CHURCH STREET, SALISBURY**

MEMBERS

Cr P Jensen (Chairman)
Mayor G Aldridge (ex officio)
Cr L Brug
Cr J Chewparsad
Cr K Grenfell
Cr D Hood (Deputy Chairman)
Cr S McKell

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
Deputy Chief Executive Officer, Mr C Mansueto
General Manager City Infrastructure, Mr J Devine
General Manager Community Development, Mrs A Pokoney Cramey
General Manager City Development, Ms M English
Team Leader Council Governance, Ms J O'Keefe-Craig

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Governance and Compliance Committee Meeting held on 16 October 2023.

REPORTS

Administration

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For Decision

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QUESTIONS ON NOTICE

There are no Questions on Notice.

MOTIONS ON NOTICE

There are no Motions on Notice.

OTHER BUSINESS

(Questions Without Notice, Motions Without Notice, CEO Update)

CONFIDENTIAL ITEMS

3.4.1 Judicial Review Supreme Court Action

Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if the Governance and Compliance Committee so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

1. *Pursuant to Section 90(2) and (3)(h) and (i) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to legal advice; and*
 - *information relating to actual litigation, or litigation that the Council or Council committee believes on reasonable grounds will take place, involving the council or an employee of the Council.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *the matter relates to actual litigation and includes legal advice*

*On that basis the public's interest is best served by not disclosing the **Judicial Review Supreme Court Action** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CLOSE



**MINUTES OF GOVERNANCE AND COMPLIANCE COMMITTEE MEETING HELD IN
WITTBER & DR RUBY DAVY ROOMS, SALISBURY COMMUNITY HUB,**

34 CHURCH STREET, SALISBURY ON

16 OCTOBER 2023

MEMBERS PRESENT

Cr P Jensen (Chairman)
Mayor G Aldridge (ex officio)
Cr L Brug
Cr J Chewparsad
Cr K Grenfell
Cr D Hood (Deputy Chairman)
Cr S McKell

STAFF

General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Ms M English
Assessment Manager, Mr C Zafiropoulos
Team Leader Council Governance, Ms J O'Keefe-Craig

The meeting commenced at 7:25pm.

The Chairman welcomed the Elected Members, members of the public and staff to the meeting.

APOLOGIES

Nil.

LEAVE OF ABSENCE

Nil.

PRESENTATION OF MINUTES

Moved Cr D Hood
Seconded Cr J Chewparsad

The Minutes of the Governance and Compliance Committee Meeting held on 18 September 2023, be taken as read and confirmed.

CARRIED
UNANIMOUSLY

REPORTS

Administration

3.0.1 Future Reports for the Governance and Compliance Committee

Moved Cr L Brug
Seconded Mayor G Aldridge

That Council:

1. Notes the report.

CARRIED
UNANIMOUSLY

For Decision

3.1.1 Voting Advice to Council Delegate for the Local Government Association Annual General Meeting - 26 October 2023

Moved Mayor G Aldridge
Seconded Cr D Hood

That Council:

1. Authorises its Local Government Association (LGA) Annual General Meeting (AGM) voting delegate (Deputy Mayor Cr Chad Buchanan or Cr Peter Jensen as proxy) to use discretion when voting on the items presented at the upcoming LGA AGM on 26 October 2023, except for those items for which Council would specifically resolve otherwise.

CARRIED
UNANIMOUSLY

3.1.2 Policy Review - Safe Environment for Children and Vulnerable People Policy

Moved Mayor G Aldridge
Seconded Cr L Brug

That Council:

1. Adopts the Safe Environments for Children and Vulnerable People Policy as set out in Attachment 2 to this report (Item No. 3.1.2 Governance and Compliance Committee 16 October 2023).

CARRIED
UNANIMOUSLY

Pursuant to section 75 of the Local Government Act 1999, Cr L Brug declared a Material conflict of interest on the basis of her husband being a member of the Council Assessment Panel and the recommendation asks the Committee to consider remuneration. Cr L Brug stated that she will deal with the conflict by leaving the meeting.

Cr L Brug left the meeting at 7:28 pm.

3.1.3 Council Assessment Panel - Increasing Female Candidates

Moved Cr P Jensen
Seconded Cr K Grenfell

That Council:

1. Approves to commence a new Expression of Interest for the independent members on the Council Assessment Panel (the Panel) in May 2024, and consider candidates at the Council Meeting July 2024, with the following Initiatives (*Options to be selected by Council*):
 - a. Targeted Outreach and Marketing campaign that will include:
 - i. Direct contact to all accredited and eligible candidates on the Accreditation Scheme when the Expression of Interest is released.
 - ii. Explicit / stronger messaging in the public notice that Council wishes to increase female participation on the Panel and promote equal opportunities.
 - iii. Promote flexible participation options, subject to consideration by the Council Assessment Panel.
 - b. Write to the Accreditation Authority to highlight the relatively small pool of eligible women in the scheme and support the Authority's initiatives to increase participation of women in the Accreditation Scheme from a range of professions.

CARRIED
UNANIMOUSLY

Cr L Brug returned to the meeting at 7:46 pm.

3.1.4 Consideration of Adoption of Employee Behavioural Standards

Moved Mayor G Aldridge
Seconded Cr S McKell

That Council:

1. Notes the information relating to section 120A of the *Local Government Act 1999*, provided in this report (Item 3.1.4, Governance and Compliance Committee 16 October 2023).
2. Does not adopt additional behavioural standards at this time, having considered the requirements of section 120A of the *Local Government Act 1999*, noting that existing City of Salisbury Employee Conduct Policy is already in place that specify standards of behaviour for Council employees.

CARRIED
UNANIMOUSLY

QUESTIONS ON NOTICE

There were no Questions on Notice.

MOTIONS ON NOTICE

There were no Motions on Notice.

OTHER BUSINESS

(Questions Without Notice, Motions Without Notice CEO Update)

There were no Other Business items.

The meeting closed at 7:46pm.

CHAIRMAN.....

DATE.....

ITEM	3.0.1
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	Future Reports for the Governance and Compliance Committee
AUTHOR	Hayley Berrisford, PA to General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This item details reports to be presented to the Governance and Compliance Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

RECOMMENDATIONThat Council:

1. Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Historically, a list of resolutions requiring a future report to Council has been presented to each committee for noting.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 Report authors and General Managers.
- 2.2 External
 - 2.2.1 Nil.

3. REPORT

3.1 The following table outlines the reports to be presented to the Governance and Compliance Committee as a result of a Council resolution:

Meeting Item	Heading and Resolution	Officer
27/06/2022 3.2.1 Due: Deferred: Reason:	Community Compliance Resources 2. Approves a report on the Community Compliance resources and outcomes be presented to Council by 30 November 2023 to enable consideration of required resource demands without the impacts of COVID-19 on both staff and the community. November 2023 January 2024 Staff are undertaking a review of resource impacts across the Community Compliance team resulting from recent legislative changes and operational changes associated with <i>Local Nuisance and Litter Control Act 2016</i> , and the operational requirements at the Pooraka Pound and intend to provide a report addressing these combined impacts and potential resource requirements affecting the Community Compliance service area.	John Darzanos
23/10/2023 3.1.3 Due:	Council Assessment Panel – Increasing Female Candidates 1. Approves to commence a new Expression of Interest for the independent members on the Council Assessment Panel (the Panel) in May 2024, and consider candidates at the Council Meeting July 2024, with the following initiatives: a. Targeted Outreach and Marketing campaign that will include: i. Direct contact to all accredited and eligible candidates on the Accreditation Scheme when the Expression of Interest is released. ii. Explicit / stronger messaging in the public notice that Council wishes to increase female participation on the Panel and promote equal opportunities. iii. Promote flexible participation options, subject to consideration by the Council Assessment Panel. b. Write to the Accreditation Authority to highlight the relatively small pool of eligible women in the scheme and support the Authority's initiatives to increase participation of women in the Accreditation Scheme from a range of professions. July 2024	Chris Zafiropoulos
23/10/2023 3.1.4 Due:	Consideration of Adoption of Employee Behavioural Standards 2. Gives further consideration to the adoption of additional behavioural standards in 12 months time. October 2024	Sue Jones

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Governance and Compliance Committee have been reviewed and are presented for noting.

ITEM	3.0.2
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	Community Diversity- Access and Inclusion Policy
AUTHOR	Vesna Haracic, Manager Community Health & Wellbeing, Community Development
CITY PLAN LINKS	1.3 People are valued and they feel safe, included and connected 1.4 We are proud of our strengths, achievements and cultural diversity 1.2 The health and wellbeing of our community is a priority
SUMMARY	The Community Diversity- Access and Inclusion Policy has been reviewed and updated.

RECOMMENDATION

That Council:

1. Adopts the Community Diversity – Access and Inclusion Policy as set out in Attachment 1 to this report (Item 3.0.2, Governance and Compliance Committee, 20 November 2023).

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Community Diversity Access and Inclusion Policy

1. BACKGROUND

- 1.1 The Community Diversity – Access and Inclusion Policy has been reviewed and aligned with the updated Legislation and Council feedback.

2. CONSULTATION / COMMUNICATION

- 2.1 External
 - 2.1.1 Salisbury Intercultural Strategic Alliance
 - 2.1.2 Salisbury Intercultural Community Alliance

3. REPORT

- 3.1 The Community Diversity – Access and Inclusion Policy was last approved by the Council on 17 May 2021.
- 3.2 A review of the Policy has been performed in order to ensure that it remains current and up to date and aligned with the updated legislative framework in Australia and recent Council feedback.
- 3.3 Some fundamental changes are proposed for our existing policy on community diversity. These changes aim to enhance the policy's effectiveness in promoting community inclusion, diversity, and addressing discrimination and racism.

3.4 Policy Name Adjustment

The policy's name has been suggested to be changed from "Community Diversity - Access and Inclusion Policy" to "Community Diversity, Equity, and Inclusion Policy." This modification aims to better summarize our commitment to community inclusion, diversity, and the eradication of discrimination and racism.

3.5 Alignment with Organisational Values

The revised policy aligns more closely with our organisational values of being Respectful, Accountable, Collaborative, and Helpful. It underscores our dedication to fostering an environment where every individual is respected, diversity is embraced, and racism is actively opposed.

3.6 Core Commitments;

3.6.1 The policy serves as a commitment by the City of Salisbury to the following principles:

Community Inclusion and Diversity:

3.6.2 Fostering an inclusive and diverse community where all individuals are empowered to participate fully, irrespective of their background or circumstances.

Discrimination:

3.6.3 The City of Salisbury opposes discrimination in all its forms and is committed to dismantling systemic barriers and prejudices that perpetuate inequality.

Continuous Improvement:

3.6.4 The City of Salisbury is dedicated to continuous improvement in our efforts to promote diversity and inclusion while actively combating discrimination. Regular assessments, reviews, and community engagement will inform our strategies and initiatives.

3.7 These changes are proposed with the goal of creating a more inclusive and equitable community for all City of Salisbury residents.

4. CONCLUSION / PROPOSAL

4.1 The Community Diversity – Access and Inclusion Policy has been reviewed and is being put to Council via the Governance and Compliance Committee for approval.



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

TITLE: ~~Community Diversity – Access and Inclusion Policy~~ Community Diversity, Equity and Inclusion Policy

Adopted by:	Council
Responsible Division:	Community Health and Wellbeing
First Issued/Adopted:	25 July 2005
Last Reviewed:	24 May 2021 28 September 2023
Next Review Date:	August 2023 September 2025

1. Purpose

~~1. The Local Government Act 1999 (the Act) requires Councils to provide for the welfare, well-being and interest of individuals and groups within its community. It requires Council to be responsive to the needs, interests and aspirations of individuals and groups, ensuring services, programs and facilities provide equitable access.~~

~~2. In order to fully meet the requirements of the Act, Council must ensure processes are in place to support all people, including those who face barriers to participating and accessing services, programs and facilities.~~

~~This policy sets out the commitment of the City of Salisbury to the provision of accessible and equitable services, programs and facilities.~~

~~The City of Salisbury is committed to fostering a community that is inclusive, diverse, and free from discrimination. This policy sets out this commitment and provides a foundation for decision making. It promotes community inclusion, diversity, and addresses discrimination and racism.~~

Commented [VH1]: This was in the PREAMBLE section of old policy.

2. Scope

In alignment with our organisational values of Respectful, Accountable, Collaborative, and Helpful, this policy reflects the City of Salisbury's dedication to fostering an environment in which every individual is respected, diversity is embraced and racism is eradicated.

This policy applies to Elected Members, employees, volunteers and contractors of the City of Salisbury.

3. Legislative Requirements and Corporate Policy Context

1. Local Government Act 1999
2. Local Government (General) Regulations 2013
3. South Australian Work Health and Safety Act 2012
4. South Australian Work Health and Safety Regulations 2012
5. Disability Discrimination Act, 1992
6. Equal Employment Opportunity Act, SA 1984
7. Workplace Gender Equality Act, 2012
8. Age Discrimination Act, 1984
9. Racial Discrimination Act, 1975
10. Human Rights and Equal Opportunity Commission Act, 1986
- 2- * This list of relevant legislations is indicative and not exclusive

1. *Local Government Act, SA 1999*
2. *Disability Discrimination Act, 1992*
3. *Equal Employment Opportunity Act, SA 1984*
4. *Workplace Gender Equality Act, 2012*
5. *Age Discrimination Act, 2004*
6. *Sex Discrimination Act, 1984*
7. *Racial Discrimination Act, 1975*
8. *Human Rights and Equal Opportunity Commission Act, 1986*

**This list of relevant legislation is indicative and not exclusive.*

Interpretation/Definitions

- Access – implies fair and equitable access to services in areas essential to achieving and maintaining social, cultural and economic well-being.

Commented [VH2]: Delete this section

- Equity – implies distribution of economic, social and political resources in ways that are not restricted by age, gender, race, ethnicity, sexual orientation, disability or income.
- Access and equity focuses on the removal of barriers in the design and delivery of programs, services and facilities aiming to ensure all community members have the opportunities to enhance their overall social, cultural and economic well-being.
- Diversity: The presence of a wide range of human qualities and attributes within our community, including but not limited to culture, ethnicity, religion, gender, age, ability, and socioeconomic background.
- Inclusion: The practice of creating an environment where all individuals feel valued, respected, and have equitable access to opportunities and resources.
- Anti-Racism: The active resistance and opposition to racism in all its forms, aiming to dismantle systemic and individual expressions of racial discrimination.

5. Policy Statements

This Policy serves as a commitment by the City of Salisbury to the following principles:

5.1 Community Inclusion and Diversity: The City of Salisbury is dedicated to fostering an inclusive and diverse community where all individuals are empowered to participate fully, irrespective of their background or circumstance. We will actively work to create a welcoming environment that values the richness of our differences and encourages intercultural and inter-social understanding and collaboration.

5.2 Discrimination: —The City of Salisbury vehemently opposes discrimination in all its forms and is committed to dismantling systemic barriers and prejudices that perpetuate inequality. We will actively address instances of discrimination, offer education for our community, and promote a culture of understanding, tolerance, and respect.

5.3 Roles and Responsibilities: The City of Salisbury Elected Members, Employees, and Contractors share responsibility for upholding the principles outlined in this policy.

5.5 Continuous Improvement: The City of Salisbury is committed to continuous improvement in our efforts to promote diversity and inclusion while combating discrimination. Regular assessments, reviews, and community engagement will inform our strategies and initiatives.

5.6 The City of Salisbury will aim to ensure that all members of the community have equitable access to services, programs and facilities operated by the City.

5.7 Strategies to ensure equity of access for all people, including those who may face additional barriers to participation, will be considered at all phases of service development, planning and implementation.

5.8 The City will aim to ensure that appropriate opportunities for participation in discussions about the City's services, programs and facilities are provided for members of the community, including those who may face barriers to participation.

5.9 Both internal processes, such as training and development, and external processes, such as consultation, promotion and information, will operate within the City of Salisbury Strategic Planning Framework and relevant legislative requirements.

By adopting this Community Diversity and Inclusion Policy, the City of Salisbury affirms its commitment to building a united, inclusive, and thriving community where every individual's voice is heard and valued and where all individuals are empowered to participate fully, irrespective of their background or circumstance.

6. Related Policies and Procedures

6.1 National Disability Strategy 2010-2020

6.2 Australian Human Rights Commission Diversity Strategy (2018)

6.3 Council of Europe Intercultural Cities Network

6.4 Welcoming Cities Australia

6.5 World Health Organisation Age Friendly Cities

6.6 City of Salisbury Strategic Planning Framework

6.6.1 Intercultural Strategic Plan (2017-2027)

6.6.2 Ability Inclusion Strategic Plan (2020-2024)

6.6.3 Strategic Youth Action Plan (2017-2024 to be updated 2024)

6.6.4 Reconciliation Action Plan (2019-2024 to be updated 2024)

Diversity and Inclusion Action Plan (2021/2022)

6.6.6 Age Friendly Strategy 2022-2027

7. Approval and Change History

Version	Approval Date	Approval By	Change
<u>6.00</u>	<u>22/08/2023</u>	<u>Council</u>	
<u>7.00</u>	<u>TBA</u>	<u>Council</u>	<u>Transfer to new policy template and incorporate changes to the policy</u>

8. Availability

- 8.1 The Policy is available to be downloaded, free of charge, from Council's website www.salisbury.sa.gov.au
- 8.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Salisbury Community Hub
34 Church Street, Salisbury -SA 5108
Telephone: 84068222
Email: city@salisbury.sa.gov.au

9. Review

- This Policy will be reviewed every 2 years or if deemed necessary by Council.

Further Information

For further information on this Policy please contact:

Responsible Officer: Manager, Community Health and Wellbeing
Address: 34 Church Street, Salisbury SA 5108
Telephone: 8406 8222
Email: city@salisbury.sa.gov.au

Field Code Changed

Field Code Changed

ITEM 3.0.3

GOVERNANCE AND COMPLIANCE COMMITTEE

DATE 20 November 2023

HEADING Extreme Heat Policy

AUTHOR Vesna Haracic, Manager Community Health & Wellbeing,
Community Development

CITY PLAN LINKS 1.2 The health and wellbeing of our community is a priority
1.5 Our community is resilient and adaptive to change
1.3 People are valued and they feel safe, included and connected

SUMMARY The Extreme Heat Policy has been reviewed to align with the
Heatwave Guide for Local Government in South Australia

RECOMMENDATION

That Council:

1. Adopts the Extreme Heat Policy as set out in Attachment 1 to this report (Item No. 3.0.3, Governance and Compliance Committee, 20 November 2023).

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Extreme Heat Policy

1. BACKGROUND

- 1.1 The Extreme Heat Policy has been reviewed and aligned with the Heatwave Guide for Local Government in South Australia.
- 1.2 Heatwave Guide for Local Government in South Australia has been prepared by the LGA to support councils in their provision of emergency management services. It has been prepared with reference to the Local Government Emergency Management Strategy.

2. REPORT

- 2.1 The Extreme Heat Policy was last approved by the Council on 15th March 2021.
- 2.2 A review of the Policy has been performed in order to ensure that it remains current and up to date and aligned with the Heatwave Guide for Local Government in South Australia.

3. CONCLUSION / PROPOSAL

- 3.1 The Extreme Heat Policy has been reviewed and the Policy aligns with the Heatwave Guide for Local Government in South Australia.



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

TITLE: Extreme Heat Policy

Adopted by:	Council
Responsible Division:	Community Health and Wellbeing
First Issued/Adopted:	23 August 2010
Last Reviewed:	22 March 2024 28 September 2023
Next Review Date:	March 2023 September 2025

1. Purpose

This Policy:

- Defines the City of Salisbury's commitment to supporting the community to manage the impact of extreme heat conditions.
- Sets out the role of Council in the provision of information and services to the Salisbury community during extreme heat conditions.

The City of Salisbury is committed to promoting awareness and education regarding the impacts associated with extreme heat conditions, and the measures that can be adopted to mitigate those impacts.

~~Across South Australia the frequency of very hot days will continue to increase, and heatwaves are projected to get longer, hotter and more frequent. Climate Change in Australia (2015 – CSIRO and Bureau of Meteorology) predicts that heatwaves in South Australia will be hotter, longer and more frequent by 2050. Climate Change is causing heatwaves to be longer, hotter and more frequent.~~

Commented [VH1]: This was in the PREAMBLE section of the old policy format

The State Emergency Management Committee (SEMC) provides leadership and oversight of emergency management planning in South Australia, and is responsible for maintain the State Emergency Management Plan (SEMP)

Heatwave warnings are issued by the South Australian State Emergency Service (SES) as the hazard leader and control agency for extreme weather.

The SEMP identifies the key hazards for South Australia and assigns a hazard leader and control agency for each hazard. The State Emergency Service (SES) is the assigned hazard leader and control agency for Extreme Weather – Heat.

The SEMP also identifies the states eleven emergency management zones with specific characteristics. The City of Salisbury is part of the Northern Adelaide Zone, and in partnership with The City of Playford, The City of Tea Tree Gully, The City of Port Adelaide Enfield and emergency services developed the Northern Adelaide Zone Emergency Management Plan (ZEMP). The Northern Adelaide ZEMP includes details about the key hazards for the zone: extreme heat, extreme storm, flood, earthquake and bushfire and the main risks associated with each. This plan ensures a coordinated approach to increasing community preparedness, awareness and response to the hazards applicable for the zone.

The City of Salisbury is aware of the impact of extreme heat on health and wellbeing, activities, services and events; infrastructure, primary production and environment and is committed to identifying, mitigating and monitoring the risks associated with extreme heat and heatwaves

The City of Salisbury recognises its role in working with and reporting to the Local Government Functional Support Group and the role of South Australia State Emergency Services as the hazard leader and control agency.

The City commits to communicate heatwave warnings to raise community awareness; to assist businesses to prepare and respond; and for workforce planning. While hot days in summer are generally expected within South Australia, it is important that people are aware of the debilitating impact extreme hot weather can have on their general well-being.

The City recognises that conditions of extreme heat can have significant consequences for the health and wellbeing of community members, with certain population groups particularly vulnerable to health-related effects, including older people, young children, those with pre-existing health conditions, and people who are homeless/rough sleeping, culturally and linguistically diverse and socially isolated, as well as pets and other animals. The city also recognises that cost of living pressures – particularly in relation to energy costs – has placed significant strain upon all households to maintain healthy living environments during long periods of hot weather.

The City is committed to mitigating the effects of extreme heat through urban planning, waste management, infrastructure and asset management, animal management, natural environment, business continuity, health and safety and financial plans.

The Local Government Act 1999, Work Health and Safety Act 2012, South Australian Public Health Act 2011 and the Emergency Management Act 2004 provide for Local Government to play a role in Extreme Weather Planning by promoting community awareness and education regarding the dangers and measures that can be adopted to mitigate the effects.

2. Scope

This Policy

2.1 Defines the City of Salisbury's commitment to supporting the community to manage the impact of extreme heat conditions.

2.2 Applies to all Staff, Volunteers, contractors and Elected Members of the City of Salisbury in the delivery of services to our community.

3. Legislative Requirements and Corporate Policy Context

- 3.1 Local Government Act 1999
- 3.2 Work health and Safety Act 2012
- 3.3 South Australian Public Health Act 2011
- 3.4 Emergency Management Act 2004

4. Interpretation/Definitions

Bureau of Meteorology (BOM) Heatwave classifications - A heatwave is three or more consecutive days of high maximum and high minimum temperatures that are unusual for that location. Heatwaves are calculated using the forecast maximum and minimum temperatures over the next three days, comparing this to actual temperatures over the previous thirty days, and then comparing these same three days to the 'normal' temperatures expected for that location. This provides a value called the excess heat factor (EHF). This calculation considers people's ability to adapt to the heat. Any day when the EHF is positive is a heatwave and classified as either a low intensity heatwave, severe heatwave or extreme heatwave.

South Australia State Emergency Service (SES) Warnings and Impacts - Heatwave warnings are issued by the South Australia State Emergency Service (SES) as the hazard leader and control agency for extreme weather. The SES has developed a system of heatwave warnings based on the improved heatwave intensity forecasting system developed by the BoM and follows national warning

protocols. An advice warning is issued for low intensity heatwaves, a watch and act warning for severe heatwaves and an emergency warning for extreme heatwaves.

5. Policy Statements

- 5.1 Council will provide support or assistance as requested by the SA State Emergency Service ~~or State Government~~ in response to extreme heat events and in accordance with the Extreme Heat Plan.
- 5.2 To ensure the best use of Council resources, emphasis will be placed on complementing and supporting existing services provided by State/Commonwealth Government Agencies and specialist organisations funded to support vulnerable members of the community, rather than the provision of 'duplicate' services.
- 5.3 Council will provide community awareness and emergency management information in local settings for vulnerable populations via existing programs and services. This will include the distribution of materials prepared by the SA State Emergency Service, State Government and specialist organisations in relation to extreme heat events, in addition to information made available on the City of Salisbury website, ~~the Salisbury Aware Magazine~~, and other Council media channels as appropriate.
- 5.3 *Council's community facilities provide a safe and comfortable environment for all members of the community during business hours. These air-conditioned facilities can offer respite from the elements, amenities including water and access to information and internet. Council may extend opening hours for the provision on direct authorisation by the Chief Executive Officer.*
- 5.4 Council will systematically take proper account of risk assessments in policy considerations that inform ~~land-use planning infrastructure planning, and asset management and land use planning~~ to reduce disaster risk, including the effects of extreme heat.
- 5.5 Council will work to reduce the urban heat island effect across the City through effective mapping, streetscape renewal programs and Irrigated Open Public Spaces, to help to mitigate the effects of extreme heat on the community.
- 5.6 ~~Council City of Salisbury~~ will ensure the health and safety of its ~~community~~ and workforce, by implementing ~~policies and~~ procedures that minimise their exposure to extreme heat, to enable continuity of services to our community.

6. Related Policies and Procedures

References:

- 6.1 ~~South Australian~~ State Emergency

~~6.2 Northern Adelaide Zone Emergency Management Plan (ZEMP)~~

6.2 Heatwave Guide for Local Government in South Australia ~~Service – Be Prepared for a Heatwave~~

~~6.3 Community Health and Wellbeing – Extreme Heat Arrangement Procedure~~

~~6.4 City of Salisbury Sustainability Strategy~~

~~6.5 6.4. Indement Weather Policy- Workforce~~

7. Approval and Change History

Version	Approval Date	Approval By	Change
7.00	22 March 2021	Council	
8.00	TBA	Council	Transfer to new policy template and minor wording changes

8. Availability

- 8.1 The Policy is available to be downloaded, free of charge, from Council's website www.salisbury.sa.gov.au
- 8.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Salisbury Community Hub
34 Church Street, Salisbury SA 5108
Telephone: 84068222
Email: city@salisbury.sa.gov.au

9. Review

This Policy will be reviewed every 2 years

Further Information

For further information on this Policy please contact:

Responsible Officer: Manager Community Health and Wellbeing
Address: 34 Church Street, Salisbury SA 5108

Field Code Changed

Telephone: 8406 8222
Email: city@salisbury.sa.gov.au

Field Code Changed

ITEM	3.1.1
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	Pitman Park
AUTHOR	Brad Scholefield, Team Leader Community Compliance, City Development
CITY PLAN LINKS	1.2 The health and wellbeing of our community is a priority 4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	Council and the South Australian Police received several complaints regarding the use of the Pitman Park area on the Northern side of Little Para River in 2023. Complaints predominantly relate to public nuisance and littering associated with gatherings, alcohol consumption, drug use and some incidents of rough sleeping. This report recommends the situation be monitored to determine whether the control of alcohol consumption in the locality would be of value.

RECOMMENDATION

That Council:

1. Notes that Administration will continue to monitor reports of anti-social behaviour associated with the consumption of alcohol in Pitman Park to determine the need to introduce an alcohol free area under *City of Salisbury by-law 4 of 2022 - Local Government Land*.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Dry Areas - Liquor Licensing Act Salisbury
2. 2008 Report Policy and Planning - Extend Dry Zone to Pitman Park
3. Petition Proposed Dry Zone in Pitman Park

1. BACKGROUND

- 1.1 In response to concerns at Salisbury Oval and surrounding areas, in May 2023 Council resolved to declare that location as an alcohol free area and to be closed lands between 10pm and 6am. (Governance and Compliance Committee, Item 3.1.3 Salisbury Oval and Surrounds, May 2023).
- 1.2 Alcohol free areas are designed to work as part of a broader local level strategy to reduce alcohol-related problems in a locality.
- 1.3 In May 2023 Council also requested that a report be presented to the Governance and Compliance Committee to seek Pitman Park declared as an alcohol free area under Council By-Laws, to reduce anti-social behaviours associated with the consumption of alcohol.

- 1.4 The City of Salisbury is aware of ongoing issues regarding the behaviour of persons using the open spaces at Pitman Park. These complaints have occurred over many years and relate to littering and broken glass associated with gatherings of groups of persons and the consumption of alcohol, and/or other drugs.

Pitman Park Dry Zone History

- 1.5 The Pitman Park area forms part of the Little Para Linear Park. It is often used for events that involve the consumption of alcohol such as weddings, BBQs and community gatherings.
- 1.6 Pitman Park is not covered by the dry area within the City of Salisbury City Precinct that has been declared by the Liquor Licensing Commissioner (Attachment 1 – Dry Areas – Liquor Licensing Act Salisbury Area).
- 1.7 In 2007, Council requested an extension of the existing dry area to include the Pitman Park area, however this was not ultimately approved by the Liquor Licensing Commissioner as the following additional matters were required to be addressed to enable consideration of extending the dry area – (Attachment 2 – 2008 Report Policy and Planning – Extend Dry Zone to Pitman Park):
- 1.7.1 Establishment of a working party comprising of key stakeholders to clearly define the problems and develop strategies to deal with alcohol related issues in Pitman Park and surrounds.
- 1.7.2 The working party would be required to address the potential for displacement and identify complementary initiatives with key stakeholders, including aboriginal housing and health agencies.
- 1.8 At the time Council received a petition opposing the declaration of a dry area in the area (Attachment 3 – Petition Proposed Dry Zone Pitman Park) with 68 signatories.
- 1.9 Consequently, Council did not proceed with the initiative to extend the dry area to Pitman Park in 2008.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
- 2.1.1 Parks and Gardens Team Leader
- 2.1.2 Community Experience Team Leader
- 2.1.3 Security
- 2.2 External - SAPOL

3. DISCUSSION

- 3.1 To understand the extent of the issue, a review of customer requests to address anti-social behaviour within Pitman Park has been undertaken. It is noted that in 2023 reports have not occurred on a regular basis.

Council Customer Complaints January 2023 to July 2023 (Pitman Park)	
30 January	Glass bottles smashed on path near log people sit on
8 February	Glass bottles smashed on path near log people sit on
13 February	Bottles and rubbish in park, complaint of anti-social behaviour in park
14 April	Syringes found near waterfall

SAPOL Alcohol involved call outs January 2023 to July 2023 (Pitman Park - Southern side Little Para River) current dry area	
4 January	Alcohol possession in dry area
10 January	Alcohol possession in dry area
17 January	Alcohol possession in dry area
30 January	Alcohol possession in dry area
4 April	Intoxicated person asking members of the public for cigarettes
9 May	Alcohol possession in dry area
18 July	Intoxicated person alleged being the victim of assault by unknown persons

- 3.2 Reports of anti-social behaviour in this location are significantly lower than those that have been reported regarding the Salisbury Oval Precinct in recent years.
- 3.3 Limiting the consumption of alcohol associated with events, weddings and gatherings may unnecessarily limit the use of this park.
- 3.4 Consequently, it is recommended that incidents of anti-social behaviour in the locality be monitored, particularly over the upcoming warmer months to determine whether there the introduction of controls over alcohol consumption at Pitman Park are required.
- 3.5 Council continues to work in close collaboration with a variety of key stakeholders to ensure our community is safe and secure and that incidents of anti-social behavior are addressed holistically and community-led solutions and cross-agency investment. The Administration actively participates in and leads several key networks and alliances that assist in addressing emerging and existing issues of anti-social behaviour.

- 3.6 Should there be an increase in reports of anti-social behaviour associated with the consumption of alcohol, Council has two options to introduction legislative controls.

Options - Dry Area or Alcohol Free Area under Council By-Law 4

- 3.7 Land can be set as an area that alcohol is not permitted to be consumed in the following two ways.
- 3.7.1 As a dry area under the *Liquor Licensing Act 1997* which is an enforceable function of SAPOL; or
 - 3.7.2 As an alcohol free area under *clause 4.32 No Liquor of City of Salisbury by-law 4 of 2022 - Local Government Land* – Council may declare an area alcohol free which is enforceable via Authorised Council Officers. SAPOL are not obliged to respond to these concerns.

Dry Area

- 3.8 Only SAPOL officers are able to enforce dry area, with police resources deployed based on priority of incidents.
- 3.9 The introduction of a dry area would bring significant limitations and restrictions on the consumption of alcohol whether it is associated with an event, wedding and/or social gathering. Events that wish to serve alcohol within a dry area must seek permission and obtain a liquor license from Consumer and Business Services.
- 3.10 Council may apply for long term dry areas to address the consumption of alcohol with the objective to curb alcohol-related problems and anti-social behaviour in public areas including reserves.
- 3.11 Long term dry areas are designed to work as part of a broader local level strategy to reduce alcohol-related problems in a locality. Long term dry areas can be either be for a specified period of time or ongoing.
- 3.12 The application process is very specific and will require consultation with community, support from local police and the local Member of Parliament.

Alcohol Free Area

- 3.13 Under Clause 4.32 of *City of Salisbury by-law 4 of 2022 - Local Government Land* Council can declare that a person must not without the permission of the Council, consume, carry or be in possession or in charge of any liquor on Local Government Land.
- 3.14 Council may apply this control to any local government land comprising parks or reserves (not built form or carparks) and it can be administered and enforced by Council authorised staff. It should be noted that anyone holding an event can seek permission of Council for an exemption to consume alcohol on the declared area.
- 3.15 Enforcement of these restrictions relies on a level of community education and compliance with other forms of support to monitor compliance levels including security patrols and support from SAPOL.

- 3.16 Authorised Council Officers are empowered to enforce alcohol free areas declared under By-Laws, however due to safety reasons (eg the excessive consumption of alcohol often resulting in a potentially hostile situation) this is only done with the assistance of SAPOL (their availability permitting).
- 3.17 Whilst the by-law controls can be introduced by Council through a resolution, it would be preferred to have one legislative tool to address alcohol consumption in Pitman Park as differentiating between the two legislative options could prove confusing for enforcement and may result in limited assistance from SAPOL.

Displacement

- 3.18 Legislative controls can result in displacement of groups or individuals to nearby parks without any effective behavior changes.
- 3.19 Should an alcohol free area or a dry area be approved for Pitman Park then any associated drinking activity could be displaced to nearby sections of the Little Para River Linear Park, including Pioneer Park (to the east) or Happy Home Reserve (to the west).

4. CONCLUSION

- 4.1 Council has received a relatively small number of complaints relating to alcohol consumption and anti-social behaviour on the northern side of the Little Para River at Pitman Park in the current calendar year.
- 4.2 It is therefore recommended that incidents of anti-social behaviour be monitored, particularly over the upcoming warmer months to determine whether there the introduction of controls over alcohol consumption on the northern side of the Little Para River at Pitman Park are required.
- 4.3 Should incidents of anti-social behaviour escalate and Council desire to introduce controls regarding the consumption of alcohol on the northern side of the Little Para River at Pitman Park in the future, an Alcohol Free Area under Clause 4.32 of *City of Salisbury by-law 4 of 2022 - Local Government Land By-Law 4* could be implemented in a relatively prompt manner.
- 4.4 The option to pursue an extension of the dry area that currently applies to the City of Salisbury City Precinct to the northern side of the Little Para River would be a more complicated and lengthy process requiring extensive consultation and engagement with key stakeholders and approval from the relevant Minister. It is recommended that this option only be pursued should there be a significant escalation of (and ongoing) anti-social behaviour associated with alcohol consumption.

25.10.2012—Liquor Licensing (Dry Areas) Regulations 2012
Salisbury Area 1—Schedule

Schedule—Salisbury Area 1

1—Extent of prohibition

The consumption of liquor is prohibited and the possession of liquor is prohibited.

2—Period of prohibition

Continuous until 18 October 2014, provided that where—

- (a) an event of historic, cultural, traditional or major community significance is held in the area; and
- (b) the City of Salisbury authorises, for the purposes of the event, the consumption and possession of liquor in part A or part B of the area (or a defined portion of part A or part B) for a specified period during the event,

the prohibition does not apply in that part of the area (or defined portion of that part) during the specified period.

No more than 4 authorisations may apply in relation to part A of the area, and no more than 4 in relation to part B, in any 12 month period.

In this clause—

part A, in relation to the area to which the prohibition applies, means that part of the area that lies between the Council office building and the Home Assist building and James Street, as shown in the plan in this schedule labelled "Salisbury Area 1 Authorised Areas";

part B, in relation to the area to which the prohibition applies, means that part of the area comprising Lots 1 and 2 of Filed Plan No 37216 (see the plan in this schedule labelled "Salisbury Area 1 Authorised Areas").

3—Description of area

The area in Salisbury generally known as the Salisbury Town Centre, being the area bounded on the north by the southern bank of the Little Para River, on the east by Commercial Road, on the south by Wiltshire Street and Park Terrace, and on the west by Salisbury Highway.

Liquor Licensing (Dry Areas) Variation Regulations 2014
Part 2—Variation of *Liquor Licensing (Dry Areas) Regulations 2012*

20—Variation of Schedule—Salisbury Area 1

Schedule—Salisbury Area 1, clause 2—delete "until 18 October 2014"

ITEM 1.5.3 (1)

POLICY AND PLANNING COMMITTEE

DATE 21 July 2008

PREV REFS Policy and Planning 1.5.2 Date: 19/03/2007

HEADING Alcohol Management and Dry Zone Update

AUTHOR Dr Lorraine Kerr; Manager Social Development; Strategic Planning

SUMMARY

This report will outline progress to date on alcohol management in the Town Centre precinct.

BACKGROUND

1. In March 2007 Council endorsed the submission of an application to the Liquor and Gambling Commissioner for an extension of the existing Dry Zone in Salisbury's Town Centre to include all of Pitman Park. This was in response to complaints from community members and local traders about anti-social behaviour associated with consuming alcohol within the Park.
2. Accordingly, the application was prepared and submitted to the Commissioner on 7th May 2007.
3. Since that time, staff have responded to a number of requests from Minister Rankine (Minister of State/Local Government Relations) to supply extra support information to further substantiate the application.
4. A further matter which is related to this issue is the lack of a facility in the Northern region to manage people who are intoxicated and the subsequent treatment of their substance abuse.
5. In May 2008, Council endorsed that staff pursue discussions with the State and Federal Governments to seek funding for such a facility as a core need for the area.

REPORT

6. Despite the extra information supplied to the Minister regarding the submission for an extension to the Dry Zone to include Pitman Park, the matter was not resolved and no decision was taken by the Minister on the outcome of the submission.
7. On 5th June 2008, staff met with the Minister and the Liquor and Gambling Commissioner to further discuss the matter.
8. The outcome of that meeting was that the Commissioner would write to the City of Salisbury, on behalf of the Minister, suggesting that we establish an Alcohol Management Accord group.

ITEM: **1.5.3 (2)** **POLICY AND PLANNING** 21/07/2008

9. This is a relatively new initiative which has been established elsewhere where similar problems with public drinking have been experienced. It draws together relevant local stakeholders, including police and licensees of liquor outlets to implement an alcohol management program. The Commissioner committed his office to providing assistance in establishing such a group.
10. It was made clear by the Minister that any decision on a Dry Zone for Pitman Park would not be made until the Alcohol Management Accord had been trialled and been ineffective in controlling the problem.
11. It is considered by staff that this Accord group could also be the vehicle for advocating with other levels of government for an alcohol treatment facility as one vital aspect of effective alcohol management for the Northern region, thus drawing together two agendas for a more strategic approach to alcohol management and treatment where necessary.
12. We received a letter from the Commissioner on 9th July 2008, conveying the Minister's proposal that we establish the Alcohol Management Accord group. The Commissioner urged Council to adopt this approach and stated that, if Council agrees, he will be willing to assist in the group's establishment.
13. It is proposed by staff that the existing Family Friendly Zone committee, which has been operating for four years and monitors the Dry Zone and general community safety concerns for the Town Centre, become the nucleus of an Accord group.
14. Members of the Family Friendly Zone committee have been asked if an Accord group were to be established, whether they would be willing to be part of that group. They have all indicated they would be happy to undertake that expanded role.

CONCLUSION / PROPOSAL

15. This report has outlined progress to date on managing the issue of alcohol misuse in general and public intoxication in Pitman Park in particular.
16. The Liquor and Gambling Commissioner, on behalf of the Minister, has requested the establishment of an Alcohol Management Accord group, including local licensees, as the next step to take in addressing this issue.
17. Further consideration on the possibility of implementing a dry area in Pitman Park will not be undertaken by the Minister until such an Accord has been trialled and seen to be ineffective.

RECOMMENDATION

1. This information be received.
2. Council endorse the establishment of an Alcohol Management Accord Group.

ITEM: **1.5.3 (3)** **POLICY AND PLANNING 21/07/2008**

CO-ORDINATION

Officer:	DSP	A/DAS	CM
Date:	15.07.08	15.07.08	15.7.08

RECEIVED
CITY OF SALISBURY

PETITION

To the Mayor and Councillors of the City of Salisbury

Part 1 – Contact Details

Petition contact person: Kathy Gratton
 Telephone number: 82551341
 Address: 69 Phillip Hwy
Elizabeth South 5112

Part 2 – Identify Petitioners

The petition of (identify the individuals or group, eg. residents of the City of Salisbury):

Residents of the City of Adelaide

Part 3 – Issue or Concern

Draws the attention of the Elected Members of the City of Salisbury to (identify the issue):

The proposed dry zone in Pitman Park.

Part 4 – The Prayer

The petitioners therefore request that the Council (outline the action that the petitioners are requesting Council should or should not take):

The Salisbury Council should not implement a dry zone in Pitman Park.

Part 5 - Signatories

Name (Print)	Address	Signature
Kathy Gratton	69 Phillip Hwy Elizabeth 5112	K Gratton
Vanessa Mace	31 Haydown Rd Elizabeth	V Mace
Elaine Gratton	3 Markin Court Elizabeth	E Gratton

A PETITION IS A PUBLIC DOCUMENT AND AS SUCH CAN BE INSPECTED BY ANYONE

Part 4 – The Prayer (repeated)

Identify the circumstances of the case (repeat part 4 from page 1):

The Salisbury Council should not implement a dry zone in Pitman Park.

Part 5 – Signatories (continued)

[illegible]

A PETITION IS A PUBLIC DOCUMENT AND AS SUCH CAN BE INSPECTED BY ANYONE

Attach additional sheets if necessary and use the same format as this page

ITEM	3.1.2
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	Delegations Review
AUTHOR	Joy O’Keefe-Craig, Team Leader Council Governance, CEO and Governance
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	To provide Council with the opportunity to undertake a review of its delegations in accordance with section 44(6)(a) of the <i>Local Government Act 1999</i> .

RECOMMENDATIONThat Council:

1. Delegates powers and functions of the Council as provided for in the attached instrument of delegation Attachment 1, Item 3.1.2, Governance and Compliance Committee, 20 November 2023.
2. Delegates the powers under the *Road Traffic Act* as provided for in Attachment 2, Item 3.1.2 Governance and Compliance Committee, 20 November 2023.

In accordance with Instrument of General Approval and Delegation to Council (dated 22 August 2013) from the Minister for Transport and Infrastructure (General Approval) the council authorises the following person(s) pursuant to Clause A.7 of the General Approval to endorse Traffic Impact Statements for the purposes of Clause A of the General approval provided that such person(s) shall take into account the matters specified in Clause A.7 of the General Approval in respect of Traffic Impact Statements:

- John Devine
- Sam Schrippa
- Tony Calandro

In accordance with Clause A.7 of the General Approval, the council is of the opinion that the following person(s) is/are experienced traffic engineering practitioner(s) for the purposes of preparing a Traffic Impact Statement as required by Clause A.7 of the General Approval:

- John Devine
- Sam Schrippa
- Tony Calandro

In accordance with Clause E.2 of the General Approval, the council is of the opinion that the following person(s) has (have) an appropriate level of knowledge and expertise in the preparation of Traffic Management Plans:

- John Devine
- Sam Schrippa
- Tony Calandro

Instrument of Delegation under Planning Development and Infrastructure Act 2016 (Attachment 1)

1. In exercise of the power contained in Section 44 of the *Local Government Act 1999* the powers and functions under the *Planning, Development and Infrastructure Act 2016* and statutory instruments made thereunder contained in the proposed Instrument of Delegation Attachment 1 of Item 3.1.2 to the Report dated 20 November 2023 and entitled Delegations Review are hereby delegated this 20 of November 2023 to the person occupying or acting in the office of Chief Executive Officer of the Council subject to the conditions and/or limitations, if any, specified herein or in the Schedule of Conditions in the proposed Instrument of Delegation.
2. Such powers and functions may be further delegated by the Chief Executive Officer in accordance with Sections 44 and 101 of the *Local Government Act 1999* as the Chief Executive Officer sees fit, unless otherwise indicated herein or in the Schedule of Conditions contained in the proposed Instrument of Delegation.
3. In exercise of the power contained in Section 100 of the *Planning, Development and Infrastructure Act 2016* the powers and functions under the *Planning, Development and Infrastructure Act 2016* and statutory instruments made thereunder contained in the proposed Instrument of Delegation (Attachment 1 of Item number 3.1.2 20 November 2023 to the person occupying or acting in the office of Chief Executive Officer of the Council subject to the conditions and/or limitations, if any, specified herein or in the Schedule of Conditions in the proposed Instrument of Delegation.
4. Such powers and functions may be further delegated by the Chief Executive Officer in accordance with Section 100(2)(c) of the *Planning, Development and Infrastructure Act 2016* as the Chief Executive Officer sees fit, unless otherwise indicated herein or in the Schedule of Conditions contained in the proposed Instrument of Delegation.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Instrument of Delegation (including City of Salisbury Delegations Register) (Circulated under separate cover)
2. Instrument of General Approval and Delegation Road Traffic Act sub-delegation
3. LGA Delegation Road Traffic Act Authorisation

1. BACKGROUND

- 1.1 The Council may delegate its statutory powers and functions pursuant to section 44 of the *Local Government Act 1999* and powers of delegation under other legislation.
- 1.2 Council may review its delegations at any time however, must within 12 months after the conclusion of each periodic election, review the delegations under section 44(6)(a) of the *Local Government Act 1999*. This was an amendment as part of the local government reform. This report provides Council the ability to meet this legislative requirement following the 2022 Local Government Elections. The last review of the delegations by Council was on 27 September 2021.
- 1.3 The Local Government Association (LGA) provides periodic updates to the delegation templates as a result of any legislative updates. This will be provided to Council as required to consider. The key updates since the last review are summarised below:
 - 1.3.1 *Burial and Cremation Act 2013*
A new legislative provision and delegation has been included for interment rights
 - 1.3.2 *Expiation of Offences Act 1996*
A new legislative provision and delegation has been included regarding acceptability of documents provided by an alleged offender
 - 1.3.3 *Local Government Act 1999*
New legislative provisions and delegations have been included and changed provisions
 - 1.3.4 *Road Traffic Act 1961*
New legislative provisions and delegations and changed provisions
 - 1.3.5 Instrument A – Instrument of Delegation under the *Planning Development and Infrastructure Act 2016*
Amendments and legislative changes to the instruments
 - 1.3.6 Instrument B – Instrument of Delegation under the *Planning Development and Infrastructure Act 2016*
New legislative provisions and delegations.
- 1.4 All updates are reflected as NEW if they are new provisions or changed provisions are highlighted with tracked changes.

2. EXTERNAL CONSULTATION / COMMUNICATION

- 2.1 Council's Delegations Register will be made available to the public via Council's website as required by the *Local Government Act 1999*.

3. DISCUSSION

- 3.1 The Delegations Register (provided under separate cover) is contained as Attachment 1 to this report.
- 3.2 An instrument of delegation providing for the delegation of powers and functions by the Council is attached to this report (Attachment 1).
- 3.3 The instrument of delegation does not include delegations under the *Development Act 1993* or *Planning, Development and Infrastructure Act 2016*. Delegations under these Acts are the subject of the instrument of delegation as included in Attachment 1.
- 3.4 The instrument of delegation identifies:
 - 3.4.1 the statutory power or powers to delegate the powers or functions subject to the instrument of delegation;
 - 3.4.2 the statutory basis for any power to sub-delegate a delegated power of function;
 - 3.4.3 the conditions and limitations applying to the exercise of a delegated power or function;
 - 3.4.4 in an attached table for each Act or regulation under which a delegation is granted by the instrument of delegation:
 - the delegated power or function; and
 - the identity of the delegate or delegates in respect of that power or function.
- 3.5 If the Council resolves to grant the delegations provided for in the attached instrument of delegation, then delegations will come into operation on 6 December 2023.
- 3.6 If the Council resolves to grant the delegations provided for in the attached instrument/s of delegation, then previous delegations of the powers and functions subject to the instrument/s of delegation will be revoked from the date on which the delegations in the attached instrument/s of delegation come into operation.

Authorisations and sub-delegation under the *Road Traffic Act 1961*

The Minister for Transport and Infrastructure granted delegations to the Council under the Instrument of General Approval and Delegation (dated 22 August 2013) (General Approval). The General Approval permits the Council to:

- (a) sub-delegate the powers under section 33(1) of the *Road Traffic Act 1961*; and
 - (b) authorise employees of the Council to exercise the powers under sections 17 and 20 of the *Road Traffic Act 1961*.
- 3.7 An instrument of sub-delegation is attached as Attachment 3.
 - 3.8 The General Approval provides that any authorisations to employees of the Council must be made in writing and approved by the Chief Executive Officer on behalf of the Council. For this reason, the Chief Executive Officer will on behalf of the Council make these authorisations. These are not presented to the Council.

3.9 The General Approval includes various conditions which apply to the exercise of the Council's power to install, maintain, alter, operate or remove any traffic control device as follows:

3.9.1 A Traffic Impact Statement must be prepared by a person who the Council considers is an experienced traffic engineering practitioner;

3.9.2 The Traffic Impact Statement must be endorsed by a person authorised by the Council.

3.10 In addition, the General Approval requires all traffic control devices for the purpose of an event other than those specified in Clause A.8 to be installed in accordance with a Traffic Management Plan prepared by a person who in the opinion of the Council has an appropriate level of knowledge and expertise in the preparation of traffic management plans.

3.11 The General Approval requires that the Council's decision to grant an authorisation be recorded in a written instrument signed by the Chief Executive Officer on behalf of the Council. For this reason, the instrument of authorisation includes an execution block for the Chief Executive Officer.

Delegations under the Development Act 1993 and Planning, Development and Infrastructure Act 2016

3.1 An instrument of delegation providing for the delegation of powers and functions under the *Development Act 1993* and *Planning, Development and Infrastructure Act 2016* by the Council is attached to this report (Attachment 1).

3.2 Delegations under the *Development Act 1993* and *Planning, Development and Infrastructure Act 2016* are being dealt with separately to other delegations of statutory powers and functions. This is because template delegations have been specifically developed by the Local Government Association to deal with the staged implementation of the *Planning, Development and Infrastructure Act 2016*.

4. FINANCIAL OVERVIEW

4.1 There are no financial or resource implications in connection with this report..

5. CONCLUSION

5.1 A review of Council delegations has been completed and is presented to Council for consideration.

Instrument of sub-delegation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)



City of Salisbury

Instrument of sub-delegation

1. The Minister for Transport and Infrastructure granted:
 - (a) approvals to the Council for the purposes of specific powers under sections 17 and 20 of the *Road Traffic Act 1961*; and
 - (b) appointed the Council as the Minister's delegate in respect of specific powers under sections 17 and 33(1) of the *Road Traffic Act*,by the Instrument of General Approval and Delegation (dated 22 August 2013) (**General Approval**).
2. Pursuant to the General Approval, the Council sub-delegates to the Chief Executive Officer the power under section 33(1) of the *Road Traffic Act* to declare an event to be an event to which section 33 of the *Road Traffic Act* applies and make orders directing:
 - (a) that specified roads (being roads on which the event is to be held or roads that, in the opinion of the delegate, should be closed for the purpose of the event) be closed to traffic for a specified period; and
 - (b) that persons taking part in the event be exempted, in relation to the specified roads, from the duty to observe the following provisions of the *Australian Road Rules*:
 - (i) rule 221: using hazard warning lights;
 - (ii) rule 230: crossing a road – general;
 - (iii) rule 231 crossing a road at pedestrian lights;
 - (iv) rule 232: crossing a road at traffic lights;
 - (v) rule 234: crossing a road on or near a crossing for pedestrians;
 - (vi) rule 237: getting on or into a moving vehicle (provided that the speed of the vehicle does not exceed 5 km/h);
 - (vii) rule 238: pedestrians travelling along a road (except in or on a wheeled recreational device or toy);
 - (viii) rule 250: riding on a footpath or shared path;
 - (ix) rule 264: wearing of seat belts by drivers (provided that the speed of the vehicle does not exceed 25 km/h);

Instrument of sub-delegation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)

- (x) rule 265: wearing of seat belts by passengers 16 years old or older (provided that the speed of the vehicle does not exceed 25 km/h);
 - (xi) rule 266: wearing of seat belt by passengers under 16 years old (provided that the speed of the vehicle does not exceed 25 km/h);
 - (xii) rule 268: how persons must travel in or on a motor vehicle; (provided that the speed of the vehicle does not exceed 25 km/h)
 - (xiii) rule 269: opening doors and getting out of a vehicle etc (provided that the speed of the vehicle does not exceed 5 km/h); and
 - (xiv) rule 298: driving with a person in a trailer (provided that the speed of the vehicle does not exceed 25 km/h).
3. The delegation granted in this instrument is subject to the conditions set out in Clause G of the General Approval and the following conditions:
- (a) the sub-delegate must ensure that the delegated powers are exercised in accordance with relevant legislative requirements and relevant policies and guidelines adopted by the Council; and

By resolution of the Council

on:.....

Instrument of authorisation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)



The City of Salisbury
Instrument of authorisation

1. The Minister for Transport and Infrastructure granted:
 - (a) approvals to the Council for the purposes of specific powers under sections 17 and 20 of the *Road Traffic Act 1961*; and
 - (b) appointed the Council as the Minister's delegate in respect of specific powers under sections 17 and 33(1) of the *Road Traffic Act*,
 by the Instrument of General Approval and Delegation (dated 22 August 2013) (**General Approval**).
2. Pursuant to the General Approval, the Council authorises the employees of the Council named in the attached table to exercise the powers under sections 17 and 20 of the *Road Traffic Act* conferred on or delegated to the Council by the General Approval subject to the conditions set out in the General Approval and any additional conditions noted in the table with respect to the exercise of the power.

Signature of the Chief Executive Officer

Name of the Chief Executive Officer

Date

Updated: 19 May 2021

Instrument of authorisation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)

Council authorisations for the purposes of the General Approval

Road Traffic Act	Approval granted to Council (as set out in the General Approval)	Authorised employee	Conditions
sections 17(1) and 17(2)	A. Traffic control devices Install, maintain, alter, operate or remove, or cause to be installed, maintained, altered, operated or removed, any traffic control device on, above or near a road which is under the care, control and management of the Council (except those traffic control devices specified in clause A.8 of the General Approval or dealt with in other clauses of the General Approval)	001084 General Manager City Infrastructure, 001380 Manager Urban, Recreation and Natural Assets, 001264 Team Leader Civil & Transport Assets, 000498 Senior Traffic Engineer, 000040 Graduate Engineer - Civil and Transport, 000041 Civil & Traffic Engineer	As set out in clause A of the General Approval

Updated: 19 May 2021

Instrument of authorisation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)

Road Traffic Act	Approval granted to Council (as set out in the General Approval)	Authorised employee	Conditions
section 20(2)	B. Speed limits at works on roads Place signs on a road for the purpose of indicating the maximum speed to be observed by drivers while driving on, by or towards a work area or a work site where workers are engaged, or works are in progress at the direction of the Council	001084 General Manager City Infrastructure, 001380 Manager Urban, Recreation and Natural Assets, 001264 Team Leader Civil & Transport Assets, 000498 Senior Traffic Engineer, 000040 Graduate Engineer - Civil and Transport, 000041 Civil & Traffic Engineer	As set out in clause B of the General Approval
section 17(3)	C. Traffic control devices at works on roads Install, display, alter, operate or remove any traffic control device in relation to an area where persons are engaged in work or an area affected by works in progress, or in relation to part of a road temporarily closed to traffic under the <i>Road Traffic Act 1961</i> or any other Act	001084 General Manager City Infrastructure, 001380 Manager Urban, Recreation and Natural Assets, 001264 Team Leader Civil & Transport Assets, 000498 Senior Traffic Engineer, 000040 Graduate Engineer - Civil and Transport, 000041 Civil & Traffic Engineer	As set out in clause C of the General Approval

Updated: 19 May 2021

Instrument of authorisation for the purposes of the Instrument of General Approval and Delegation to Council (22 August 2013)

Road Traffic Act	Approval granted to Council (as set out in the General Approval)	Authorised employee	Conditions
section 17(3)	D. Temporary parking controls Install, display, alter, operate or remove a traffic control device for the purposes of imposing, varying or abolishing a parking control on a temporary basis on a road which is under the care, control and management of the Council	001084 General Manager City Infrastructure, 001380 Manager Urban, Recreation and Natural Assets, 001264 Team Leader Civil & Transport Assets, 000498 Senior Traffic Engineer, 000040 Graduate Engineer - Civil and Transport, 000041 Civil & Traffic Engineer	As set out in clause D of the General Approval
section 17	F. Grant approval to another road authority Specifically approve the installation, maintenance, alteration, operation or removal of a traffic control device in the Council area by a road authority on, above or near a road under the care, control and management of the road authority	001084 General Manager City Infrastructure, 001380 Manager Urban, Recreation and Natural Assets, 001264 Team Leader Civil & Transport Assets, 000498 Senior Traffic Engineer, 000040 Graduate Engineer - Civil and Transport, 000041 Civil & Traffic Engineer	As set out in clause F of the General Approval

Updated: 19 May 2021

ITEM	3.1.3
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	2024 Formal Meeting Schedule
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This report seeks Council's adoption of the proposed Formal Meeting Schedule for 2024.

RECOMMENDATIONThat Council:

1. Adopts the Formal Meeting Schedule as set out in Attachment 2 to this report (Item 3.1.3, Governance and Compliance Committee, 20 November 2023) subject to the Chief Executive Officer's determination to set or vary the scheduling of Committee and Sub Committee meetings as required and in context of business needs, in consultation with the respective Presiding Member.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Council Governance Structure
2. Proposed Formal Meeting Schedule for 2024

1. BACKGROUND

- 1.1 Section 81(1) of the *Local Government Act 1999* specifies:

Subject to this section, ordinary meetings of a council will be held at times and places appointed by a resolution of the council.

- 1.2 This report addresses that requirement.

2. REPORT

2.1 The following was approved at the 28 November 2022 Council meeting:

2.1.1 *For ordinary Council meetings to take place at the Salisbury Community Hub, 34 Church Street Salisbury at 6.30pm every 4th Monday of the month, or following day if a public holiday, except the December meeting which will take place the 3rd Monday of the month.*

2.1.2 *Committee and Sub Committee meetings to take place at the Salisbury Community Hub, 34 Church Street Salisbury from 6.30pm, and subject to the Chief Executive Officer's advice to set or vary the scheduling of Committee and Sub Committee meetings as required and in context of business needs, as approved by the respective Chairman and the CEO.*

2.2 At the Council meeting held 19 December 2022, a meeting schedule based on the following structure was adopted (Attachment 1):

Strategic and Policy

Policy and Planning Committee, full membership of Council, meeting monthly.

- Intercultural Strategy and Partnerships Sub Committee, meeting bi-monthly or as required/determined by the Chairman.

Innovation and Business Development Committee, meeting monthly.

- Salisbury Living Sub Committee, meeting monthly or as required/determined by the Chairman.

Governance and Corporate Support

Finance and Corporate Services Committee, meeting monthly.

Governance and Compliance Committee, meeting monthly.

Delivery

Community Wellbeing and Sport Committee, meeting monthly.

Urban Services Committee, meeting monthly.

- Environmental Sustainability and Trees Sub Committee, meeting monthly.
- Asset Management Sub Committee, meeting monthly.

Statutory

CEO Review Committee, pursuant to s102A of the Act. The Committee meets quarterly or as required.

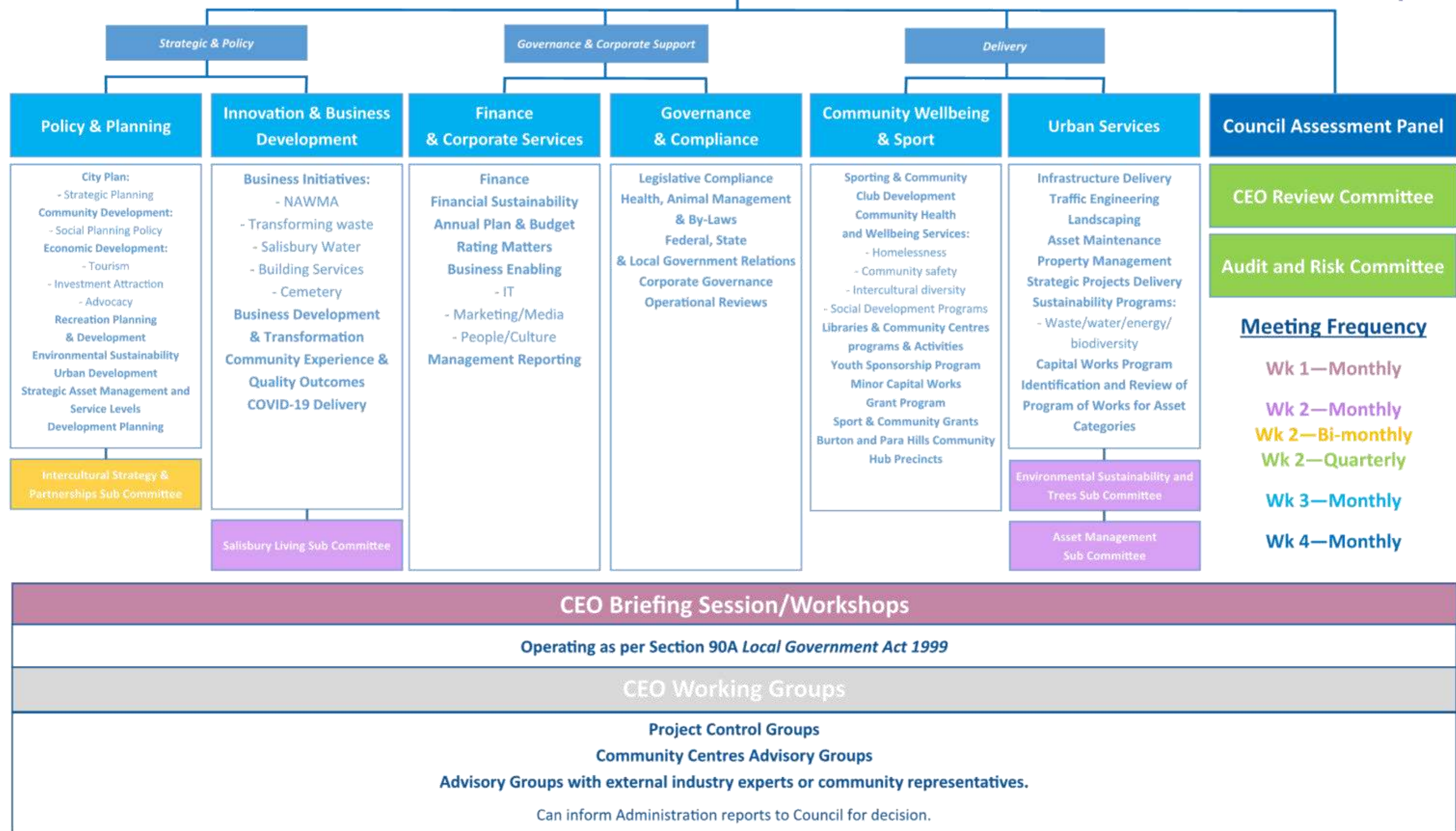
Audit and Risk Committee pursuant to s126 of the Act. The Committee meets quarterly or as per adopted work plan.

- 2.3 Traditionally, the following meeting cycle has taken place each month:
- Week one CEO Briefings and Workshops
 - Week two Sub Committees
 - Week three Committees
 - Week four Council
- 2.4 Based on the adopted Council governance structure, the above meeting cycle is displayed for 2024 in Attachment 2.
- 2.5 In the event that a scheduled meeting falls on a public holiday, all meetings for that week will move forward by one day.
- 2.6 As in previous years, in order to accommodate the formal adoption of the budget and declaration of rates for 2024/25 to occur at the June 2024 Council Meeting, the Finance and Corporate Services Committee meeting is proposed to be held a week earlier in June 2024.
- 2.7 Historically, meetings in December are held one week earlier and for the January meeting cycle, no (sub-) Committee meetings will be held, with any urgent items flowing straight to Council to accommodate the Christmas break.
- 2.8 The meeting schedule adopted by Council will be subject to the Chief Executive Officer's determination to set or vary the scheduling of Committee and Sub Committee meetings as required and in context of business needs, in consultation with the respective Presiding Member.
- 2.9 As required under the CEO Briefing/Workshop Session Procedure, a separate schedule is prepared for CEO Briefings and Workshops. This is communicated to Elected Members separately and published on our website on a monthly basis, with amendments made as required.

3. CONCLUSION / PROPOSAL

- 3.1 Council is asked to consider the proposed meeting schedule for 2024, based on the Council adopted meeting structure outlined in this report.

Council Governance Structure



Adopted by Council 28 November 2022

DW Doc Set No. 7763948

2024 Formal Meeting Schedule

Month	Date	Time	Meetings
JANUARY (5 wk mth)	Mon 29 (5th Monday)	6.30pm	Council <i>No CEO Briefing/Sub C or Cties Items directly to Council via GB reports</i>
	Tues 23	6.30pm	Council Assessment Panel (CAP)
FEBRUARY	Mon 5	6.30pm	CEO Briefing/Workshop
	Tues 6		Workshops if required
	Mon 12	Consecutive from 6.30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Tues 13	6.30pm	Audit & Risk Committee
	Mon 19	6.30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 20	Consecutive from 6.30pm	Community Wellbeing & Sport Cmte Innovation & Business Dvt Committee
	Mon 26	6.30pm	Council
	Tues 27		Council Assessment Panel (CAP)
MARCH	Mon 4	6.30pm	CEO Briefing/Workshop
	Tues 5		No meetings to be booked this evening
	Tues 12 (Mon 11 Mar - P/H)	Consecutive from 6.30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte
	Wed 13	6.30pm	CEO Review Committee
	Mon 18	6.30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 19	Consecutive from 6.30pm	Community Wellbeing & Sport Cmte Innovation & Business Dvt Committee
	Mon 25	6.30pm	Council
	Tues 26		Council Assessment Panel (CAP)

Adopted by Council **

2024 Formal Meeting Schedule

Month	Date	Time	Meetings
APRIL (5 wk mth)	Tues 2 Apr (Mon 1 P/H)	6:30pm	CEO Briefing/Workshop
	Wed 3		Workshops if required
	Mon 8	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Tues 9	6:30pm	Audit and Risk Committee
	Mon 15	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 16	Consecutive from 6:30pm	Community Wellbeing & Sport Cmte Innovation & Business Dvt Committee
	Mon 22	6:30pm	Council
	Tues 23		Council Assessment Panel (CAP)
MAY	Mon 6	6:30pm	CEO Briefing/Workshop
	Tues 7		Workshops if required
	Mon 13	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte
	Tues 14		No meetings scheduled
	Mon 20	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 21	Consecutive from 6:30pm	Innovation and Business Development Cmte Community Wellbeing & Sport Committee
	Mon 27	6:30pm	Council
	Tues 28		Council Assessment Panel (CAP)
JUNE	Mon 3	6:30pm	CEO Briefing/Workshop
	Tues 4		Workshops if required
	Tues 11 (Mon 10 P/H)	Consecutive from 6:30pm	Finance & Corporate Services Cmte Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Wed 12	6:30pm	CEO Review Committee
	Mon 17	6:30pm	Policy & Planning Committee
		Concurrent @ concl of P&P	Governance & Compliance Committee Urban Services Cmte
	Tues 18	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 24	6:30pm	Council
	Tues 25		Council Assessment Panel (CAP)

Adopted by Council **

2024 Formal Meeting Schedule

Month	Date	Time	Meetings
JULY (5 wk mth)	Mon 1	6:30pm	CEO Briefing/Workshop
	Tues 2		Workshops if required
	Mon 8	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte
	Tues 9	6:30pm	No meetings scheduled
	Mon 15	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 16	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 22	6:30pm	Council
	Tues 23		Council Assessment Panel (CAP)
AUGUST (5 wk mth)	Mon 5	6:30pm	CEO Briefing/Workshop
	Tues 6		Workshops if required
	Mon 12	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Tues 13		Audit and Risk Committee
	Mon 19	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 20	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 26	6:30pm	Council
	Tues 27		Council Assessment Panel (CAP)
SEPTEMBER (5 wk mth)	Mon 2	6:30pm	CEO Briefing/Workshop
	Tues 3		Workshops if required
	Mon 9	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte
	Tues 10	6:30pm	CEO Review Committee
	Mon 16	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 17	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 23	6:30pm	Council
	Tues 24		Council Assessment Panel (CAP)

Adopted by Council **

2024 Formal Meeting Schedule

Month	Date	Time	Meetings
OCTOBER	Tues 8 (Mon 7 P/H)	6:30pm	CEO Briefing/Workshop
	Wed 9		Audit and Risk Committee
	Mon 14	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Tues 15	6:30pm	No meetings scheduled
	Mon 21	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 22	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 28	6:30pm	Council
	Tues 22 (held 4th Tues)		Council Assessment Panel (CAP)
NOVEMBER	Mon 4	6:30pm	CEO Briefing/Workshop
	Tues 5		Workshops if required
	Mon 11	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte
	Tues 12	6:30pm	Audit & Risk Committee
	Mon 18	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 19	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 25	6:30pm	Council
	Tues 26		Council Assessment Panel (CAP)
DECEMBER (5 wk mth)	Mon 2	Consecutive from 6:30pm	Salisbury Living Sub Cmte Environmental Sustainability & Trees Sub Cmte Asset Management Sub Cmte Intercultural Strategy & Partnerships Sub Cmte
	Tues 3	6:30pm	CEO Review Committee
	Mon 9	6:30pm	Policy & Planning Committee
		At concl of P&P	Finance & Corporate Services Cmte
		Concurrent @ concl of F&CS	Governance & Compliance Committee Urban Services Cmte
	Tues 10	Consecutive from 6:30pm	Innovation & Business Dvt Committee Community Wellbeing & Sport Cmte
	Mon 16	6:30pm	Council
	Tues 17		Council Assessment Panel (CAP)

Adopted by Council **

ITEM	3.1.4
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	ESCOSA report
AUTHOR	Charles Mansueto, Deputy Chief Executive Officer, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community 4.4 We plan effectively to address community needs and identify new opportunities 4.5 We engage meaningfully and our community is aware of Council initiatives
SUMMARY	This report seeks to update Council on the receipt of a letter from the Minister of Local Government in relation to the LG Rates Oversight Scheme and the proposed response.

RECOMMENDATIONThat Council:

1. Notes the receipt of the letter from the Minister of Local Government as provided in Attachment 4 (Item No. 3.1.4, Governance and Compliance Committee, 20 November 2023).
2. Approves for the Mayor to send the proposed draft response to the letter as provided in Attachment 5 (Item No. 3.1.4, Governance and Compliance Committee, 20 November 2023).
3. Notes that the Council is supportive of the independent oversight by ESCOSA of local government authorities but requests that this oversight is delivered through better engagement with councils to ensure added value to councils and the community through the provision of advice

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Draft Framework And Approach
2. ESCOSA Action Plan - City of Salisbury Annual Plan 2023/24 Response
3. ESCOSA Report 2023/24 - City of Salisbury Annual Plan Response
4. Letter from the Minister for Local Government
5. Draft Letter of Repsonse to the Minister for Local Government

1. BACKGROUND

- 1.1 The Local Government Rates Oversight Scheme (Scheme) provisions came into effect from 30 April 2022 following the amendment of the *Local Government Act 1999* through the *Statutes Amendment (Local Government Review) Act 2021*.
- 1.2 The Scheme provides for an independent body, the Essential Services Commission of South Australia (ESCOSA), to provide oversight of Local Government entities on their strategic management plans, in particular the Long Term Financial Plan (LTFP) and the Strategic Asset Management Plan (SAMP), through a Framework and Approach that was developed by ESCOSA.
- 1.3 The Framework and Approach (Attachment 1) was issued for consultation in March 2022, concluding in May 2022.
- 1.4 The City of Salisbury along with other Local Government entities provided feedback (Council considered the draft response at its April 2022 meeting) on the Framework and Approach with the Framework and Approach proceeding to be finalised without any material changes flagged in the feedback.
- 1.5 As part of the implementation of the Scheme, councils were split over a four year cycle (tranches) with the City of Salisbury being one of the first 15 councils to be assessed by ESCOSA.
- 1.6 ESCOSA released its final report on the City of Salisbury in February 2023, identifying the City of Salisbury's, "current financial outlook sustainable with conservative operating surpluses projected from the forecast growth in operating income marginally outpacing forecast cost growth."
- 1.7 Included in the ESCOSA report, there were various actions that Council was asked to consider and respond to as part of the 2023/24 Annual Plan and Budget.
- 1.8 A requirement is for Council to provide a response to the actions in the next Annual Plan and Budget being 2023/24 in this instance. Provided as Attachment 2 is the Council approved response to the various actions recommended by ESCOSA.
- 1.9 Further ESCOSA tables on its website a report that provides further background to their assessment of Council's LTFP and SAMP. There is no requirement to respond to this report but Council resolved to provide a further response to the report given the various concerns with the information and considerations made in the report by ESCOSA. This response is provided as Attachment 3.
- 1.10 Recently Council received a letter from the Minister of Local Government, Mr Geoff Brock provided as Attachment 4.
- 1.11 In the letter the Minister has commented on the consideration and response from Council in responding to the actions recommended by ESCOSA.
- 1.12 This report seeks to inform Council on the letter from Minister Brock and the approach being proposed to respond to the letter.

2. EXTERNAL CONSULTATION / COMMUNICATION

2.1 LGASA

3. DISCUSSION

- 3.1 It appears that the Minister is seeking all Councils to actively engage and support the Scheme while also ensuring that Councils give careful consideration to the advice from ESCOSA.
- 3.2 Council has been supportive of the Scheme, which we had noted in our submission to ESCOSA on the draft framework when it was being consulted on.
- 3.3 Although Council is in support on the intent of what the Minister appears to be expressing about the scheme, there are key statements made that require Council consideration and response so as to clarify Council's position to the report from ESCOSA.
- 3.4 The statements can be categorised as follows:
 - 3.4.1 There is an assumption that Elected Members have not appropriately considered ESCOSA's report and recommendations.
 - 3.4.2 That the administration has not appropriately informed Council on the report and the responses to the recommendations.
 - 3.4.3 That the administration view of limited engagement by ESCOSA with Council administration is incorrect.
 - 3.4.4 Noting that there are significant risks in the letter which is contrary to the advice given by ESCOSA in assessing Council's financial sustainability.
 - 3.4.5 That Council may not be supportive of the Scheme and seeking to remove the independent level of monitoring by Local Government.
- 3.5 In responding to the letter Council administration have engaged with the LGA seeking clarification of this letter and whether other councils involved in the first tranche have received a similar response from the Minister. It is our understanding that all Council Elected Members across the state received a letter with the general intent but with the Tranche 1 Councils receiving more specific information in their respective letters.
- 3.6 A proposed response to the Minister is provided as Attachment 5.

4. CONCLUSION

- 4.1 Council has appropriately considered the advice of ESCOSA in its advice dated February 2023 with Council appropriately responding publicly in its 2023/24 Annual Report and Business Plan and a further response to the full report.
- 4.2 Council is also supportive of the independent monitoring of Council's financial sustainability but noting that in doing so, ESCOSA needs to better engage with Council to better understand the Council's financial position and be better informed to add value in the advice being provided.



March 2022

Item 3.1.4 - Attachment 1 - Draft Framework And Approach

Request for submissions

The Essential Services Commission (**Commission**) invites written submissions on this paper. Written comments should be provided by **Friday 27 May 2022**.

It is the Commission's policy to make all submissions publicly available via its website (www.escosa.sa.gov.au), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to:

Local Government Rates Oversight Scheme – Draft Framework and Approach

It is preferred that submissions are sent electronically to: rates@escosa.sa.gov.au

Alternatively, submissions can be sent to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

Contact officer: Sean McComish, Economic Regulatory Advisor

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory

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Local Government Rates Oversight Scheme

OFFICIAL

Glossary of terms

ABS	Australian Bureau of Statistics
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CWMS	Community Wastewater Management System
CPI	Consumer Price Index
IAMP	Infrastructure and Asset Management Plan
LGA	Local Government Association
LGFA	Local Government Finance Authority
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term Financial Plan
SACES	South Australian Centre for Economic Studies
Scheme	The rates oversight scheme
SEIFA	ABS Socio-Economic Indexes for Australia
SMP	Strategic Management Plan (comprising LTFP & IAMP)

Executive summary

The South Australian Government is introducing a local government rates oversight scheme through amendments to the *Local Government Act 1999*, which will come into operation on 30 April 2022. The scheme is intended to benefit ratepayers through increased transparency over council rates, greater confidence that the rates they pay are at the level necessary for their council to provide the services they value and that council operations are being undertaken on a long-term financially sustainable basis.

The essence of the scheme is that the Essential Services Commission (**Commission**) will provide to each of the State's 68 local councils (on a four-yearly rotational basis) advice on the:

- ▶ appropriateness, and effective maintenance and implementation, of the council's long-term financial plan (**LTFP**), and infrastructure and asset management plan (**IAMP**), including any material amendments proposed or made in respect of those plans, and
- ▶ appropriateness of proposed financial contributions by the council's ratepayers under those plans.

The Commission's advice will address those matters by reference to historical performance and financial trends, drawing on information which councils are already required to have in place under the *Local Government Act 1999*. The advice will set out that trend information, so as to give context to councils' forward-looking plans, and will identify areas where attention or action may be required to better serve ratepayers' long-term interests. Importantly, the advice to each council will focus on its own trends and plans: the advice will not provide inter-council comparisons.

The Commission does not presently anticipate that the advice will require councils to take specific action, nor will it approve (or otherwise) specific expenditure, programs or projects: those are matters for councils' own decision-making processes.

The advice is to be published and each council will need to publicly address the matters raised (whether or not it adopts that advice) in its annual business plans. The advice will:

- ▶ support councils to make decisions relating to their annual business plans and budgets in the context of their LTFP and IAMPs, which together are foundational documents that set out how councils propose to manage their financial position and performance over the longer term, and
- ▶ assist councils to make appropriate decisions on the level of financial contributions to be made by ratepayers for the provision of services and infrastructure within the context of those long-term plans and the financing options available to councils (such as the use of borrowings or reserves).

The scheme provides the Commission with discretion in relation to scheme design and implementation. The Commission has prepared this draft Framework and Approach to explain and seek feedback on how it will give effect to the scheme in practice. In doing so, it has identified seven principles which it considers will best deliver an efficient and effective scheme:

- ▶ **Monitoring, not regulating:** The scheme relates to monitoring, not economic regulation. As such, the design focusses on providing evidence-based and useful advice. The objective being, through time, to develop a record of a council's performance, relative to its long-term planning, and its response to advice, as the basis for changing behaviours and outcomes over time. The scheme does not provide the Commission with powers to enforce compliance measures, set service standards or regulate any council's rates. In those respects, it differs from other States' council rates regulation frameworks, such as those in Victoria and New South Wales.

- ▶ **Long-term planning focus:** While councils can provide a diverse range of services, they are generally delivered through infrastructure and operations that require long-term planning. As such, in the absence of significant shocks outside of a council's control, its long-term plans would not be expected to exhibit significant variation through time (replacement/renewal expenditure should not materially vary due to political cycles, or short-term transient operational or financial concerns).
- ▶ **Materiality:** Focus will be given to key overarching targets and measures. Otherwise, the underlying analysis may become unduly complex/disaggregated, with key observations diluted through unnecessary detail.
- ▶ **Simplicity:** The scheme will be as simple as it practically can be and be capable of being applied across the diverse range of councils within South Australia.
- ▶ **Leveraging existing information and evidence:** The Local Government Association collects data and provides guidance material regarding financial and service sustainability. As such, a significant amount of underlying information and a standard accounting framework exists - this will underpin the analytical framework.
- ▶ **Consistency of application:** The scheme will be applied consistently across councils in terms of the underlying processes and analytical framework. Advice across councils will only be similar if all the inputs into the analytical framework (both quantitative and qualitative) result in similar advice being warranted.
- ▶ **Transparency:** Implementation of the scheme requires transparency in processes and approach. Each council will be provided with the information and calculations upon which the advice relating to it has been based.

Underpinning the scheme is the concept that councils should be operated on a long-term financially sustainable basis, for the benefit of ratepayers. The nationally-agreed definition of financial sustainability for the local government sector is:

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The Commission has considered that concept in the context of three elements:

- ▶ **Program stability:** This relates to the provision of reliable quality services over time, and requires a stable and consistent set of actions, from the perspective of day-to-day operational practices and infrastructure management.
- ▶ **Rate stability:** This relates to charging ratepayers reasonably to fund the services, underpinned by the program of works noted previously (program stability). Rates should be stable, noting that stable does not mean a fixed value. It relates to rates not exhibiting large or unplanned year-on-year variances.
- ▶ **Intergenerational equity:** This relates to fairly sharing services and the associated cost between current and future ratepayers. It requires adopting sound long-term financial management principles, particularly in relation to the balance between debt and cash in financing service delivery.

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In this overall context, to provide effective advice under the scheme in an efficient manner, the Commission will draw on existing practices, procedures and protocols. In particular, it will have regard to three financial indicators specified in the *Local Government (Financial Management) Regulations 2011*: the operating surplus ratio, the net financial liabilities ratio and the asset renewal funding ratio. Since 2011, each council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements.

The Commission considers that these can be used as the basis for the overarching analytical framework for the first cycle of the scheme. The three existing financial indicators have been developed by the sector and should already be applied in practice. They encapsulate financial and service sustainability, cost control and affordability in a way which can be measured consistently on both a forward and backward-looking basis, given their connection with the model accounting framework adopted. This provides a picture of how a council proposes to manage its ongoing financial and service sustainability, in the context of its past decisions, and the role that general rates, affordability and cost control will play.

Future operations should be underpinned by robust, transparent long-term plans that are consistent with each other, and focus on financial sustainability, cost control and affordability. If these are implemented and appropriately monitored, then a council will likely exhibit strong future performance with respect to all three financial indicators – benefiting ratepayers. In contrast, the further a council deviates from these practices, the less likely those outcomes and the greater the risk to long-term financial and service sustainability and to ratepayers.

This draft Framework and Approach explains how the Commission proposes to analyse and provide advice on these matters, including details of timing, methodology, information and evidence requirements and scheme administration costs.

The Commission is consulting on the matters set out in this draft Framework and Approach from 31 March 2022 to 27 May 2022 and encourages any interested stakeholder to provide a submission. (Details on how to make a submission can be found on the inside cover of this document.) Throughout the consultation period, Commission staff are available to discuss the proposals in this consultation document.

1 Background

The South Australian local government sector comprises 68 councils. They are highly diverse in terms of geographic area, demographics, relative wealth and income and service portfolios provided. They also face differing local issues, which each council needs to address in a manner appropriate to the circumstances which best protects its ratepayers' long-term interests.

Based on resident population, the largest council in the state serves a community of 174,000 residents,¹ while the smallest council serves a community of only 844 residents. Likewise, based on employee numbers, while the largest council employs 743 full-time equivalent staff (FTE), the smallest council employs only 14 FTE. Finally, based on geography, the largest council serves an area of 886,000 hectares, while the smallest serves just 357 hectares.

Collectively, councils manage assets valued in excess of \$26bn, with total combined annual income in excess of \$2.4bn.

While councils' circumstances vary, they all, to a greater or lesser degree, obtain income through general rates, service charges and grants. General rates are the largest share, accounting for approximately 74% of total income in 2019-20.

Historically, overall long-term growth in general rates has exceeded that of the Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) by a considerable margin. Over the twelve-year period from 2007-08 to 2019-20, general rates revenue increased by 88%,² while CPI over the same period rose by 30%.

1.1 Scheme purpose

While there can be legitimate reasons for such increases, they have given rise to greater attention on local government sector business practices and operations, at both ratepayer and State government level. In particular, the State government has focused on the need to create greater transparency regarding the future direction of general rates for each council, the reasons for any future increases, why these cannot be mitigated through productivity gains (providing the same service portfolio for less cost) and whether there are better ways of financing a council's infrastructure stock/service delivery mechanisms.

The State government has formed the view that, rather than councils self-monitoring, there is benefit in an independent body monitoring and providing advice to councils on those matters. The overarching legal framework outlining how this will be undertaken is outlined within the *Statutes Amendment (Local Government Review) Act 2021*, which amends the *Local Government Act 1999*, with the local government rates oversight provisions commencing from 30 April 2022.

The second reading speech for the Amendment Act states that the intention behind the scheme is to give ratepayers greater confidence that the rates they pay are those necessary for their councils to provide the services they value. The scheme therefore aims to improve the quality of information and advice provided to councils, their administrations, and communities and has two key purposes.

¹ All statistics in this section are as at 2019-20, and are sourced from:
https://www.agd.sa.gov.au/sites/default/files/local_government_finances_-_financial_performance_and_position_2018-19.pdf

² Derived from LGGC data.

The first is to support councils to make decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFP**) and infrastructure and asset management plans (**IAMP**) – both arising under their Strategic Management Plans (**SMP**). These plans are critical documents, as they lay out how councils are proposing to manage their financial position and performance over the longer term.

The second reading speech and the legislative framework note that these plans should always be the foundation of decisions made by councils on their proposed revenue and expenditure each year. The legislative framework notes that material variations from a LTFP should be appropriate. The impact of variations on a council's financial position and performance should be managed appropriately, with variations implemented in a way that addresses the impact they may have on ratepayers.

The second purpose is to ensure that the decisions councils make on financial contributions made by ratepayers to the provision of services and infrastructure (mainly through general rates) is appropriate within the context of those long-term plans. Councils may be in a financial position where they could reasonably use reserves, or other sensible financing means, rather than imposing rate increases. The second reading speech also notes there is a reasonable expectation that councils will seek to ensure value for money for their ratepayers through finding efficiencies, rather than ratepayers continually paying for increased costs through increased rates.

1.2 Purpose and structure of consultation paper

This draft Framework and Approach outlines the Essential Services Commission's (**Commission**) proposed approach to implementing the rates oversight scheme (**the scheme**) which will come into effect on 30 April 2022 under the *Local Government Act 1999* (as amended by the *Statutes Amendment (Local Government Review) Act 2021* – see relevant extracts in Appendix 1). This document comprises the subsequent chapters:

► Chapter 2: The legal framework for the scheme

This chapter discusses the legal framework within which the scheme will operate and the Commission's understanding of that framework.

► Chapter 3: Implementing the scheme in practice

This chapter discusses how a council goes through the first cycle of the scheme and how the outcome of this relates to the subsequent cycle.

► Chapter 4: Provision and publication of advice

This chapter discusses the Commission's proposed approach to developing the advice required as part of the scheme, and how this aligns with the legislative framework and the underlying principles used to develop it.

► Chapter 5: Guidelines and information provision

This chapter discusses the Commission's approach to guidelines, in the context of council information considered necessary by the Commission to implement the scheme.

► Chapter 6: Developing and publishing the schedule

The schedule defines when each council will go through the scheme within the first four-year cycle. This chapter discusses the Commission's proposed approach to developing and publishing the schedule.

► Chapter 7: Cost recovery

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The legislation provides for the authority implementing and operating the scheme to recover the Commission's costs. This chapter discusses the Commission's proposed approach to cost recovery.

► **Chapter 8: Next steps**

This chapter discusses the subsequent process towards implementing the scheme after the release of this draft Framework and Approach.

1.3 Consultation period

The Commission is consulting on the matters set out in this draft Framework and Approach from 31 March 2022 to 27 May 2022 and encourages any interested stakeholder to provide a submission (Details on how to make a submission can be found on the inside cover of this document.) Throughout the consultation period, Commission staff are available to discuss the proposals in this consultation document.

2 The legal framework for the rates oversight scheme

2.1 Legislative requirements and Strategic Management Plans

The *Local Government Act 1999* currently provides for a cycle of planning, aimed at embedding financial sustainability into a council's planning processes. It requires that a council must ensure the sustainability of its long-term financial performance and position.³

Councils are also required to have an SMP; specifically, a LTFP and IAMP, both covering a period of at least ten years.⁴

The Act requires that LTFPs be reviewed on an annual basis.⁵ As part of that review, a council's Chief Executive Officer must prepare a report on the council's financial sustainability.⁶ IAMPs need to be updated within two years after each general election of the council.⁷ The council's Audit Committee must provide input to any review of SMPs.

2.2 Summary of the legal framework allowing for the scheme

The legal framework for the scheme, which builds on the existing SMP requirements, covers:

- ▶ the authority that will administer the scheme
- ▶ how that authority will recover its costs of administering the scheme
- ▶ the general mechanics of the scheme and its scope
- ▶ publishing of information, and
- ▶ information gathering powers.

2.2.1 The authority administering the scheme

The *designated authority* administers the scheme. In the absence of a specific person or body being identified, this defaults to the Commission. As matters currently stand, the Commission will undertake this role.

2.2.2 Recovering the costs of administering the scheme

The costs of administering the scheme are to be recovered from each council, as a debt due from the council to the Commission. That is, the Commission will have to invoice each council a proportion of the cost incurred in developing and, thereafter, administering the scheme, unless other billing arrangements are put in place.

2.2.3 General mechanics and scope of the scheme

The implementation of the scheme is split into *prescribed periods*. A prescribed period cannot be less than three financial years (but can be more). The prescribed period has been set (under regulation) at four years for at least the first cycle of the scheme.

³ Section 8.

⁴ Section 122 (1a)

⁵ Section 122 (4)(a)

⁶ Section 122 (4a)(a)

⁷ Section 122 (4)(b)

The Commission determines a schedule across the prescribed period, whereby different councils provide information and receive advice in different financial years, on a rotational basis. Through this, the implementation of the scheme can be staggered across the 68 councils based on the schedule determined. The Commission understands that the schedule can be re-set at (but not before) its conclusion, such that the initial schedule may be different to subsequent schedules.

The financial year within the prescribed period for which the council is to provide information relating to its LTFP and IAMP is that council's **Relevant Financial Year**. On or before 30 September of the Relevant Financial Year, the council must provide all relevant information to the Commission on the **Relevant Matters**. This is to be done in accordance with any guidelines determined by the Commission (noting that the making and issuing of guidelines is discretionary). The Relevant Matters are:

- ▶ material amendments made or proposed to be made to the council's LTFP and IAMP, and the council's reasons for those amendments
- ▶ revenue sources outlined in the LTFP, and
- ▶ any other matter prescribed by the regulations.

Within the Relevant Financial Year for a council, the Commission must, on or by the 28 February of the Relevant Financial Year:

- ▶ provide advice to the council on the appropriateness of the Relevant Matters, in the context of council's long-term LTFP and IAMP, and
- ▶ if considered appropriate by the Commission and having regard to the circumstances of a particular council, provide advice in relation to any other aspects of the council's LTFP and IAMP.

In providing the advice, the Commission must have regard to:

- ▶ the need for councils to maintain and implement LTFPs and IAMPs on an ongoing basis, and
- ▶ ensuring that the financial contributions proposed to be made by ratepayers, under the council's LTFP and IAMP, are appropriate and any material amendments, made or proposed to be made to these plans, are appropriate.

Finally, the Commission may have regard to any information or matter it considers relevant, regardless of whether the information or matter falls within the ambit of the Relevant Matters.

2.2.4 Publishing information

The following information must be published:

- ▶ A council must continue to publish the advice provided by the Commission and any response it has to that advice, in both its draft and adopted annual business plans, until the next Relevant Financial Year for that council.
- ▶ The Commission must publish the advice provided to each council, the schedule identifying the relevant financial year for each council and any guidelines that it decides to make.

2.2.5 Information gathering powers

When acting as the designated authority, the Commission may, by written notice, require a council to give it, within a time frame and in a manner stated in the notice (which must be reasonable), information the council possesses that the Commission reasonably requires to perform its functions under the scheme.

2.3 Commission's interpretation of the legal framework

2.3.1 Overarching intent of the legal framework

The legal framework giving effect to the scheme relates to monitoring and the provision of advice, not economic regulation. It does not provide to the Commission any powers to enforce compliance measures, set service standards or regulate any council's rates. In this respect, it differs from other States' council rates regulation frameworks, such as those in Victoria and New South Wales.

The scheme is relatively general and provides the Commission with considerable scope in relation to scheme design and implementation, as well as the advice which is to be provided to each council.

How a council responds to advice provided by the Commission is a matter for that council. So, the scheme can be thought of in part as a mechanism to transparently ascertain what a council's response to advice provided by an independent body is over time.

Consultation question

2.1 Do stakeholders agree with this interpretation of the legal framework?

► If not, why not?

2.3.2 The scope and context of the advice

The advice must provide the Commission's assessment of the Relevant Matters:

- Advice relating to any material amendments made or proposed by the council to its LTFP and IAMP, and the council's reasoning for these amendments. In developing its advice, the Commission must have regard to the appropriateness of any material amendments.
- Advice regarding the revenue sources proposed within the LTFP. This is independent of whether any material amendments have been proposed by the council. In doing so, the Commission must have regard to ensuring that the financial contributions proposed to be made by ratepayers, under the council's LTFP and IAMP, are appropriate.
- Advice on any other matter prescribed by the regulations, of which there are none at present.

Further, if it chooses to, the Commission can also provide advice on any other aspects of the council's LTFP and IAMP.

In providing any advice, the Commission must have regard to the council maintaining and implementing LTFPs and IAMPs on an ongoing basis. That is, the advice should not, if followed, have the effect of preventing the council maintaining or implementing appropriate LTFPs and IAMPs.

The Commission's advice with respect to the Relevant Matters is to be formed within the context of the council's LTFP and IAMP; any advice on any other aspect of the council's LTFP and IAMP, outside of the Relevant Matters, must have regard to the circumstances of the council. This means that what might constitute a material amendment is to be considered as specific to each council, rather than through a generic approach.

Overall, the allowable scope and the information used to inform the Commission's advice is broad, with the existing statutory requirement for councils to maintain and implement LTFPs and IAMPs central to the advisory process. As the underlying objective of LTFPs and IAMPs is to assist in ensuring a council's long-term financial and service sustainability - benefiting ratepayers - this suggests the key questions underpinning any advice are:

- ▶ Whether a council's LTFP and IAMP are robust, consistent with each other and successfully implemented, with actual performance relative to plans monitored?
- ▶ Do the LTFP and IAMP, and the implementation of those plans, ensure the sustainability of the council's long-term financial performance and position?
- ▶ 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?

In relation to the issue of risk profile, the Commission considers the following factors particularly relevant:

- ▶ the cost control measures within the LTFP and IAMP
- ▶ the affordability of the LTFP and IAMP, given the demographics of a council's ratepayers, and
- ▶ the credibility of the LTFP and IAMP from a practical implementation perspective.

Finally, the Commission does not intend that the advice will, in the first cycle of the scheme, be based on inter-council comparisons, or that it should be used for that purpose. The advice is intended to provide greater transparency and understandability to ratepayers within a particular council area. While comparisons may be helpful as the scheme matures, and to do so is within the scope of advice under the terms of the scheme, the Commission's priority for the first cycle of the scheme is to consider a council's own future plans in the context of that council's own performance over time.

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?

3 Implementing the legislation in practice

3.1 Cycle one: Step one – Defining the Schedule

The scheme is cyclical. Its first cycle is defined by the first year the Commission is required to provide advice, the Prescribed Period, and the Schedule adopted.

The Prescribed Period is set at four years (under regulation), commencing in 2022-23; the Schedule (which is to be published by the Commission) relates to which of the 68 councils will go through the scheme in each year of the Prescribed Period.

If, hypothetically, councils are allocated in equal number across years, then 17 councils will be taken through the scheme each year. The Relevant Financial Years for the first cycle are, therefore, 2022-23, 2023-24, 2024-25 and 2025-26. The Schedule for this first cycle of the scheme is considered in more detail in Chapter 6.

3.2 Cycle one: Step two - Information provision, timing, and guidelines

If a particular council is in the first tranche of councils that go through the scheme, as defined by the Schedule, then that council's Relevant Financial Year is 2022-23. That is the year the council provides information relating to its LTFP and IAMP.

The Commission can make guidelines that outline the type of information required to be provided by councils, and the form and structure of that information. Guidelines can also define the timing of the provision of the information. Information provision, timing and guidelines is considered further in Chapter 5.

3.3 Cycle one: Step three - Provision and publication of advice

For those councils in the first cycle (Relevant Financial Year 2022-23), the Commission must provide advice to the council by no later than 28 February 2023. A council must publish that advice and any response to it, in both its draft and adopted annual business plans, until the next Relevant Financial Year for that council (that is, at the commencement of the next four-year cycle for that council – see section 3.4 below). The Commission also publishes the advice it has provided - but not the council's response to it. The analytical framework the Commission proposes to adopt to develop its advice is detailed in Chapter 4.

3.4 Cycle two: Steps one-to-three

If, for the second cycle, the Prescribed Period continues to be four years, a council which had a Relevant Financial Year of 2022-23 in the first cycle, is likely to have a Relevant Financial Year of 2026-27 for the second cycle (noting that the rotation of councils can be changed in the second Prescribed Period, if it becomes clear that there is a net benefit in doing so).

The three steps outlined for the first cycle would be repeated but with an updated LTFP and potentially an updated IAMP. In addition, the Commission will assess and comment on the extent to which the advice provided in the first cycle was adopted by the council, the council's reasoning for its approach to adopting or not adopting the advice, as well as the council's actual performance, relative to LTFPs and IAMPs as they were at the time of the first cycle assessment.

Through this process, a transparent, evidence-based picture of both a council's response to the advice provided and its actual performance relative to its plans at that time can be developed; however, that picture will only start to emerge during (and following) the second cycle. This is because the first cycle sets a **baseline** to assess a council's actual response to the advice and its actual performance relative to that which it had planned to put in place.

4 Provision and publication of advice

4.1 Introduction

The legal framework does not prescribe how the Commission should go about developing its advice. This chapter discusses the analytical framework the Commission proposes to use – consistently across all councils - to do so. The questions it addresses are:

- ▶ What principles should underpin the analytical framework?
- ▶ What overarching analytical framework should be used?
- ▶ How should this be applied?
- ▶ What should the advice cover and what should be published?
- ▶ How does the proposed approach align with the legislative framework and principles?

4.2 The principles underpinning the analytical framework

The Commission proposes that the analytical framework should have regard to the following principles:

Table 1: Principles underpinning the analytical framework

Principle	Reason
Principle 1: Monitoring, not regulating	The scheme relates to monitoring, not economic regulation. As such, the design focuses on providing evidence-based and useful advice. The objective being, through time, to develop a record of a council's performance, relative to its long-term planning, and its response to advice, as the basis for changing behaviours and outcomes over time. The scheme does not provide the Commission with powers to enforce compliance measures, set service standards or regulate any council's rates. In those respects, it differs from other States' council rates regulation frameworks, such as those in Victoria and New South Wales.
Principle 2: Long-term planning focus	While councils can provide a diverse range of services, they are generally delivered through infrastructure and operations that require long-term planning. As such, in the absence of significant shocks outside of a council's control, its long-term plans would not be expected to exhibit significant variation through time (replacement/renewal expenditure should not materially vary due to political cycles, or short-term transient operational or financial concerns).
Principle 3: Materiality	Focus will be given to key overarching targets and measures. Otherwise, the underlying analysis may become unduly complex/disaggregated, with key observations diluted through unnecessary detail.
Principle 4: Simplicity	The scheme will be as simple as it practically can be and be capable of being applied across the diverse range of councils within South Australia.

Principle	Reason
Principle 5: Leveraging existing information and evidence	The Local Government Association (LGA) collects data and provides guidance material regarding financial and service sustainability. As such, a significant amount of underlying information and a standard accounting framework exists - this will underpin the analytical framework. ⁸ In accordance with the legislative framework ⁹ , if demonstrable gaps in information become apparent that are of relevance to the operation of the scheme, it may be necessary to collect further information in relation to this.
Principle 6: Consistency of application	The scheme will be applied consistently across councils in terms of the underlying processes and analytical framework. Advice across councils will only be similar if all the inputs into the analytical framework (both quantitative and qualitative) result in similar advice being warranted.
Principle 7: Transparency	The implementation of the scheme requires transparency in processes and approach. Each council will be provided with the information and calculations upon which the advice relating to it has been based.

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?

4.3 Overarching analytical framework

Methodological Proposal 1

The Commission proposes that the analytical framework of the scheme be based upon:

- ▶ The definition of financial sustainability as explained in section 4.3.1.
- ▶ The financial indicators and targets described in section 4.3.2, comprising:
Operating surplus ratio, net financial liabilities ratio and the asset renewal funding ratio.
- ▶ The use of the model financial accounting framework described in section 4.3.3.

Supported by an understanding of a council's:

- ▶ business planning process for its LTFP and IAMP, and
- ▶ implementation of its LTFP and IAMP.

⁸ The Commission's understanding is that no specific requirements have been set out by either the South Australian Local Government Grants Commission (LGGC) or the Local Government Finance Authority (LGFA).

⁹ The legislative framework (Appendix 1) provides the Commission with broad ranging information gathering powers. It also allows for the information required in SMPs to be amended by regulation.

4.3.1 The meaning of financial sustainability

The LGA has undertaken considerable work to assist councils in meeting their financial sustainability obligations under the *Local Government Act (1999)*. To complement councils' obligations regarding SMPs, the LGA provides a series of information papers, covering aspects of financial sustainability and financial governance in local government.¹⁰ These papers were originally published between 2006 and 2011. There is no prescribed cycle for updating these papers. Any updating is undertaken by the LGA when it considers it relevant to do so.

Of relevance to the analytical framework is the definition of financial sustainability, along with the associated overarching financial indicators used to gauge performance relative to that concept. As set out by the LGA in its papers, the nationally-agreed definition of financial sustainability for the local government sector is:

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

This can be considered in the context of the following three elements:

Table 2: Elements of financial sustainability

Element	Description
Program stability	This relates to the provision of reliable quality services over time, and requires a stable and consistent set of actions, from the perspective of day-to-day operational practices and infrastructure management.
Rate stability	This relates to charging rate payers reasonably to fund the services, underpinned by the program of works noted previously (program stability). Rates should be stable, noting that stable does not mean a fixed value. It relates to rates not exhibiting large or unplanned year-on-year variances.
Intergenerational equity	This relates to fairly sharing services and the associated cost between current and future ratepayers. It requires adopting sound long-term financial management principles, particularly in relation to the balance between debt and cash in financing service delivery.

In addition, the Commission notes that the financial sustainability of any given council should take account of cost control and affordability. This is because any council will find it challenging to develop a credible long-term financial and service sustainability strategy if the costs associated with the services it delivers, given the infrastructure used to deliver them, do not reflect the financial capacity of its ratepayers.

4.3.2 The role of financial indicators in assessing financial sustainability

The LGA considers performance, relative to this definition of financial sustainability, can be encapsulated in the following financial indicators, which are specified in the *Local Government (Financial Management) Regulations 2011*.

¹⁰ There are 21 current information papers on the LGA website, accessible to members.

Table 3: Overarching financial indicators specified by the LGA

Financial Indicator	Description
Operating surplus ratio	<p>Explanation:</p> <p>The operating surplus ratio relates to a council's financial performance.</p> <p>Definition:</p> <p>The <i>Operating Surplus (Deficit)</i> is defined as:</p> $\begin{array}{r} \text{Total Operating Income}^{11} \\ \text{less} \\ \text{Total Operating Expenses}^{12} \end{array}$ <p>The <i>Operating Surplus Ratio</i> is defined as:</p> $\text{Operating Surplus (Deficit)} \div \text{Total Operating Income}$ <p>Application:</p> <p>Applied historically in the context of audited financial statements, and to forward-looking LTFPs.</p> <p>Target:¹³</p> <p>The LGA considers that, on average, over time, an operating surplus ratio of between zero and ten percent is appropriate.</p> <p>Interpretation:</p> <p>A positive ratio indicates the percentage of operating income available to help fund proposed capital expenditure, or to reduce debt (if this represents an appropriate long-term strategy).</p>

¹¹ Total Operating Income comprises: Rates; Statutory Charges; User Charges; Grants, subsidies and contributions; Investment income; Reimbursements; Other income; Net gain – equity accounted Council businesses.

¹² Total Operating Expenses comprises: Employee costs; Materials, contracts & other expenses; Depreciation, amortisation & impairment; Finance costs; Net loss – equity accounted Council businesses. An Operating Surplus Ratio of zero would, therefore, cover all of these costs.

¹³ While section 5(1)(c) of the Local Government (Financial Management) Regulations 2011 allows councils to set their own target ranges for each of the key financial indicators, the Commission has adopted the LGA target ranges as a basis for its analysis. These were established/agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

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Financial Indicator	Description
Net financial liabilities ratio	<p>Explanation:</p> <p>The net financial liabilities ratio relates to a council's financial position.</p> <p>Definition:</p> <p><i>Net Financial Liabilities</i> are defined as:</p> $ \begin{aligned} & \text{Total Liabilities (excl liabilities for equity accounted investments in Council} \\ & \quad \text{businesses)} \\ & \quad \text{less} \\ & \quad \text{Current Assets (Cash and Cash Equivalents)} \\ & \quad \text{less} \\ & \quad \text{Current Assets (Trade and Other Receivables)} \\ & \quad \text{less} \\ & \quad \text{Current Assets (Other Financial Assets)} \\ & \quad \text{less} \\ & \quad \text{Non-Current Assets (Financial Assets)} \end{aligned} $ <p>The net financial liabilities ratio is:</p> $\text{Net financial liabilities} \div \text{Total Operating Income}$ <p>Application:</p> <p>Applied historically in the context of audited financial statements, and to forward-looking LTFPs.</p> <p>Target</p> <p>The LGA considers a ratio of between zero and 100%, but possibly higher in some circumstances, is appropriate.</p> <p>Also, councils that provide Community Wastewater Management Services (CWMS) are likely to need to have a higher level of net financial liabilities.¹⁴</p> <p>Interpretation:</p> <p>A reducing ratio over time indicates that a council's capacity to meet its financial obligations from operating income is increasing, but this can be at the expense of intergenerational equity.</p>

¹⁴ Paper 9, p.8.

Financial Indicator	Description
Asset renewal funding ratio ¹⁵	<p>Explanation:</p> <p>The asset renewal funding ratio relates to a council's asset management performance.</p> <p>Definition:</p> <p>Since 2013, the asset renewal funding ratio has been defined as:</p> $\text{Asset Renewal Funding Ratio} = \frac{\text{Asset Renewal Expenditure} \div \text{IAMP Renewal Expenditure}}{\text{IAMP Renewal Expenditure}}$ <p>Where <i>IAMP Renewal Expenditure</i> is that required according to the IAMP.</p> <p>Prior to 2013, the asset renewal funding ratio (then known as the asset sustainability ratio), was defined as:</p> $\text{Asset Sustainability Ratio} = \frac{\text{Net Asset Renewal Expenditure} \div \text{Depreciation}}{\text{Depreciation}}$ <p>Where:</p> $\text{Net Asset Renewal Expenditure} = \text{Expenditure on Renewal/Replacement of Assets} - \text{Sale of Replaced Assets}$ <p>Application:</p> <p>Applied historically in the context of audited financial statements and relevant IAMP, and to forward-looking LTFPs and the current IAMP.</p> <p>Target:</p> <p>The LGA considers a ratio greater than 90% but less than 110% appropriate.</p> <p>Interpretation:</p> <p>A ratio in line with the target indicates that existing assets are being renewed and replaced in line with a council's IAMP. A ratio outside of these bounds conveys the converse.</p>

Since 2011, each Council has been required to refer to these three indicators in its LTFP, annual budget, mid-year budget review and annual financial statements.¹⁶ The LGA publishes an annual Financial Indicators Report, providing latest and historical values, as well as comparisons of the three indicators for the local government sector as a whole.¹⁷

¹⁵ While the definition of this ratio changed in 2013, it continued to be known as the asset sustainability ratio until 2018.

¹⁶ Local Government (Financial Management) Regulations 2011

¹⁷ See Paper 9, p.4, FN8.

4.3.3 Measuring the financial indicators in a consistent manner

The measurement of these financial indicators is specific to the local government sector and is supported by councils having adopted a model financial accounting framework since 2007-08. That framework defines the:

- ▶ component parts of the statement of comprehensive income, statement of financial position, and statement of cash flows
- ▶ definitions of those component parts, and
- ▶ requirements of the supporting notes to the statements.

This has been put in place to facilitate the financial statements across South Australian councils being prepared in a consistent manner, from both a definitional and detail perspective, such that the calculation of the financial indicators can be tracked through the three principal financial statements mentioned above. This applies to both historical information and to each council's forward-looking LTFP.¹⁸ This allows a council's forward-looking projections to be linked to its historical performance. It can also assist in comparisons across councils, to the extent that such comparisons might provide useful insights.

4.3.4 Applicability to the analytical framework

These tools can be used as the basis for the overarching analytical framework for the first cycle of the scheme. The three existing financial indicators have been developed by the sector (and should be applied already) and encapsulate each council's approach to its LTFP and IAMP – and hence to financial and service sustainability, cost control and affordability.

Further, they can be measured consistently on both a forward and backward-looking basis, given their connection with the model accounting framework adopted. In doing so, they can capture a council's actual practical business operations historically and its expected business operations in the future. This provides a picture of how a council seeks to manage its ongoing financial and service sustainability, in the context of its past decisions, and the role that general rates, affordability and cost control will play.

If future business operations are underpinned by robust, transparent LTFPs and IAMPs that are consistent with each other, that focus on financial sustainability, cost control and affordability, and are implemented and appropriately monitored, a council will likely exhibit strong future performance with respect to all three financial indicators – benefiting ratepayers. In contrast, the further a council deviates from these practices, the less likely those outcomes and the greater the risk to long-term financial, service sustainability and ratepayers.

Consultation question

4.2 Do stakeholders consider this an appropriate analytical framework?

- ▶ If not, why not? How should it be changed and why?

¹⁸ The Commission notes that the Local Government (Financial Management) Regulations 2011 section 5(1) specifies that the LTFP must include a summary of proposed operating and capital investment activities (section 5(1)(b)) and estimates and target ranges for all three key financial indicators (section 5(1)(c)). To prepare these forecasts, information must be drawn from all three principal financial statements - the statement of comprehensive income, statement of financial position, and statement of cash flows.

4.4 Applying the analytical framework

There are various factors that need to be considered in the context of applying the analytical framework outlined above:

- ▶ What role do historical trends, scale, and inflation play within the analytical framework?
- ▶ What are the key questions that the framework needs to address?
- ▶ How can the framework address these questions and what information is needed to do so?

4.4.1 The role of historical trends, scale, and inflation

Methodological Proposal 2

The Commission proposes that the analytical framework adopted should account for:

- ▶ Historical financial trends using the model financial statements from 2007-08.
- ▶ The number of rateable properties for each council.
- ▶ Inflation, using the ABS CPI.

4.4.1.1 The relevance of historical trends

The legislative framework requires the Commission to consider a council's current LTFP and IAMP - which are forward-looking. The Commission has discretion as to whether it places these plans in an historical context. As noted in section 4.3.4 above, historical context appears to the Commission to be critical in understanding the present position of any council and how it seeks to manage financial sustainability, cost control, affordability and general rates going forward. Given this, the Commission considers that, when developing its advice, it is necessary to place LTFPs and IAMPs in the context 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?

4.4.1.2 What historical information is needed from each council?

The Commission is proposing to collect historical data from 2007-08 onwards, largely based upon the audited model financial statements that were introduced at that time. Each council should have readily available access to these accounts (and they should have been made publicly available). These statements provide a complete understanding of the movements in each council's income, expenditure, asset stock, reserves and borrowings since their introduction. This allows the identification of any trends within the financial indicators and the underlying variables feeding into those ratios. For a four-year prescribed period, this would result in the following information being required.

Table 4: Collection of historical financial information by Relevant Financial Year

Relevant Financial Year	Fully audited information ¹⁹
2022-23	2007-08 to 2020-21
2023-24	2007-08 to 2021-22
2024-25	2007-08 to 2022-23
2025-26	2007-08 to 2023-24

In addition, the Commission is proposing to collect information on the number of rateable properties for each council since 2007-08. The Commission’s understanding is that councils require this information for billing purposes and provide it to the LGGC. This information will be used to assist in scaling various information sets.

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?

4.4.1.3 Accounting for scale

Various councils have and will continue to exhibit growth in the number of rateable properties within their geographic areas. Such growth can place services under pressure, for example, driving increased maintenance and renewal needs or new capital investment in infrastructure if additional service capacity is needed. Growth can also provide greater potential for economies of scale, as existing costs can be spread over a larger rate base. So, while overall costs may rise, the revenue needed on a rateable property basis might increase at a lower rate, or even decrease, if scale effects are realised.

Given this, the Commission considers that, to understand the implications of growth, it is appropriate to consider information on a per rateable property basis, as and when needed. This normalises for growth in a simple, understandable way, so providing a proxy to assess whether a council is achieving scale effects as the number of rateable properties changes.

Consultation question

4.5 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?

4.4.1.4 Accounting for inflation

The second reading speech for the scheme sets out a reasonable expectation that councils will seek to ensure value for money for their ratepayers through finding efficiencies, rather than ratepayers continually paying for increased costs through increased rates. This efficiency consideration is important, as councils are monopoly providers of services and have the theoretical capacity to pass

¹⁹ For a Relevant Financial Year of 2022-23, the Commission will assess actual financial information up to end 2020-21, and the relevant LTFPs that build on from there.

through to ratepayers inefficiently incurred costs. Ratepayers cannot substitute to another service supplier and are legally required to pay the rates and service charges set by a council.

It is therefore helpful, for the purposes of the scheme, to compare the growth rate in a council's operating income and operating expenditure data to an underlying measure of inflation that is most relevant to ratepayers.

Given the context and purpose set out in the second reading speech, the appropriate index to utilise for that task is the ABS Consumer Price Index (CPI).²⁰

The CPI is a general measure of price inflation for the household sector. It measures changes in the price of a fixed quantity of goods and services acquired by consumers in metropolitan private households. This group of consumers includes a wide variety of sub-groups such as wage and salary earners, the self-employed, self-funded retirees, age pensioners, and social welfare beneficiaries.²¹

Using the CPI in the context of the scheme will afford councils and ratepayers the opportunity to improve their understanding of the extent to which growth in a council's operating income and operating expenditure is in line with, greater, or less than general price growth within the economy. This is relevant to the Commission's statutory task of assessing councils' LTTPs and IAMPs, and the associated issues of cost control, affordability and general rates, for the following reasons:

- ▶ Subject to service levels being maintained, growth in a council's operating expenditure on a per rateable property basis relative to the CPI provides a proxy for the council's general performance in controlling its costs. If operating expenditure growth per rateable property is broadly in line with the CPI, the council is potentially performing in-line with the overall economy in terms of cost control. If it is significantly greater than the CPI, the council's performance might be worse than the overall economy, unless there is an evidence-based reason for this outcome. If significantly less than the CPI, the council's performance would appear better than the overall economy, unless this has been at the expense of service reductions.
- ▶ The ability of the ratepayers of a council area to consistently absorb growth in general rates per rateable property that is greater than the CPI is dependent on the income base of the ratepayers and the extent to which this increases relative to the CPI. If a council's ratepayers have a relatively low-income base that struggles to keep pace with the CPI, it is unlikely that the council will be able to sustain rates growth per rateable property that is persistently above the CPI over the longer term. The converse applies if a council's ratepayers have a relatively high-income base that generally rises at a rate above the CPI.

The Commission notes that there is a council-specific index used within the local government sector: the Local Government Price Index (LGPI), developed by councils in conjunction with the South Australian Centre for Economic Studies.²² The LGPI measures price movements faced by councils in respect of their purchases of goods and services. Although it may be considered a robust tool for that particular purpose, given the focus of the second reading speech, it is not as relevant for the purposes of this scheme.

²⁰ For actual inflation, it is proposed to use the ABS Australian CPI (weighted average of eight capital cities) index. For forecast inflation, it is proposed to use the RBA short- to medium-term forecast and, thereafter, the RBA long-term inflation target.

²¹ ABS, A Guide to the Consumer Price Index: 17th Series, 2017, accessed 8 December 2021, available at: <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6440.0Main%20Features22017?opendocument&tabname=Summary&prodno=6440.0&issue=2017&num=&view>

²² SACES, About the Local Government Price Index, available at: <https://www.adelaide.edu.au/saces/economy/lgpi/>

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?

4.4.2 The key questions to address

The Commission considers the following relevant to developing advice in the context of the legal framework:

- ▶ Whether a council's LTFP and IAMP are robust, consistent with each other and successfully implemented, with actual performance relative to plans monitored?
- ▶ Do the LTFP and IAMP, and the implementation of those plans, ensure the sustainability of the council's long-term financial performance and position?
- ▶ 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?

In relation to risk profile, the Commission considers the following factors relevant.

- ▶ 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.

This is because LTFPs and IAMPs that do not demonstrate robust cost control measures will not be affordable, are unlikely to be implementable and will likely carry greater risk than an LTFP and IAMP exhibiting the converse characteristics. To assess this, the Commission considers the following questions of relevance and proposes to apply these in its internal analysis when developing advice.

Table 5: Key questions for the Commission in implementing the framework

Area	Key questions
Operating Surplus Ratio	<p>To understand what is driving a council's operating surplus ratio and the extent to which this indicates potential concerns regarding affordability and cost control risk.</p> <p>Operating surplus ratio</p> <ul style="list-style-type: none"> ▶ <i>Question 1: How has the council's operating surplus ratio performed historically?</i> ▶ <i>Question 2: How is the council's operating surplus ratio projected to perform?</i> <p>Underlying variables: Total operating income and total operating expenses</p> <ul style="list-style-type: none"> ▶ <i>Question 3: What trends in total operating expenses and total operating income are contributing to this performance?</i> <p>Underlying variables: Total operating income</p> <ul style="list-style-type: none"> ▶ <i>Question 4: What are the trends in the sources of operating income?</i> ▶ <i>Question 5: What are the trends in operating income per rateable property?</i> ▶ <i>Question 6: How do the trends in operating income per property compare to CPI growth?</i> ▶ <i>Question 7: Is there any indication of affordability risk existing or emerging?</i> <p>Underlying variables: Total operating expenses</p> <ul style="list-style-type: none"> ▶ <i>Question 8: What are the trends across operating expenses categories?</i> ▶ <i>Question 9: What are the trends in operating expenses per rateable property?</i> ▶ <i>Question 10: How do the trends in operating expenses per property compare to CPI growth?</i> ▶ <i>Question 11: Is there any indication of cost control risk developing or emerging?</i>
Net financial liabilities ratio	<p>To understand what is driving a council's net financial liabilities ratio and the extent to which this indicates potential concerns regarding financial and service sustainability risk.</p> <p>Net financial liabilities ratio</p> <ul style="list-style-type: none"> ▶ <i>Question 12: How has the council's net financial liabilities ratio performed historically?</i> ▶ <i>Question 13: How is the council's net financial liabilities ratio projected to perform?</i> <p>Underlying variables: Net financial liabilities and total operating income</p> <ul style="list-style-type: none"> ▶ <i>Question 14: What trends in net financial liabilities and total operating income are contributing to this performance?</i> <p>Underlying variables: Net financial liabilities</p> <ul style="list-style-type: none"> ▶ <i>Question 15: What trends in total borrowings relative to total liabilities are contributing to this performance?</i> ▶ <i>Question 16: What trends in cash and cash equivalents are contributing to this performance?</i>

Area	Key questions
	<p>► Question 17: <i>Is there any indication of financial sustainability risk developing or emerging?</i></p> <p>The more detailed trends in total operating income are considered as part of the analysis of the operating surplus ratio.</p>
Asset renewal funding ratio	<p>To understand what is driving a council's asset renewal funding ratio. This relates to assessing the consistency of the LTFP and IAMP, and the extent to which these appropriately reflect actual asset condition. This has implications for financial and service sustainability, as well as affordability and cost control risk.</p> <p>Asset renewal funding ratio</p> <p>► Question 18: <i>How has the council's asset renewal funding ratio performed, and how is it projected to perform, based on the IAMP expenditure approach?</i></p> <p>► Question 19: <i>How has the council's asset renewal funding ratio performed, and how is it projected to perform, based on the depreciation approach?</i></p> <p>► Question 20: <i>To what extent do the two approaches result in an alignment of the asset renewal funding ratio calculated?</i></p> <p>Underlying variables: Asset renewal/replacement expenditure, IAMP renewal/replacement expenditure and depreciation</p> <p>► Question 21: <i>What trends in asset renewal/replacement expenditure and IAMP renewal/replacement expenditure are contributing to the performance of the asset renewal funding ratio, based on the IAMP expenditure approach?</i></p> <p>► Question 22: <i>What trends in asset renewal/replacement expenditure and depreciation are contributing to the performance of the asset renewal funding ratio, based on the depreciation approach?</i></p> <p>► Question 23: <i>How is any difference explained within the council's LTFP and IAMP?</i></p> <p>Underlying variables: Asset renewal/replacement expenditure</p> <p>► Question 24: <i>What are the trends contributing to the asset renewal expenditure?</i></p> <p>► Question 25: <i>What are the trends in renewal/replacement expenditure relative to new/enhancement expenditure?</i></p> <p>Underlying variables: IAMP renewal/replacement expenditure</p> <p>► Question 26: <i>To what extent does the IAMP renewal/replacement expenditure relate to an up-to-date assessment of actual asset condition?</i></p> <p>Underlying variables: Depreciation</p> <p>► Question 27: <i>What is contributing to the trend in depreciation?</i></p> <p>► Question 28: <i>Is IAMP renewal/replacement expenditure reasonable given the trend in depreciation and the response to Question 26?</i></p> <p>► Question 29: <i>Overall, based on the assessment of the asset renewal funding ratio, is there any indication of financial and service sustainability, cost control or affordability risk developing or emerging?</i></p>

The above questions 18 to 29 look at the asset renewal funding ratio using the two approaches (using either IAMP expenditure and depreciation as the denominator) that councils have used over time. The Commission considers it useful to consider both approaches in its analysis. It does not, however, endorse one approach over the other. Box 1 provides a summary of why the Commission uses both approaches in its analysis.

Box 1: Depreciation and IAMP replacement/renewals costs

The Commission notes that councils have moved from using depreciation as the denominator in the asset renewal funding ratio, to using the IAMP figure for replacement/renewal expenditure. The Commission is proposing to consider the asset renewal funding ratio using both approaches. This is because:

- ▶ Using both depreciation and the IAMP replacement/renewal expenditure approaches for the asset renewal funding ratio provides a way of comparing whether the asset lives assumed in each case are broadly consistent and, if not, why this is the case. A council operates in perpetuity, it does not face competition in providing its services and provides public goods, so there does not appear to be any immediate reason why implied asset lives with respect to depreciation and IAMP replacement/renewal expenditure should vary significantly.
- ▶ The IAMP figure for replacement/renewal expenditure need not be independently tested or audited. There is, therefore, the potential, at least in the short- and medium-term, for it to be set within a LTFP to meet the target range for the asset renewal funding ratio. Also, when there are budget and/or logistical constraints, there can be an incentive to defer renewal/replacement expenditure, while prioritising new capital projects. These factors may result in an IAMP that has no causal relationship to what is happening to asset condition 'on-the-ground', and so to the actual remaining useful asset lives. This may place medium- to long-term service delivery and long-term financial sustainability at risk which, in the Commission's view, is not aligned with council residents' interests.
- ▶ From an asset management perspective, the Commission considers that the replacement/renewal expenditure in an IAMP should be based on an asset condition assessment (that reflects the size of the council and need not be complex). This should be independent of the LTFP, the results of the two being combined only for the purposes of calculating the asset renewal funding ratio and, thereafter, assessing the implications of this.
- ▶ If, for a given value for the asset, depreciation is twice the level of IAMP replacement/renewal expenditure, this suggests that remaining useful asset lives, based on the IAMP, are around twice as long, as that implied by the depreciation schedule. This has implications for the level of general rates and charges that ratepayers face, intergenerational equity between generations of ratepayers, and the risks they face.
- ▶ In the above example, if the depreciation schedule more appropriately reflects the actual remaining asset lives, this suggests that the IAMP renewal/replacement figure is too low, placing longer-term service delivery and financial sustainability at risk. If such a risk materialises, it is borne by council residents, not the council. It manifests through deteriorating service delivery, and the likelihood of higher general rates and charges in the future, to restore infrastructure that has been allowed to deteriorate. The reasons given to why such an outcome could be in residents' interests would need to be understood and considered.
- ▶ Alternatively, if the IAMP renewal/replacement expenditure more appropriately reflects the actual remaining asset lives, this suggests that the depreciation schedule is higher than necessary. A council could consequently be collecting more in general rates and charges than is necessary, given the actual lives of the assets. This means that current residents are paying more than they need to cover renewal/replacement expenditure, relative to future residents.

which has implications for intergenerational equity. There is also the question of what the additional income is being used for, how this relates to affordability and cost control, both now and in the future, and whether this is in residents' interests.

The above relates to identifying systematic patterns through time. Renewal/replacement expenditure is likely to vary materially between years, while annual depreciation charges are much more constant. It is, therefore, important to look at medium- to long-term trends, and cumulative renewal/replacement expenditure relative to cumulative depreciation when considering these comparisons. The Commission's proposed analytical framework does this.

The questions in Table 5 apply to both the existing LTFP and IAMP and to any revised LTFP and IAMP for a council. They can be assessed with a combination of quantitative and qualitative information. Applying them identifies the extent to which a revised LTFP and IAMP has any material amendments and the implications of those, in terms of financial and service sustainability, cost control and affordability risk.

What constitutes a material amendment will be dependent upon the council being considered. There are 68 councils in South Australia and, as noted in Chapter 1, they are highly diverse in terms of geographic area, demographics, relative wealth and income and service portfolios provided. As such, the Commission does not consider it possible, or appropriate, to provide an empirical or rules-based approach to define what a material amendment means across all councils.

Instead, the Commission's proposed approach is to apply the above questions in respect of each council within the analytical framework it proposes to apply in preparing its advice, as outlined in the following section. This places the concept of a material amendment within the context of each council's historical and projected performance.

Consultation questions

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?

4.8 Do stakeholders consider the proposed approach to a material amendment appropriate?

- ▶ If not, why not? How should it be changed and why?

4.4.3 How the analytical framework can address the key questions and what information is required to do so

Methodological Proposal 3

The Commission's proposed analytical framework focuses upon assessing risk profiles and addressing the key questions in Table 5 by comparing:

- ▶ Historical trends to the existing SMP (comprising the LTFP and IAMP).
- ▶ Historical trends to any revised SMP (comprising any revised LTFP and IAMP).
- ▶ The existing LTFP and IAMP, to any revised LTFP and IAMP.

for the operating surplus ratio, net financial liabilities ratio, and the asset renewal funding ratio, and the underlying drivers thereof.

Quantitatively, this will cover trends starting from 2007-08, through to the final year of a council's LTFP, which is dependent upon a council's Relevant Financial Year.

The main quantitative information sources used are:

- ▶ Annual audited financial statements and annual forecasts of the financial statements.
- ▶ Actual annual rateable properties and the forecast number of rateable properties annually.
- ▶ Actual annual CPI and annual CPI forecasts.
- ▶ The Socio-Economic Indexes for Australia (SEIFA) Index of Economic Resources for each LGA, published by the ABS.
- ▶ The *Councils in Focus* database.

Qualitatively it will comprise information which should already be in existence:

- ▶ A council's LTFP document for the financial year preceding its Relevant Financial Year.
- ▶ A council's current IAMP, noting that, at a minimum, an IAMP is to be updated within two years after each general election of the council.²³
- ▶ CEO financial sustainability report for the financial year preceding the Relevant Financial Year.
- ▶ A council's Audit Committee reviews for the most recent signed-off LTFP and IAMP.
- ▶ Any existing LTFP and IAMP document for the Relevant Financial Year.
- ▶ How the council approaches measuring its performance relative to LTFPs and IAMPs.
- ▶ How a council assesses and accounts for its residents' ability to finance its plans.
- ▶ A council's consultation process regarding its LTFPs and IAMPs.
- ▶ Information from the LGFA on a council's ability to carry debt.²⁴

²³ Section 122(4)(b). The implication of this is that IAMPs may typically be reviewed every four years, with the maximum time between reviews being six years.

²⁴ The second reading speech noted that ESCOSA's advice to councils could be to use reserves, or other sensible financing means, instead of rate increases.

The Commission considers the most tractable way to describe how the analytical framework can be articulated to address the questions in Table 5 is by way of a hypothetical example (it should be noted that this is for illustrative purposes only).

4.4.4 Comparison of historical trends to the existing SMP

Fictional Council A's Relevant Financial Year is 2022-23. This means that, no later than 30 September 2022, it is to provide to the Commission with the information required relating to the Relevant Matters. The comparison of historical trends to the existing SMP would comprise the following quantitative information based on historical actuals, the 2021-22 LTFP and the current IAMP:

Table 6: Information requirements – existing SMP

Time period	Information available
Historical actuals 2007-08 to 2019-20	<ul style="list-style-type: none"> ▶ Annual audited financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the audited financial statements and the IAMP. ▶ The actual number of rateable properties. ▶ The SEIFA Index of Economic Resources for 2011 and 2016.²⁵
Historical estimates 2020-21	<ul style="list-style-type: none"> ▶ Annual financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the financial statements and the IAMP. ▶ An estimate of the number of rateable properties.
Forward forecasts 2021-22 to 2030-31	<ul style="list-style-type: none"> ▶ Annual financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the financial statements and the IAMP. ▶ Forecasts of the number of rateable properties.

In addition, Council A should have the following qualitative information available:

- ▶ Council A's actual 2021-22 LTFP and its current IAMP documents.
- ▶ Council A's CEO report on its financial sustainability for 2021-22.
- ▶ Council A's Audit Committee's input relating to the most recent reviews of the LTFP and IAMP.
- ▶ How Council A approaches measuring its performance relative to its LTFPs and IAMPs.
- ▶ How Council A assesses and accounts for its residents' ability to finance its plans.
- ▶ Council A's consultation process regarding its LTFP and IAMP.

In terms of external information sources, the Commission will also have access to:

- ▶ ABS actual CPI figures for 2007-08 to 2021-22.

²⁵ The SEIFA Index of Economic Resources summarises variables relating to the financial aspects of relative socio-economic advantage and disadvantage. Further information on the SEIFA Index is provided in Appendix 3.

- Forecasts of CPI from 2022-23 to 2030-31.
- Information from the *Councils in Focus* database for cross-checking historical information.
- Information from the LGFA regarding Council A's capacity to carry debt.

Based on this information, the analytical framework proposed can develop an evidence-based picture, using the financial indicators as a starting point, to consider the key questions and identify any potential risks.

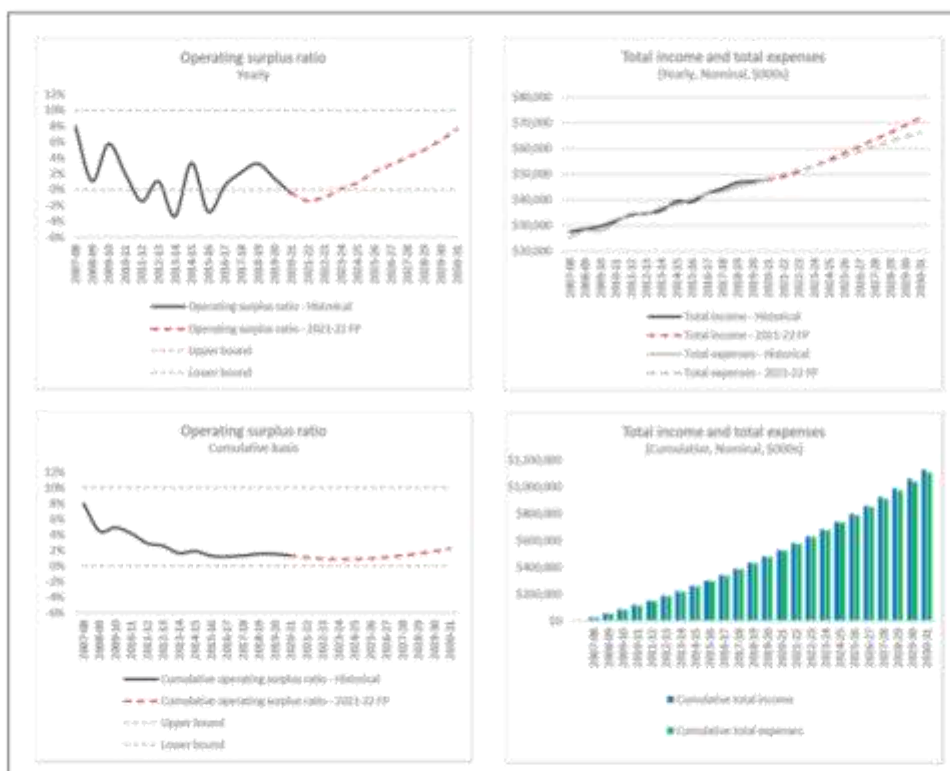
4.4.4.1 Council A's operating surplus ratio

The operating surplus ratio is defined as:

$$\text{Operating surplus/deficit} \div \text{Total operating income}$$

The information outlined in Table 6 and obtained for Council A would allow its operating surplus ratio to be considered over 2007-08 to 2030-31 on both a yearly and a cumulative basis. This allows trends in the operating surplus ratio projected over the 2021-22 LTFP to be compared to historical trends, in the context of the target bands defined by the LGA. This relates to consideration of questions 1 to 3 in Table 5.

Figure 1: Trends in Council A's operating surplus ratio



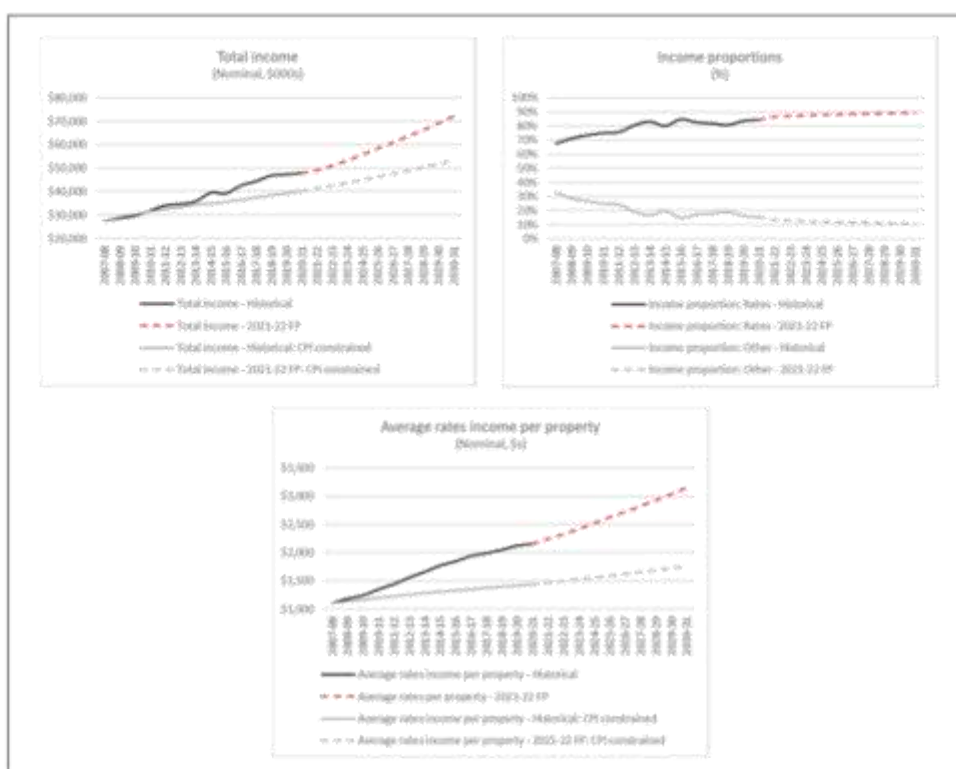
Council A projects its operating surplus ratio to increase over the period of the 2021-22 LTFP, relative to recent historical trends. Why this is so may be identified by assessing the trends in the component

parts of the ratio; that is, total operating income and total operating expenses. Both total operating expenses and total operating income are forecast to rise. As the rate of increase in total operating income exceeds that of total operating expenses, the operating surplus ratio increases. On a cumulative basis, the increase in the operating surplus ratio is more muted over the 2021-22 LTFP.

This leads to the need to gain an understanding of what lies behind the projected increases in total operating income and total operating expenses. In terms of operating income, this relates to questions 4 to 7 in Table 5.

In this example, it can be seen from Figure 2 below that Council A is becoming increasingly reliant upon rates as its main source of operating income. Historically, average rates per rateable property have risen by more than would have been the case if the increase matched CPI. This trend is forecast to become more acute over the 2021-22 LTFP. This is also mirrored in the trend in total operating income over the 2021-22 LTFP.

Figure 2: Trends in Council A's operating income



This might suggest the potential for affordability risk to increase over the 2021-22 LTFP, in the absence of evidence to the contrary. Such evidence might relate to the extent the following sources support (or otherwise) the proposition that the continuing rises in the 2021-22 LTFP are affordable for Council A's ratepayers.

- ▶ Council A's position on the SEIFA Index of Economic Resources. This measures Council A's position relative to other councils in South Australia. Based on ranking from the most to the least advantaged, it provides an independent proxy of the Council's ratepayers ability to consistently absorb above CPI increases. The higher Council A's ranking, the more socio-economically advantaged its ratepayers are from a financial basis, so the greater the likelihood its ratepayers can manage such increases.
- ▶ Information from Council A outlining how it assesses and accounts for its ratepayers' ability to finance its plans, and why it considers the increases proposed in the 2021-22 LTFP affordable for its ratepayers.
- ▶ Information from Council A regarding its approach to consulting its ratepayers on its LTFP and IAMP, and how the implications for rates and charges are communicated.

Based on this information and the empirical analysis, the Commission can make an assessment regarding the extent to which it considers affordability risk a concern that it should account for in its advice.

Regarding total operating expenses, this relates to questions 8 to 11 in Table 5. As seen in Figure 3 below, trends in total operating expenses exhibit similar properties to total operating income. The main difference being that the trend for operating expenses over the 2021-22 LTFP is more in-line with historical trends, when compared to those for operating income.

Figure 3: Trends in Council A's operating expenses



The three main factors driving operating expenses are the costs of employees, materials and contracts, and depreciation. All exhibit growth over the 2021-22 LTFP. In part, the increases in materials and contractors and in depreciation might be attributed to the increasing asset stock (considered further below in relation to the asset renewal funding ratio).

With operating expenses projected to continue to rise, understanding Councils A's approach to cost control is highly relevant. Information on that and how Council A measures its performance relative to its plans, can be obtained via Council A's 2021-22 LTFP and any other evidence it can or chooses to provide demonstrating the cost control performance measures that it has adopted and implemented.

Based on that information and its empirical analysis, the Commission can make an assessment regarding the extent to which it considers cost control risk a concern that it should address in its advice.

Overall, this analytical framework provides an evidence-based approach to drawing out the extent to which affordability and cost control risk may be a concern, in the context of the underlying analysis of what is driving the operating surplus ratio. If risks are identified, how these are being managed/mitigated is highly relevant to the advice provided by the Commission.

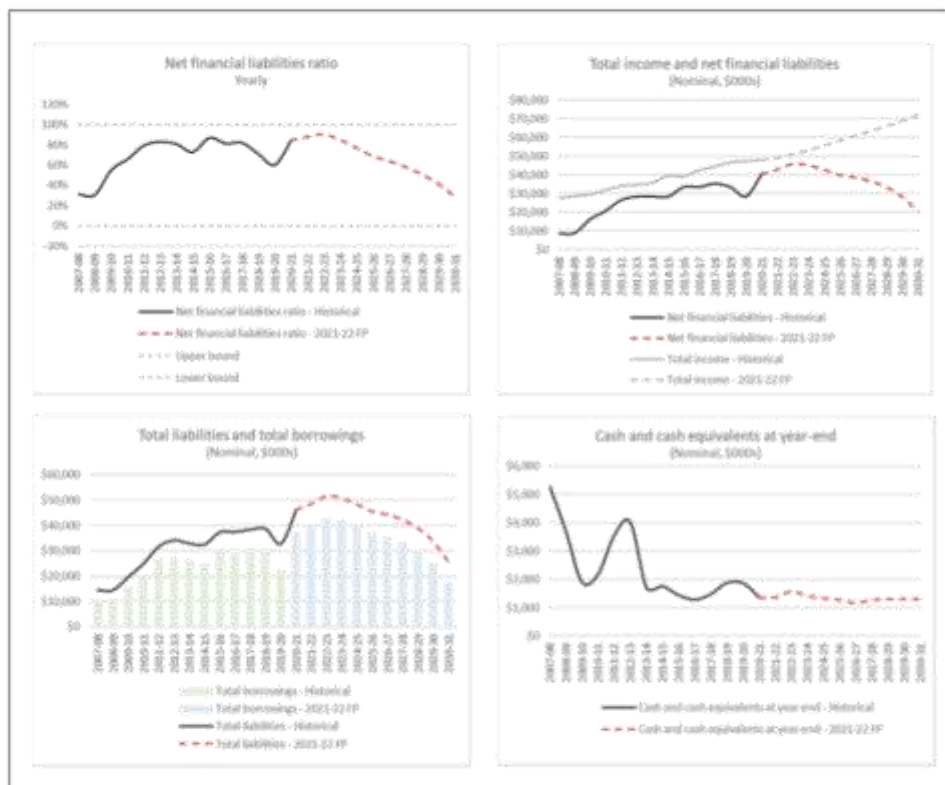
4.4.4.2 Net financial liabilities ratio

The net financial liabilities ratio is defined as:

$$\text{Net financial liabilities} \div \text{Total operating income}$$

This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. Figure 4 below applies a similar analytical framework to that adopted for the operating surplus ratio, but for the relevant variables and relevant LGA-defined lower and upper bound (see Table 3). It can be used to consider questions 12 to 17 from Table 5.

Figure 4: Trends in Council A's net financial liabilities ratio



Over Council A's 2021-22 LTFP, its net financial liabilities ratio is expected to decline significantly after rising in the period from 2007-08 to 2019-20. The decline in the ratio is driven by the complementary projections of increasing total operating income (see operating surplus ratio analysis) and reducing net financial liabilities. Net financial liabilities are expected to decline over the 2021-22 LTFP, largely because of lower borrowings. Council A's borrowings are expected to peak around 2022-23 and 2023-24 and then fall off steeply. This occurs as accumulated borrowings are paid back.

To pay back borrowings over the 2021-22 LTFP, Council A can either draw-down its cash and cash-equivalent reserves, use all or some of the operating surplus it is projecting to accrue or a combination thereof. As can be seen from Figure 4, Council A does not forecast drawing down existing reserves over the 2021-22 LTFP. So, in order to pay off debt at the speed projected, Council A would need to use some of the operating surplus it proposes to generate. In part, this assists in explaining the trends seen in the operating surplus ratio, where total operating income is projected to rise at a faster rate than total operating expenses.

The lower level of borrowing projected might appear to reduce Council A's financial sustainability risk; however, borrowing levels are being reduced rapidly and appear to be financed through use of surplus operating income projected over the 2021-22 LTFP. Noting the analysis of the operating surplus ratio (as explained above), it may be the case that the lowering of borrowings over the 2021-22 LTFP at the proposed pace results in greater potential for affordability risk, rather than mitigating or reducing overall risk. Furthermore, a question arises as to whether or not Council A might draw down its borrowings at a slower rate and be able to hold more debt.

The above observations are based solely on the empirical analysis of the interaction of the operating surplus ratio and the net financial liabilities ratio. Further information may be obtained from Council A's 2021-22 LTFP documentation, its CEO's financial sustainability report, the council's Audit Committee's input into the most recent LTFP and IAMP reviews and through discussions with Council A. In addition, the Commission may seek advice from the LGFA regarding Council A's capacity to carry debt.

Based on that information and the empirical analysis, the Commission can assess the implications for Councils A's financial sustainability risk, while accounting for its relationship with cost control and affordability risk. If risks are identified, how these are being managed/mitigated will be highly relevant to the Commission's advice.

4.4.4.3 Asset renewal funding ratio

Since 2013, the asset renewal funding ratio is defined as:

$$\text{Asset renewal/replacement expenditure} \div \text{IAMP renewal/replacement expenditure}$$

Prior to that time, the definition was:

$$\text{Net asset renewal/replacement expenditure}^{26} \div \text{Depreciation}$$

Unlike the previous two ratios, this ratio links directly to the IAMP of a council, through the asset renewal expenditure identified within the IAMP. This is an important link in ensuring the asset stock can provide ratepayers with services of an appropriate standard. Further, the credibility and robustness of the IAMP relates to a council having processes and procedures in place to have an 'on-the-ground' understanding of the condition of its asset stock that links directly to its IAMP, in terms of costs and outputs expected from renewal and replacement actions.

When considering this ratio, it is relevant and appropriate to have regard to the risks associated with postponing asset renewal/replacement expenditure. Postponement may potentially reduce the short- to medium-term renewal expenditure within the IAMP, which may lead to service sustainability problems and greater long-term costs. It is ratepayers that generally bear this risk if it arises, through deteriorating services in the short- to medium-term and in covering any associated additional costs through general rates and service charges in the longer term.

Given this, the Commission considers that the analysis of the asset renewal funding ratio should encompass additional matters as explained below, alongside analysis based on the current definition of the asset renewal funding ratio. This is because it assists in developing an understanding of a council's long-term financial sustainability risk profile and how this is being managed/mitigated.

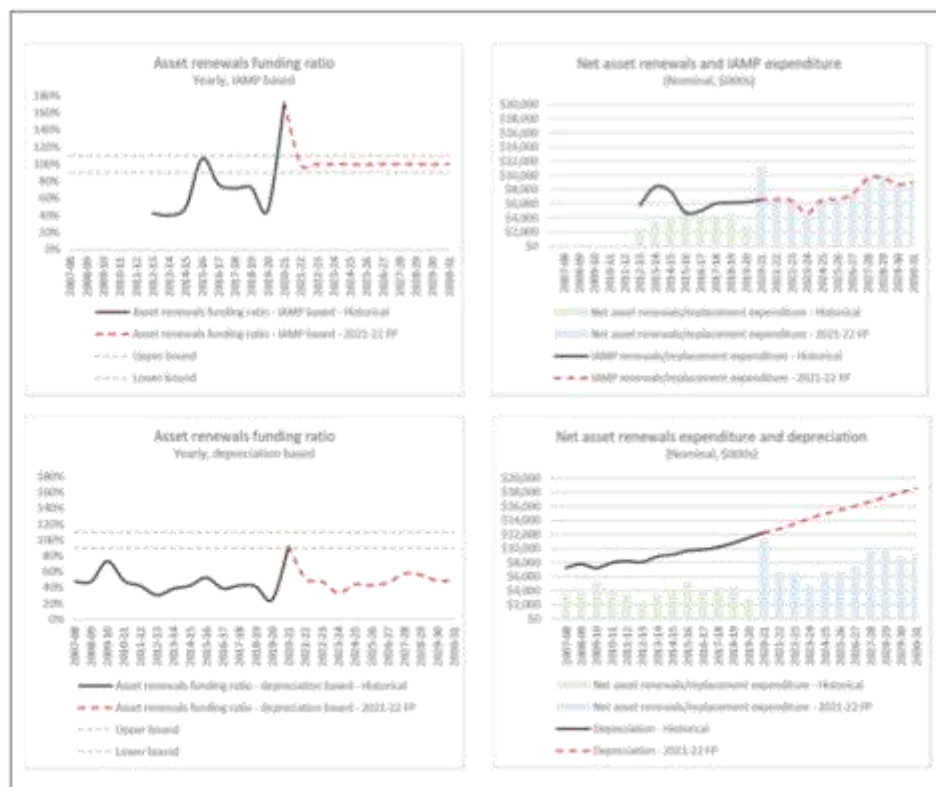
- ▶ **The depreciation-based definition for this ratio:** Depreciation provides a proxy for the yearly allowance for renewal/replacement expenditure, based upon the asset lives assumed. If there is a significant misalignment between the yearly depreciation allowance and IAMP renewal/replacement expenditure then the reasons for this would need to be understood, as would any implications.
- ▶ **Analysis of the capital expenditure split between renewal/replacement of existing assets and expenditure on new/upgraded assets:** Expenditure on new/upgraded assets will generally increase the size (financially and physically) of the asset stock that needs to be maintained and renewed/replaced into the future. This represents a potential future liability that the council's ratepayers will be expected to cover. This is regardless of the extent to which the initial new/upgrade capital expenditure was financed through state or federal grants.

²⁶ The earlier definition reduced the asset renewal/replacement expenditure by netting off any proceeds realised from the sale of replaced assets.

- **Analysis of the value of the overall asset stock on a per rateable property basis:** If the value of the asset stock increases through time on this basis, the growth in the number of rateable properties has lagged that of the value of the overall asset stock. This will have implications for future rates and charges, given no presence of economies of scale.

The above allows the key questions 18 to 29 in Table 5 to be considered. Applying this approach to Council A, the analytical framework results in the trends for the asset renewal funding ratio as shown in Figure 5.

Figure 5: Trends in Council A's asset renewal funding ratio

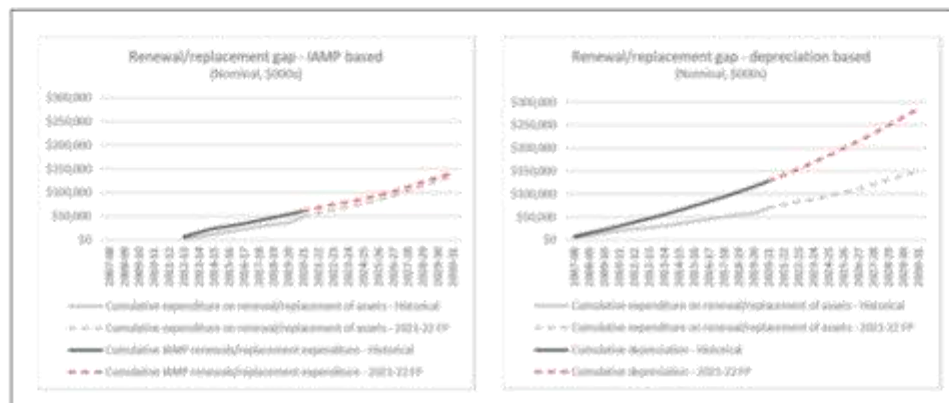


This indicates the following:

- There is misalignment between the yearly trends in the asset renewal funding ratio based upon using depreciation or the IAMP renewal/replacement expenditure. When adopting depreciation, the ratio is consistently below the LGA minimum target, both historically and in the 2021-22 LTFP. By way of contrast, when based on IAMP renewal expenditure, while historically the ratio has been below the LGA minimum target, it is projected to be within or above the upper bound of the target range in the 2021-22 LTFP.
- Yearly IAMP renewal expenditure over the 2021-22 LTFP is projected to be higher than has ever been achieved historically. Despite this, it is below the depreciation schedules in the 2021-22 LTFP.

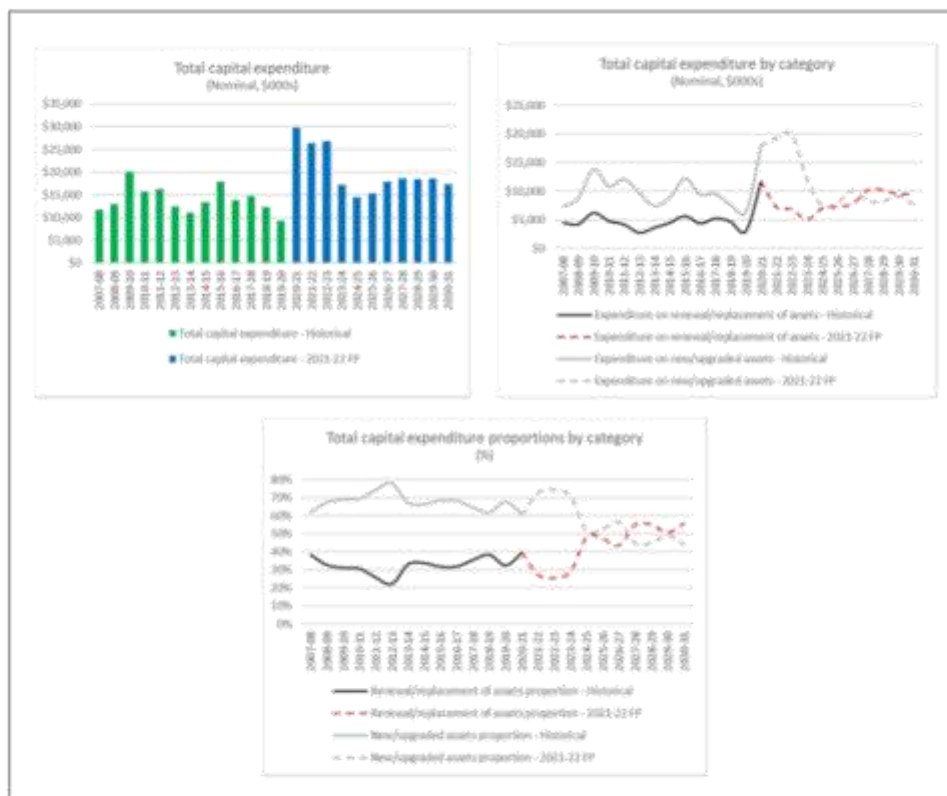
Further, on a depreciation basis, Figure 6 below suggests that the cumulative renewal/replacement gap continues to widen over the 2021-22 LTFF. This, in turn, suggests that there is a significant underspend on the renewal/replacement of the asset stock. However, on an IAMP renewal/replacement expenditure basis this would not be the case.

Figure 6: Trends in Council A's cumulative renewal/replacement expenditure gap



Overall, these trends suggest there is a need to understand the relationship of Council A's IAMP renewal/replacement expenditure with respect to the 'on-the-ground' condition of the assets and the depreciation schedules. This can be assessed through information provided by Council A in its IAMP, and through discussions with Council A, particularly in relation to how the IAMP has been developed. The outcome of this would be relevant to the Commission's consideration of financial and service sustainability risk and the advice developed.

Figure 7: Trends in Council A's capital expenditure



In addition, Council A's capital expenditure trends are provided in Figure 7 above. Historically, Council A's capital expenditure has focused more on new/upgraded assets rather than the renewal/replacement of assets. This trend continues until 2022-23, with capital expenditure on new/upgraded assets projected to be particularly strong in the 2020-21 to 2022-23 period. Thereafter, total capital expenditure becomes more aligned with historical levels, but with the renewal/replacement capital expenditure proportion being at its highest level.

Council A's focus has been predominately on new/upgraded assets. This is resulting in Council A's asset stock value per rateable property maintaining a rising trend over the period of the 2021-22 LTFP, as shown in Figure 8. This suggests that Council A's ratepayers' future liability for financing the renewal/replacement and maintenance of this larger asset stock will go beyond the timeline of the 2021-22 LTFP. This may also have implications for financial and service sustainability, cost control and affordability risk.

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Figure 8: Trends in Council A's asset stock value

The figure consists of two charts side-by-side. The left chart is a bar chart titled 'Value of asset stock (Nominal, \$'000s)'. The y-axis ranges from \$0 to \$600,000 in increments of \$100,000. The x-axis shows financial years from 2007-08 to 2020-21. The bars are green for historical data (2007-08 to 2019-20) and blue for the 2020-21 LTP. The values show a steady increase from approximately \$350,000 in 2007-08 to about \$550,000 in 2020-21. The right chart is a line chart titled 'Value of asset stock per rateable property (Nominal, \$)'. The y-axis ranges from \$15,000 to \$35,000 in increments of \$2,000. The x-axis shows financial years from 2007-08 to 2020-21. A solid black line represents historical data, and a dashed red line represents the 2021-22 LTP projection. The values show a steady increase from approximately \$15,000 in 2007-08 to about \$30,000 in 2020-21, with the projection continuing to about \$32,000 in 2021-22.

4.4.4.4 Summary

Through this analytical framework, potential risks to financial and service sustainability, cost control and affordability can be considered, including any linkages between them. It can also account for the relationship between on-the-ground asset condition, how this is transferred to the IAMP and how this links to the LTFP. It combines both quantitative and qualitative information and can be presented through the use of charts to anchor the analysis and advice – and is replicable across councils and by councils.

4.4.5 Comparison of historical trends to any revised SMP

The above analytical framework can be replicated for any council's proposed 2022-23 LTFP and IAMP and allows any revisions to be considered relative to the historical context. It also allows any material changes to be identified relative to the existing SMP, and for the impact of those changes to be tracked through to the operating surplus, net financial liabilities, and asset renewal funding ratios. Such a comparison would use the following information:

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Table 7: Information requirements – revised SMP

Time period	Information available
Historical actuals 2007-08 to 2020-21	<ul style="list-style-type: none"> ▶ Annual audited financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the audited financial statements and the IAMP. ▶ The actual number of rateable properties.
Historical estimates 2021-22	<ul style="list-style-type: none"> ▶ Annual financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the financial statements and the IAMP. ▶ An estimate of the number of rateable properties
Forward forecasts 2022-23 to 2031-32	<ul style="list-style-type: none"> ▶ Annual financial statements based upon the model financial statements. ▶ The operating surplus, net financial liabilities, and asset renewal funding ratios derived from the financial statements and the IAMP. ▶ Forecasts of the number of rateable properties

Applying the analytical framework to any revised SMP proposed by a council shifts the timeline forward by a year. This means that the estimates for 2020-21 in the 2021-22 LTFP can be compared with outturn results for that year. This starts the process of assessing the extent to which a council carries out its plans and, if it does not, understanding the reasons why not.

The Commission acknowledges that the proposed analytical framework requires each council to structure any expected revisions to its LTFP in a manner equivalent to the model financial statements, to ensure consistency across comparisons.²⁷

So that councils have a transparent understanding of what is required, the Commission has developed an initial set of guidelines and an Excel-based proforma template for councils to adopt. This is discussed further in Chapter 5, with the initial guidelines and the Excel-based proforma template published alongside this consultation document.

The Commission also notes that, unless the Commission requires information earlier, a council is required to provide it no later than 30 September of its Relevant Financial Year. This means that a council will need to be able to identify, articulate and explain any revisions that it considers material by no later than this date. However, the Commission also has the ability to seek information earlier than that date, should the need arise. This is in the nature of a 'reserve power' and, while the Commission does not presently anticipate when such a need might arise, it is important to note that the ability to seek early information exists under the scheme.

Given the long-term nature of the planning process, the Commission expects councils to be capable of readily providing such information, given it is based on a council's own long-term financial and service sustainability strategy rather than on short-term operational and financial management concerns.

²⁷ Noting that the IAMP is a free form document.

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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?

Item 3.1.4 - Attachment 1 - Draft Framework And Approach

4.5 Content of the advice and its publication

Methodological Proposal 4:

Any advice will be based upon the outcomes of implementing the analytical framework and have regard to the circumstances of each council. The advice will, for each council in its Relevant Financial Year, cover:

- ▶ 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.

In addition, the advice may provide the Commission's view on the potential actions a Council might take to mitigate/manage any identified risk.

The advice will be published in full on the Commission's website. Each council will publish the advice in full and any response it has to that advice, in both its draft and adopted annual business plans, until the next Relevant Financial Year for that council.

4.5.1 Content of the advice

The Commission's advice will address the matters required under the scheme by reference to historical performance and financial trends, drawing on information which councils are already required to have in place under the *Local Government Act 1999*. The advice will set out that trend information, so as to give context to councils' forward-looking plans, and will identify areas where attention or action may be required to better serve ratepayers' long-term interests. Importantly, the advice to each council will focus on its own trends and plans. The advice will not provide inter-council comparisons.

The Commission does not presently anticipate that the advice will require councils to take specific action, nor will it approve (or otherwise) specific expenditure, programs or projects: those are matters for councils' own decision-making processes.

The development of the Commission's advice will be based upon the evidence available through applying the analytical framework. For each council, the advice will cover the factors outlined in Methodological Proposal 4.

The quantitative analysis (as shown in the example of fictional Council A above) will enable the advice to provide an overarching picture of any potential cost control, affordability, and sustainability risk, based upon actual performance and forecast performance. Further, the advice can utilise available qualitative information regarding a council's SMP, its current CEO sustainability assessment and its approach to setting rates to identify how any risks identified in the quantitative assessment are managed/mitigated, creating opportunity for further discussions on those matters.

The overall outcome of this analysis and any further discussions should identify the extent to which there are potential issues with the council's approach to managing cost control, affordability, and sustainability risk, which can be noted in the advice.

This, in turn, will allow the advice to reference the extent to which a council's price path for general rates might be appropriate in that council's overall context. For instance, the more that issues identified in the advice are systematic and material, the less likely that the path of general rates might be considered appropriate, and vice-versa.

Finally, the advice and evidence base upon which the advice has been developed, will form part of the evidence base for any subsequent assessment of the council under the scheme.

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?

4.5.2 Publication of the advice

The Commission proposes that all advice provided should be published in full. This is on the basis a council provides services, subject to limited or no competition, to ratepayers in its region. Ratepayers directly contribute to the financing of those services, generally with no other choice of supplier. Those financial contributions are based directly upon the plans developed and implemented by the council. Given these circumstances, the Commission is of the view that publication of the advice in full is in the public interest and does not constitute commercially sensitive information. The Commission also notes that, under the legal framework, the council can, if it chooses to, respond to the advice provided by the Commission, with that response also being published.

Consultation question

4.11 Do stakeholders consider this an appropriate 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?

4.6 Alignment with the legal framework and overarching scheme principles

4.6.1 Alignment with the legal framework

The legal framework does not prescribe how the Commission should develop its advice, only what needs to be covered (the Relevant Matters), and the factors to which it is to have regard in doing so: the council's planning and implementation of LTFPs and IAMPs, along with the circumstances of the council.

The planning and implementing of LTFPs and IAMPs is central to the Commission's proposed analytical approach. It accounts for each council's circumstances in an evidenced-based manner, through the assessment of historical trends. It considers these factors in the context of long-term financial and service sustainability, cost control and affordability, thereby aligning with the *Local Government Act 1999* and the nationally agreed definition of financial sustainability. Further, the analytical approach and advice specifically addresses the Relevant Matters included within 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?

4.6.2 Alignment with the overarching principles for the analytical framework

The Commission considers that the proposed analytical framework meets the underlying principles outlined in section 4.2, for the following reasons.

Table 8: Alignment with the overarching principles

Principle	Reasons for alignment
Principle 1: Monitoring, not regulating <i>The scheme relates to monitoring, not economic regulation. As such, the design focusses on providing evidence-based and useful advice. The objective being, through time, to develop a record of a council's performance, relative to its long-term planning, and its response to advice, as the basis for changing behaviours and outcomes over time. The scheme does not provide the Commission with powers to enforce compliance measures, set service standards or regulate any council's rates. In those respects, it differs from other States' council rates regulation frameworks, such as those in Victoria and New South Wales.</i>	<p>The analytical framework does not impose any regulatory measures on a council. Rather, it provides a mechanism of monitoring how a council's planning and implementation processes evolve, how a council performs relative to its own plans over time, and how a council responds to the advice provided regarding its plans and the funding thereof.</p>
Principle 2: Long-term planning focus <i>While councils can provide a diverse range of services, they are generally delivered through infrastructure and operations that require long-term planning. As such, in the absence of significant shocks outside of a council's control, its long-term plans would not be expected to exhibit significant variation through time (replacement/renewal expenditure should not materially vary due to political cycles, or short-term transient operational or financial concerns).</i>	<p>The analytical framework adopts a long-term time horizon, comprising historical trends since 2007-08 and the 10-year forward-looking LTFP and IAMP for a given council. This reflects both how a council has arrived at a particular point and its future expectations. Through this, any material amendments are considered based upon the existing and forecast circumstances of the council.</p>
Principle 3: Materiality <i>Focus will be given to key overarching targets and measures. Otherwise, the underlying analysis may become unduly complex/disaggregated, with key observations diluted through unnecessary detail.</i>	<p>The analytical framework focuses on using only the amount of information necessary to inform the advice. It does this through seeking to understand the movements in the three ratios at a reasonable level of disaggregation, while also accounting for the underlying planning and implementation processes for a council's LTFP and IAMP.</p>
Principle 4: Simplicity <i>The scheme will be as simple as it practically can be and be capable of being applied across the diverse range of councils within South Australia.</i>	<p>The analytical framework is based upon requirements and guidelines that already exist and apply to councils across South Australia. This allows it to be practically applied across the diverse range of councils.</p>
Principle 5: Leveraging existing information and evidence	<p>In addition to the analytical framework being based upon requirements and guidelines that already exist, it is also based on information that is readily available. This is because the information is either historical in nature, relates to the LTFP and IAMP process, or is publicly available.</p> <p>The extent to which common information gaps exist across councils that are relevant to the analytical</p>

Principle	Reasons for alignment
<p><i>The Local Government Association (LGA) collects data and provides guidance material regarding financial and service sustainability. As such, a significant amount of underlying information and a standard accounting framework exists - this will underpin the analytical framework.</i></p> <p><i>in accordance with the legislative framework, if demonstrable gaps in information become apparent that are of relevance to the operation of the scheme, it may be necessary to collect further information in relation to this.</i></p>	<p>framework, will become apparent through applying it across councils.</p>
<p>Principle 6: Consistency of application</p> <p><i>The scheme will be applied consistently across councils in terms of the underlying processes and analytical framework. Advice across councils will only be similar if all the inputs into the analytical framework (both quantitative and qualitative) result in similar advice being warranted.</i></p>	<p>Because the analytical framework is based upon existing requirements and guidelines that already apply to South Australian councils, it can be consistently applied across councils. Also, the extent to which a council has, or has not, been complying with the existing requirements and guidelines can be assessed.</p>
<p>Principle 7: Transparent process and approach</p> <p><i>The implementation of the scheme requires transparency in processes and approach. Each council will be provided with the information and calculations upon which the advice relating to it has been based.</i></p>	<p>The analytical framework is based upon existing requirements and guidelines that already apply to South Australian councils. Also, the information used within the analytical framework is either based upon sources that are generally accessible to a council, or directly provided by the council to the Commission.</p> <p>So, on the basis the Commission provides, to each council on a consistent basis, the information it has used and any calculations pertaining to that information, the analytical framework represents a transparent process and approach.</p> <p>The potential exception is any information or discussions with the LGFA regarding a council's ability to carry debt. In this context, the Commission understands that a council can also discuss this with the LGFA at any time.</p>

Consultation question

4.13 Do stakeholders consider the analytical framework to be aligned with the overarching principles for its development?

► If not, why not?

5 Guidelines and information provision

5.1 Introduction

The legislative framework gives the Commission discretion as to whether or not it will make guidelines regarding councils' information provision obligations. It does not prescribe the content of any guidelines nor does it constrain the Commission's requirements regarding the structure and form of any information it requires from councils to operate the scheme (provided that the information sought must be reasonably required for the performance of the Commission's functions under the Act).

5.2 Guidelines and information provision

The Commission considers putting in place guidelines and a proforma Excel template²⁸ to be an appropriate element of the scheme, as it provides councils with transparency regarding the minimum level of information they are required to provide and how they are required to provide it. In turn, this is likely to reduce the number of enquiries while also providing a clearer framework for dealing with enquiries that do arise.

The initial guidelines and proforma Excel template are provided alongside this consultation document. They should be considered in conjunction with this chapter and complement the information requirements outlined in Methodological Proposal 3 in Chapter 4.

The initial guidelines and proforma Excel template are both based on a Relevant Financial Year of 2022-23. The Commission notes that, for each Relevant Financial Year, a revised set of guidelines and proforma Excel template will need to be published, to account for the roll-over of a financial year. The Commission is proposing that these be published no later than the start of each Relevant Financial Year.

The structure of the proforma Excel template uses the model financial statements discussed in section 4.3.3 and outlined in Appendix 2, as the structural basis for the time series information required. It is split into the following sections (tabs in the Excel spreadsheet).

- ▶ **Historical & SMP 2021-22 (A):** This reflects the position for the 2021-22 LTFP and existing IAMP at that time. It provides a time series of actual historical data for 2007-08 to 2019-20 and forecast data for 2020-21 to 2030-31.
- ▶ **Historical & SMP 2022-23 (B):** This reflects the council's proposed position for the 2022-23 LTFP and existing IAMP. It provides a time series of actual historical data for 2007-08 to 2020-21 and forecast data for 2021-22 to 2031-32.

Variances can be calculated between the two sets of time series data. This provides a quantitative approach to identifying the extent to which revisions to the financial plan and IAMP might be considered material. It also provides a way of tracking variances through to their impact on the operating surplus, net financial liabilities and the asset renewal funding ratios.

²⁸ While an excel template will be used initially, it is intended to develop an automated data collection system.

Consultation questions

5.1 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?

► If not, why not? How should the approach be amended and why?

5.3 Timing of information provision

Information provision for the first cycle of the scheme differs from any subsequent cycle, as there is the additional (one-off) need to gain information from 2007-08 onwards. Overall, the Commission is proposing the following timing for information provision over the four-year Prescribed Period for the first cycle of the scheme.

Table 9: Timing of information provision

Relevant Financial Year	Existing information	Revised information
2022-23	1 August 2022	30 September 2022
2023-24	1 August 2023	30 September 2023 (Unless the Commission specifies an earlier date within 2023-24. It would provide notice of this no later than 28 February 2023.)
2024-25	1 August 2024	30 September 2024 (Unless the Commission specifies an earlier date within 2024-25. It would provide notice of this no later than 28 February 2024.)
2025-26	1 August 2025	30 September 2025 (Unless the Commission specifies an earlier date within 2025-26. It would provide notice of this no later than 28 February 2025.)

Where existing information and revised information is the following:

Table 10: Definition of existing and revised information

Relevant Financial Year	Existing information	Revised information
2022-23	<ul style="list-style-type: none"> ▶ Completed proforma Excel template data tab 'Historical & SMP 2021-22 (A)' ▶ 2021-22 LTFP and current IAMP document. ▶ 2021-22 CEO financial sustainability report. ▶ Audit Committee review of 2021-22 LTFP and current IAMP. ▶ Information on approach to assessing performance relative to LTFPs and IAMPs. ▶ Information on approach to assessing and accounting for residents' ability to finance plans. ▶ Information on consultation process for LTFPs and IAMPs 	<ul style="list-style-type: none"> ▶ Completed proforma Excel template tab 'Historical & SMP 2022-23 (B)' ▶ Draft 2022-23 LTFP and IAMP document. ▶ Reasons for any material variations identified in the draft 2022-23 LTFP and IAMPs versus 2021-22 documents. ▶ Any other material considered relevant.
2023-24	<ul style="list-style-type: none"> ▶ Completed proforma Excel template data tab 'Historical & SMP 2022-23 (A)' ▶ 2022-23 LTFP and current IAMP document. ▶ 2022-23 CEO financial sustainability report. ▶ Audit Committee review of 2022-23 LTFP and current IAMP. ▶ Information on approach to assessing performance relative to LTFPs and IAMPs. ▶ Information on approach to assessing and accounting for residents' ability to finance plans. ▶ Information on consultation process for LTFPs and IAMPs 	<ul style="list-style-type: none"> ▶ Completed proforma Excel template tab 'Historical & SMP 2023-24 (B)' ▶ Draft 2023-24 LTFP and IAMP document. ▶ Reasons for any material variations identified in the draft 2023-24 LTFP and IAMP versus 2022-23 documents. ▶ Any other material considered relevant.
2024-25	<ul style="list-style-type: none"> ▶ Completed proforma Excel template data tab 'Historical & SMP 2023-24 (A)' ▶ 2023-24 LTFP and current IAMP document. 	<ul style="list-style-type: none"> ▶ Completed proforma Excel template tab 'Historical & SMP 2024-25 (B)' ▶ Draft 2024-25 LTFP and IAMP document.

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Relevant Financial Year	Existing information	Revised information
	<ul style="list-style-type: none"> ▶ 2023-24 CEO financial sustainability report. ▶ Audit Committee review of 2023-24 LTFP and current IAMP. ▶ Information on approach to assessing performance relative to LTFPs and IAMPs. ▶ Information on approach to assessing and accounting for residents' ability to finance plans. ▶ Information on consultation process for LTFPs and IAMPs 	<ul style="list-style-type: none"> ▶ Reasons for any material variations identified in the draft 2024-25 LTFP and IAMP versus 2023-24 documents. ▶ Any other material considered relevant.
2025-26	<ul style="list-style-type: none"> ▶ Completed proforma Excel template data tab 'Historical & SMP 2024-25 (A)' ▶ 2024-25 LTFP and current IAMP document. ▶ 2024-25 CEO financial sustainability report. ▶ Audit Committee review of 2024-25 LTFP and current IAMP. ▶ Information on approach to assessing performance relative to LTFPs and IAMPs. ▶ Information on approach to assessing and accounting for residents' ability to finance plans. ▶ Information on consultation process for LTFPs and IAMPs 	<ul style="list-style-type: none"> ▶ Completed proforma Excel template tab 'Historical & SMP 2025-26 (B)' ▶ Draft 2025-26 LTFP and IAMP document. ▶ Reasons for any material variations identified in the 2025-26 LTFP and IAMP versus 2024-25 documents. ▶ Any other material considered relevant.

This is for the following reasons:

- ▶ The Commission considers it relatively straightforward for a council to provide information that should exist prior to its Relevant Financial Year. Obtaining this information at the start of August in any Relevant Financial Year allows the Commission to progress the assessment process two months before 30 September of that year. This means that the Commission can develop a greater understanding of each council's historical context more effectively, which is advantageous to both councils and the Commission.

- ▶ The Commission will endeavour to adopt 30 September of the Relevant Financial Year as the deadline for councils to provide the revised information in Table 10 above. However, unforeseen circumstances may result in the need for councils to provide this information earlier.²⁹ The approach proposed seeks to allow the Commission some flexibility in managing future events. In doing so, the Commission is to provide notice four months prior to the start of the Relevant Financial Year of its intention to adopt an earlier date than 30 September and specify the date. The Commission considers that this appropriately balances the need to provide flexibility, with the councils' ability to develop any revised information prior to 30 September of the Relevant Financial Year.

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?

²⁹ Noting that this is a reserve power which can be triggered when merits warrant.

6 Developing and publishing the Schedule of Councils

6.1 Introduction

The Commission will publish a Schedule of Councils for each cycle of the scheme, identifying which councils will go through the scheme in what years within the Prescribed Period for that cycle. The Prescribed Period is currently set at four years and the two main questions regarding the Schedule are: how should it be developed and when should it be published?

6.2 Developing the schedule

The Commission does not intend to consult on the Schedule for the four-year Prescribed Period. The Commission has adopted a representative sample of councils for each year of the Prescribed Period. This ensures that in each year of the Prescribed Period no council group is over or under-represented. The Commission's approach to this is published as part of the Schedule.³⁰

The Commission does not consider that there is an inherent advantage for any council with respect to the actual year it goes through the scheme. The Commission is aware that councils going through the scheme in the first year may have less preparation time, relative to councils going through the scheme thereafter. The Commission can account for this in its approach to the advice provided, and in its expectations of councils as the Prescribed Period progresses. It is, however, noted all councils should have at the start of 2022-23, the existing information outlined in Table 10 in Chapter 5, given their obligations under the *Local Government Act (1999)*. The Commission's advice will account for this.

6.3 Publishing the schedule

The Commission is required to publish the Schedule and considers it appropriate that this occurs prior to the start of 2022-23, which is the first year of the Prescribed Period. Further, as the Schedule does not form part of this consultation, the Commission intends to publish it separately to this document.

However, the Commission does acknowledge that councils undertaking the scheme in 2022-23 may have sharper focus on this consultation, than those operating under a more extended lead time. Given this, the Commission has published the Schedule at the same time, but separate to, this consultation document being published.

³⁰ The Schedule of Councils is available at:

<https://www.escosa.sa.gov.au/ArticleDocuments/21844/20220331-L-LocalGovernmentRatesOversightScheme-ScheduleofCouncils.pdf.aspx?Embed=Y>

7 Cost recovery

7.1 Introduction

The legislative framework provides for the Commission to recover from a council (as a statutory debt due and payable by the council), the costs reasonably incurred in performing its functions under the scheme. It does not prescribe what costs would be considered reasonable for the Commission to recover or how it should undertake this. These are the two issues discussed in this chapter.

7.2 Reasonable costs

The Commission's indicative total cost per council, over the first cycle of the scheme (which is four years) is \$52,133, based on Commission staff effort per council being the same, irrespective of council size or location. This is for the reasons outlined below.

The Commission considers the reasonable costs in performing its functions under the scheme cover:

- ▶ **Set-up and development costs:** These relate, but need not be limited to, the upfront and ongoing work taking place in 2021-22 and 2022-23 to develop the analytical framework used and the technological infrastructure to support it.
- ▶ **Operational costs:** These relate, but need to be limited to, the yearly costs of implementing the scheme. These primarily comprise staff costs.³¹

Implementing the scheme is a continuous process throughout any financial year. Each financial year comprises the work undertaken to provide advice to a group of councils for that year, alongside preparatory work for a subsequent set of councils in the forthcoming financial year. Further, delivering the proposed analytical framework and the scheme in a manner envisaged in the legislative reforms requires skilled resources. This assures council ratepayers, councils and the South Australian Government that the advice provided is based upon an appropriate level of expertise.

The actual costs involved in implementing the scheme will become clearer after the completion of the first cycle of its implementation. This is because the costs are, in part, dependent upon all councils' approach to the scheme. This, in turn, depends on how councils engage with the scheme, in terms of fulfilling their obligations in a timely manner and the way they interact with Commission staff throughout the process, such as with respect to responding to queries and undertaking meetings (if required) to discuss the information provided by the council.

Given this, 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 outlined in Table 11 below, it proposes that the implications of this be considered in the context of the second cycle of the scheme.

³¹ This relates to the Commission's costs including direct staff, support staff and other operating expenses.

Table 11: Commission's indicative costs for the first cycle of the scheme

2021-22 prices	2022-23	2023-24	2024-25	2025-26
Set-up and development costs	\$157,667	\$157,667	\$157,667	
Operational costs	\$768,000	\$768,000	\$768,000	\$768,000
Total yearly costs	\$925,667	\$925,667	\$925,667	\$768,000
Total yearly cost per council	\$13,613	\$13,613	\$13,613	\$11,294
Total cost per council				\$52,133

The indicative total cost per council, over the first cycle of the scheme is, therefore, \$52,133.

The 2022-23 set-up and development costs, and operational costs have been financed by an appropriation from the State budget. These amounts will need to be refunded by councils across the first cycle. This has allowed the Commission to start work on the scheme prior to it being implemented in 2022-23. It also allows the cost recovery process from councils to take place in a more balanced manner as a debt due.

While the set-up and development costs are largely up-front costs, the Commission is proposing to allocate recovery of those in equal proportion over 2022-23 to 2024-25, to aid in the smoothing of costs across years. The Commission is also proposing that, for medium-term budgeting purposes, the indicative operational costs for 2023-24 to 2025-26 will be set at the 2022-23 level.

The Commission notes all these costs are in 2021-22 prices. The Commission proposes to consider its approach to accounting for its costs as it gains practical experience in implementing the scheme.

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?

7.2 Do stakeholders agree with the Commission's approach to addressing any material difference between its actual costs and its projected indicative costs?

► If not, why not? How should the approach be amended and why?

7.3 Cost recovery

The following questions are relevant to the consideration of cost recovery:

- Should councils be billed directly or via the LGA?
- When should councils be billed and with what frequency?
- How should the costs be allocated between councils?

7.3.1 Should councils be billed directly or via the LGA?

The Commission and the LGA have consulted on this. It may be considered beneficial by councils that each year the Commission bill the LGA the Commission's yearly total cost, the LGA pays this on behalf

of councils, with the LGA splitting the costs between councils on a basis agreed between the LGA and the councils. While ultimately a matter for councils to agree with the LGA, this may be advantageous as it reduces transaction costs relative to managing a billing process for 68 councils separately. It may also provide the LGA and councils with greater control on how costs will be allocated between councils - albeit that would be a matter of separate agreement between those parties.

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?

7.3.2 When should councils be billed and with what frequency?

Regardless of whether the Commission bills the LGA for the total yearly cost or each of the 68 councils separately, the Commission proposes that it would bill the relevant party once yearly for the total amount due. This would occur at the end of the first quarter of the financial year and be subject to a one-month period within which to pay the outstanding bill. The reason for this is that billing in instalments through the financial year increases the Commission's transaction costs associated with operating the scheme. This would be passed onto councils. The Commission acknowledges that the LGA and councils might adopt a differing approach to the timing and frequency of billing if the Commission only billed the LGA for the yearly total cost.

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?

7.3.3 How should costs be allocated between councils?

If the Commission bills each of the 68 councils separately, it proposes to split the yearly costs equally across all councils for the first cycle of the scheme. This is because it is the Commission's effort per council that drives its costs. Until the completion of the first cycle of the scheme, no evidence is available to indicate that it will not take the same amount of effort per council to implement the new scheme, regardless of a council's size (there is no prior information available on this point).

The Commission notes that the LGA and councils may agree between themselves on a differing approach to the allocation of costs if the Commission only billed the LGA for the total yearly cost (as described above). For example, one based on a proxy for size distribution across the 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?

8 Next steps

The critical dates in the process of implementing the scheme, based upon the proposal in this consultation document, are:

Table 12: Next steps

Critical dates	Required outcome
31 March 2022	<ul style="list-style-type: none"> ► Schedule for the first cycle of the scheme published. ► Initial guidelines and Excel proforma template published. ► Consultation period for the Commission's proposals for the framework and approach starts.
27 May 2022	<ul style="list-style-type: none"> ► Consultation period for the Commission's proposals for the framework and approach ends.
July 2022	<ul style="list-style-type: none"> ► Commission's final framework and approach published.
1 August 2022	<ul style="list-style-type: none"> ► Councils with a Relevant Financial Year of 2022-23, as defined by the Schedule published 31 March 2022, to provide historical information as per the initial guidelines and Excel proforma template, also published 31 March 2022.
30 September 2022	<ul style="list-style-type: none"> ► Councils with a Relevant Financial Year of 2022-23, as defined by the Schedule published 31 March 2022, to provide all other relevant information as per the initial guidelines and Excel proforma template.
28 February 2023	<ul style="list-style-type: none"> ► No later than this date, the Commission to publish its advice for councils with a Relevant Financial Year of 2022-23, as defined by the Schedule published 31 March 2022.

The Commission notes that the above timeline proposes that its finalised framework and approach will be published in July 2022. It further notes that this is very close to the proposed deadline for councils with a Relevant Financial Year of 2022-23 to provide the required historical information (1 August 2022). The relevant councils are identified in the published Schedule of Councils.³²

Given this, the Commission recommends that, if these councils would prefer to start the collation of historical information as soon as practically possible, they adopt the working assumption that the 1 August 2022 date will remain in the Commission's finalised framework and approach, and make use of the published initial guidelines and Excel Proforma template to commence collation of the required historical information.

³² The schedule of Councils is available at:

<https://www.escosa.sa.gov.au/ArticleDocuments/21844/20220331-L-LocalGovernmentRatesOversightScheme-ScheduleofCouncils.pdf.aspx?Embed=Y>

Appendix 1: Relevant Extracts from the Statutes Amendment (Local Government Review) Act 2021

The *Statutes Amendment (Local Government Review) Act 2021*, 79 – Amendment of section 122 – Strategic management plans, states the following:

- (1) Section 122(1a)(a) – delete “for a period of at least 10 years; and” and substitute:

that relates to a period of at least 10 years and includes a funding plan that –

 - (i) outlines the council’s approach to funding services and infrastructure of the council; and
 - (ii) sets out the council’s projected total revenue for the period to which the long-term financial plan relates; and
 - (iii) outlines the intended sources of that total revenue (such as revenue from rates, grants and other fees and charges); and
- (2) Section 122 – after subsection (1b) insert:
 - (1c) A council must, once in every prescribed period (which must not be less than a period of 3 years), in accordance with a determination of the designated authority, provide information relating to its long-term financial plan and infrastructure and asset management plan to the designated authority in accordance with subsection (1e).
 - (1d) For the purposes of subsection (1c), the designated authority may determine a schedule relating to each prescribed period that requires different councils to provide information in different financial years of that period (and the financial year in which a particular council is required to provide information according to the schedule is the *relevant financial year* for that council).
 - (1e) A council must, on or before 30 September in the relevant financial year for the council, provide to the designated authority all relevant information on the following matters (the *relevant matters*) in accordance with guidelines determined by the designated authority (if any):
 - (a) material amendments made or proposed to be made to the council’s long-term financial plan and infrastructure and asset management plan and the council’s reasons for those amendments;
 - (b) revenue sources outlined in the funding plan referred to in subsection (1a)(a);
 - (c) any other matter prescribed by the regulations.
 - (1f) Following the provision of information by a council under subsection (1e), the designated authority, on or before 28 February in the relevant financial year for the council –
 - (a) must provide advice to the council on the appropriateness of the relevant matters in the context of the council’s long-term financial plan and infrastructure and asset management plan; and

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- (b) may, if the designated authority considers it appropriate having regard to the circumstances of a particular council, provide advice in relation to any other aspect of the council's long-term financial plan and infrastructure and asset management plan.
- (1g) In providing advice under this section, the designated authority –
 - (a) must have regard to the following objectives:
 - (i) the objective of councils maintaining and implementing long-term financial plans and infrastructure and asset management plans;
 - (ii) the objective of ensuring that the financial contributions proposed to be made by ratepayers under the council's long-term financial plan and infrastructure and asset management plan are appropriate and any material amendments made or proposed to be made to these plans by the council are appropriate; and
 - (b) may have regard to any information or matter the designated authority considers relevant (whether or not such information or matter falls within the ambit of subsection (1e)).
- (1h) A council must ensure that the advice provided by the designated authority under this section, and any response of the council to that advice, is published in its annual business plan (both the draft and adopted annual business plan) in the relevant financial year and each subsequent financial year (until the next relevant financial year for that council).
- (1i) For the purposes of the preceding provisions, the designated authority must publish the following:
 - (a) advice provided to a council under this section;
 - (b) the schedule determined under subsection (1d);
 - (c) any guidelines determined under subsection (1e).
- (1j) The designated authority may, by written notice, require a council to give the designated authority, within a time and in a manner stated in the notice (which must be reasonable), information in the council's possession that the designated authority reasonably requires for the performance of the designated authority's functions under this section.
- (1k) 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.
- (3) Section 122 – after subsection (3) insert:
 - (3a) The regulations may prescribe additional requirements with respect to strategic management plans.
- (4) Section 122(4)(a) – delete “as soon as practicable after adopting the council's annual business plan for a particular financial year” and substitute:

on an annual basis

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- (5) Section 122 – after subsection (4a) insert:
- (4b) A report from a chief executive officer under subsection (4a) must –
- (a) address any matters required by the Minister; and
- (b) be published in a manner and form, and in accordance with any other requirements, determined by the Minister.
- (6) Section 122(6) – delete – “adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in” and substitute:
- undertake public consultation in relation to
- (7) Section 122(7) – delete subsection (7)
- (8) Section 122 – after subsection (8) insert:
- (9) In this section –
- designated authority* means –
- (a) if a person or body is prescribed by the regulations for the purposes of this definition – that person or body; or
- (b) if a person or body is not prescribed under paragraph (a) – the Essential Services Commission established under the *Essential Services Commission Act 2002*.
- (10) The Minister must consult with the LGA before regulations are made prescribing a person or body as the designated authority.

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Appendix 2: Use of Model Financial Statements Proforma Templates

Overview

The following model financial statements are based on those used by South Australian councils to structure their published accounts. Those compare the results in the accounts for the financial year, to those of the previous financial year. The Commission's analytical framework adopts these categories and uses a similar proforma structure for the Excel proforma template, but covering the period starting 2007-08 and ending in the final year of the relevant LTFP.

Financial statements: Statement of Comprehensive Income

The below reflects the Excel proforma template for Statement of Comprehensive Income, which is based upon the model accounts proforma templates.

Statement of Comprehensive Income	Time series data from 2007-08 to final year of the LTFP	
Income		
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		
Expenses		
Employee costs		
Materials, contracts, and other expenses		
Depreciation, amortisation, and impairment		
Finance costs		
Net loss – equity accounted Council businesses		
Total expenses		
Operating surplus/(deficit)		

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Rates revenue is disaggregated as follows in *Note 2-Income-Rates Revenue* of the proforma financial statements.

Analysis of Rates Revenue (Per Financial Statements Note 2)	Time series data from 2007-08 to final year of the LTFP	
General rates		
General rates		
Less: Mandatory rebates		
Less: Discretionary rebates, remissions, and write-offs		
Total general rates		
Other rates (including service charges)		
Natural resource management levy		
Waste collection		
Water supply		
Community wastewater management systems		
Separate and special rates		
Electricity supply		
Total other rates		
Other charges		
Penalties for late payment		
Legal and other costs recovered		
Total other charges		
Less: Discretionary rebates, remissions, and write-offs		
Total rates revenue		

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Finance statements: Statement of Financial Position

The below reflects the Excel proforma template for the Statement of Financial Position, which is based upon the model accounts proforma templates.

Statement of Financial position	Time series data from 2007-08 to final year of the LTFP	
Current assets		
Cash and cash equivalents		
Trade and other receivables		
Other financial assets		
Inventories		
Non-current assets held for sale		
Total current assets		
Non-current assets		
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		
Current liabilities		
Trade and other payables		
Borrowings		
Provisions		
Other current liabilities		
Liabilities relating to non-current assets held for sale		
Total current liabilities		
Non-current liabilities		
Trade and other payables		
Borrowings		
Provisions		

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Statement of Financial position	Time series data from 2007-08 to final year of the LTFP	
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		
Equity		
Accumulated surplus		
Asset revaluation reserve		
Other reserves		
Total equity		

Finance statements: Statement of Cash Flows

The below reflects the Excel proforma template for the Statement of Cash Flows, which is based upon the model accounts proforma templates.

Statement of Cash Flows	Time series data from 2007-08 to final year of the LTFP	
Cash flows from operating activities		
<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		
Cash flows from investing activities		
<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		

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Statement of Cash Flows	Time series data from 2007-08 to final year of the LTFP	
Net purchase of investment securities		
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		
Cash flows from financing activities		
<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		

Appendix 3: SEIFA Indexes

Background

The SEIFA³³ indexes are published by the ABS on a five yearly basis. The latest publication was in March 2018 and was based on information from the 2016 census. The previous publication was in 2013 and was based on information from the 2011 census.

Overview

SEIFA ranks council areas in Australia according to relative socio-economic advantage and disadvantage. The ABS broadly defines relative socio-economic advantage and disadvantage in terms of *"people's access to material and social resources, and their ability to participate in society."*

SEIFA 2016 and 2011 comprised four indexes, as follows:

- ▶ the Index of Relative Socio-economic Disadvantage
- ▶ the Index of Relative Socio-economic Advantage and Disadvantage
- ▶ the Index of Economic Resources
- ▶ the Index of Education and Occupation

Use of the Index of Economic Resources in the rates oversight scheme

The Commission considers the Index of Economic Resources useful, in the context of oversight of council rates. It proposes to use the 2011 and 2016 SEIFA data, covering all 68 South Australian council areas, as an input when considering affordability, in the context of the proposed rate movements within a council's LTFP and those seen historically.

The index provides an indication of the relative position, in terms of access to economic resources, of each South Australian LGA area. It also provides an indication of whether the relative position is below or above the average, based on an ordinal scale³⁴. The index is developed, based on analysis undertaken by the ABS, using census data variables associated with access to economic resources. The variables used include indicators of high and low income, as well as variables relating to high and low wealth. Areas with higher overall scores have relatively greater access to economic resources than areas with lower scores.

³³ A technical paper providing further information is available at:
[https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/756EE3DBEFA869EFC2582590009A746/\\$File/SEIFA%202016%20Technical%20Paper.pdf](https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/756EE3DBEFA869EFC2582590009A746/$File/SEIFA%202016%20Technical%20Paper.pdf)

³⁴ Each LGA has a score, where the average score is set to 1000 and the standard deviation 100. The scores can be ordered to relate to relative position and to provide a frequency distribution. The scores do not identify the difference in terms of access to economic resources in cash amounts.

Appendix 4: Consultation questions

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?

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?

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?

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?

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?

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?

Section 4.4.1.3: Account for scale

- **Consultation question 4.5:** 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?

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?

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?
- **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?

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?

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?

Section 4.5.2: Publication of the advice

- **Consultation question 4.11:** Do stakeholders consider this an appropriate 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?

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?

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?

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?

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?

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?
- **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 costs? If not, why not? How should the approach be amended and why?

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Section 7.3.1: Should councils be billed directly or 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?

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?

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?



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ESCOSA Advice – Salisbury Action Plan

The Strategic Management Plan Advice Scheme commenced in April 2022 following changes to section 122 of the Local Government Act and requires councils to provide information to ESCOSA relating to the Long Term Financial Plan (LTFP) and Strategic Asset Management Plan (SAMP) once every four years, with City of Salisbury being a first tranche council, and ESCOSA reviewing its strategic management plan in the 2022/23 financial year.

Councils are required to submit various information to ESCOSA by the end of September in their relevant financial year. ESCOSA must then provide 'advice' back to council, by the end of the following February, on the appropriateness of:

- material amendments made, or proposed to be made, to the LTFP and/or SAMP;
- the revenue sources outlined in the funding plan (contained within the LTFP); and
- may also provide advice on any other aspect of the council's LTFP and/or SAMP.

Councils are required to include a copy of ESCOSA's advice (contained in Appendix C) and also included are City of Salisbury's comments in response to various assertions made by ESCOSA within the Advice.

From Appendix C it is evident that much of the Advice is pitched as overarching statements that add little value. Many of the specific Action Items within the Advice are already in place. This calls into the question the approach taken by ESCOSA in undertaking this review process, which was essentially a desktop review with no direct or detailed discussions had with the City of Salisbury to help inform ESCOSA's perspectives.

The cost to ratepayers of this advice was \$40,000.

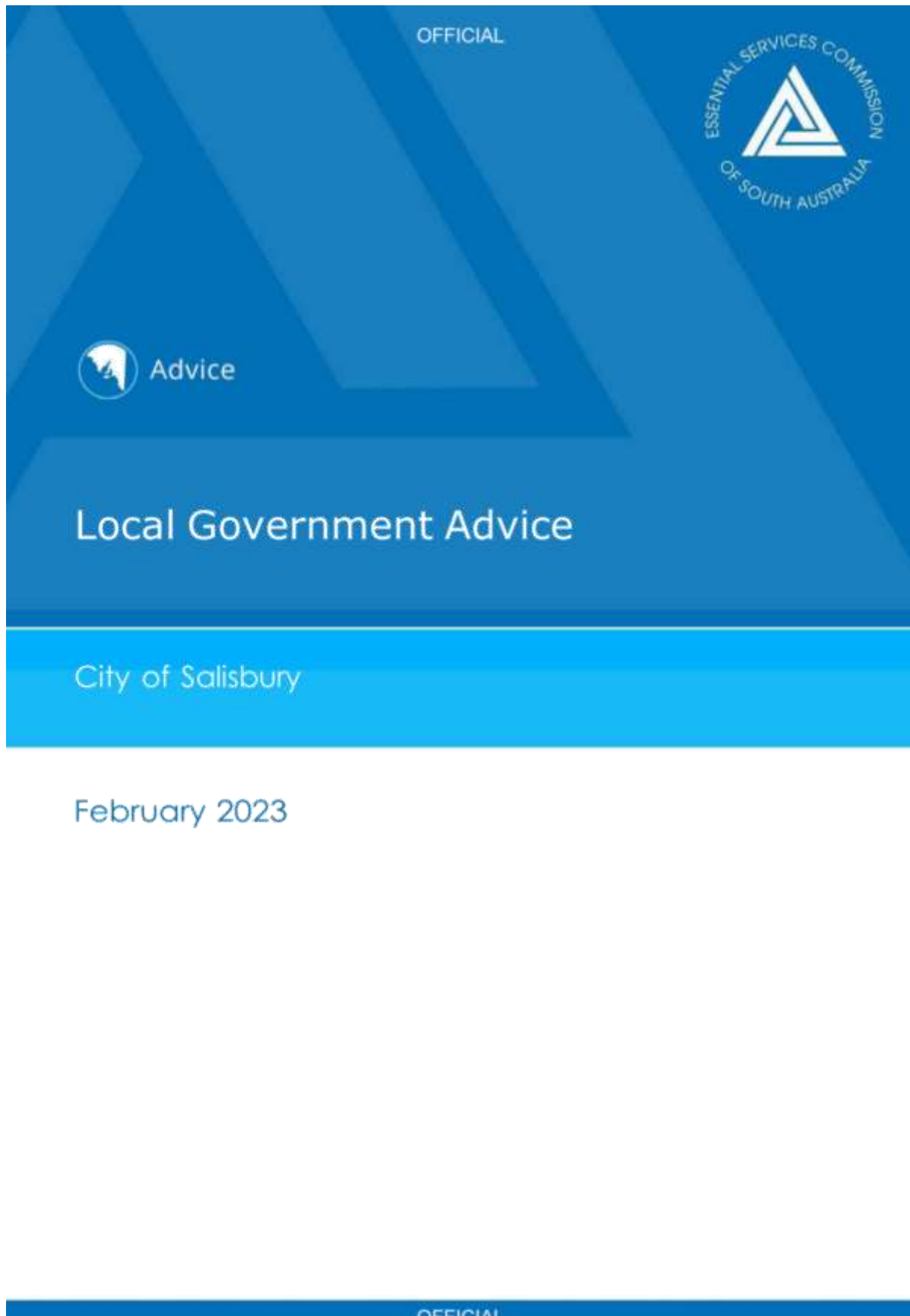
There are 9 Action items within the ESCOSA Advice, and these are subject to the Action Plan below and on the page opposite. This information will be published each year in the draft and adopted Annual Business Plan, until the next ESCOSA review, which is scheduled for 2026/27.

It should be noted that City of Salisbury is not required to accept and/or act upon ESCOSA's Advice.

ESCOSA Advice or Comment	Council Comment or Proposed Action	Implementation Timeframe	Status
1. Continue to review its inflation forecasts in its budget and forward projections, given the potential for higher short-term outcomes before a return to long-run averages.	Inflation assumptions are reviewed each review of the LTFP, and reliance is placed on reputable external sources for these assumptions which is detailed within the pages of the LTFP.	N/A	No further action required as already in place
2. Focus on controlling cost growth in its budgeting, including by reviewing its projected capital expenditure allocations (in consultation with the community, as required) to remove those which are not yet tied to defined and costed projects, and reduce the need for further rate increases.	Capital expenditure allocations are required by the strategic asset management plan, or to support delivery of the City Plan. Rate increases are driven by operating impacts, with the new unallocated capital having a relatively small impact on the operation budget. Any operating impact of capital projects is carefully considered by Council during the budget formation.	N/A	No action will be taken
3. Ensure that it publishes relevant reports regarding community consultation outcomes about large infrastructure projects which are to be significantly rate-funded.	City of Salisbury provides access to consultation outcomes associated with large infrastructure projects. Council will continue to take such action as required.	N/A	No further action required as already in place
4. Report its actual and projected cost savings in its annual budget, to provide evidence of controlling cost growth and achieving efficiency across its operations and service delivery.	This is a resource intensive suggestion as there are many elements to the development of the budget, and not all savings are visible through the ledger as many are cost avoidance, or freeing up capacity that is reinvested into service provision. Council reports material savings in its budget process.	N/A	No action will be taken

ESCOSA Advice – Salisbury Action Plan

ESCOSA Advice or Comment	Council Comment or Proposed Action	Implementation Timeframe	Status
5. Develop and publish a risk management plan for the Salisbury Aquatic Centre, which incorporates an annual review of the requirements for recurrent spending (given demand estimates and outcomes), and the associated impact on the Council's operating capacity and quantum of rate contributions.	Council has in place the appropriate risk management framework that it applies for all major projects. The annual budget process will consider any budget impact from the Salisbury Aquatic Centre and any resulting rate impact should it be required. This will be reflected in the Annual Budget and Business Plan so there is no value in adding further reporting for the Salisbury Aquatic centre.	N/A	No action will be taken
6. Review its projected borrowing repayment plans in its long-term financial plan projections with a view to spreading the repayments over a longer time period, if possible, to reduce the extent of the required financial contributions from ratepayers to meet repayments in the short to medium term.	Rates are driven by the need to maintain a small operating surplus, not from the need to repay debt. Borrowing repayments are determined by cashflow as borrowings are in the form of Cash Advance Debentures (that can be repaid at any time). Cashflow is supported by depreciation which is covered in operating expenditure and is a non-cash item, and also property development proceeds.	N/A	No action will be taken
7. Review the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.	Assumptions of lives and valuations are reviewed annually which flow into depreciation expenses. Also, the SAMP updated regularly, currently annually in alignment with the LTFP As this practice is already in place, no further action is proposed.	N/A	No further action required as already in place
8. Review the new and upgraded asset expenditure projections (as per Finding 2) with consideration of the service levels desired by the community.	New and upgrade asset expenditure is detailed in the SAMP or is provided to enable the delivery of the City Plan which sets the strategic direction for the City.	N/A	No action will be taken
9. Review and consider limiting future minimum rate and average rate increases above inflation, particularly on rate categories which have lower capacity to pay, to help minimise affordability risk in the community.	Any change in the structure of rates will increase rates charged to others in the community, and can only occur through a rate review and community consultation. This is a decision of Council and will be made based on their assessment of the desire to change rate structures. The recommendation also does not recognise that Council considers the feedback from its community on the services and infrastructure it requires. Depending on this, Council may be required to rate above CPI to sustainably fund the initiatives	N/A	Any action will be a decision of Council based on their assessment of the need to review its rating strategy and its delivery of projects or services required by its community



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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Salisbury
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the City of Salisbury

The Essential Services Commission (Commission) finds the City of Salisbury's (Council's) current financial outlook sustainable with conservative operating surpluses projected from the forecast growth in operating income marginally outpacing forecast cost growth. The Council expects to continue to renew its asset base at appropriate levels. However, its future financial position remains reliant on continued rate increases above inflation to help fund the current period of high infrastructure and service investment where there are cost risks.

Acknowledging this outlook, the Commission suggests the following steps to ensure that it budgets prudently, prioritises its capital spending in a transparent fashion, manages its cost base efficiently, considers spreading its borrowing repayments over a longer time period, plans its asset needs appropriately and ultimately, constrains the extent of further rate increases:

Budgeting and consultation considerations

1. Continue to review its inflation forecasts in its budget and forward projections, given the potential for higher short-term outcomes before a return to long-run averages.
2. Focus on controlling cost growth in its budgeting, including by reviewing its projected capital expenditure allocations (in consultation with the community, as required) to remove those which are not yet tied to defined and costed projects, and reduce the need for further rate increases.
3. Ensure that it publishes relevant reports regarding community consultation outcomes about large infrastructure projects which are to be significantly rate-funded.

Providing evidence of ongoing cost efficiencies

4. Report its actual and projected cost savings in its annual budget, to provide evidence of controlling cost growth and achieving efficiency across its operations and service delivery.

Managing operating cost risk

5. Develop and publish a risk management plan for the Salisbury Aquatic Centre, which incorporates an annual review of the requirements for recurrent spending (given demand estimates and outcomes), and the associated impact on the Council's operating capacity and quantum of rate contributions.

Borrowing repayment considerations

6. Review its projected borrowing repayment plans in its long-term financial plan projections with a view to spreading the repayments over a longer time period, if possible, to reduce the extent of the required financial contributions from ratepayers to meet repayments in the short to medium term.

ESCOSA Advice – City of Salisbury Comments

Service Expansion and Cost Risk

The City Plan 2035 is a 5122 Plan which has been consulted with the community and endorsed by Council. This document sets the strategic direction for the City of Salisbury's service delivery to the community. It is not possible to deliver on this strategy without infrastructure and service investment. Further, Local Government cost structures differ to those of households, and the underlying assumption in the ESCOSA framework is that Council rates should be maintained at or below inflation, from 2011/12 and into the future. This would require that the service provision from 2011/12 would need to have been reduced and continue to reduce into the future, which would not meet the service expectations of the community.

Budgeting Prudently

The City of Salisbury is committed to continuing its robust budgeting practices and striking a balance between service provision and infrastructure investment, and maintaining affordable rates.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Refinements to asset management planning

7. Review the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.
8. Review the new and upgraded asset expenditure projections (as per Finding 2) with consideration of the service levels desired by the community.

Containing rate levels

9. Review and consider limiting future minimum rate and average rate increases above inflation, particularly on rate categories which have lower capacity to pay, to help minimise affordability risk in the community.

ESCOSA Advice – City of Salisbury Comments



2 About the advice

The Essential Services Commission (Commission), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (SMPs) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (advice or the scheme) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (LTFPs) and infrastructure and asset management plans (IAMPs)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the City of Salisbury (Council).

This report provides the Local Government Advice for the City of Salisbury in 2022-23.

The Council is obliged under the *Local Government Act 1999* (LG Act) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the City of Salisbury for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

The Commission finds the City of Salisbury's current financial outlook sustainable with conservative operating surpluses resulting from its forecast income growth, led by rates growth, marginally exceeding the forecast operating cost growth associated with its service expansion plans. In the past 10 years, the Council has run relatively large operating surpluses, suggesting a period of service consolidation amidst moderate growth, while the community paid higher rate levels in real terms.

The Council has entered a period of service expansion with the Salisbury Aquatic Centre project and other capital enhancement plans. The Council's LTFP projections from 2022-23 forecast:

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

ESCOSA Advice – City of Salisbury Comments

Legislative Requirements

The City of Salisbury provided feedback on the draft framework proposed by ESCOSA, together with many other Councils and the Local Government Association, with ESCOSA adopting their originally proposed framework without change.

Our submission can be found at the ESCOSA website <https://www.escosa.sa.gov.au/ArticleDocuments/21900/20220729-Advice-LocalGovernment-DraftFrameworkApproachSubmission-CityOfSalisbury.pdf.aspx?Embed=Y>

Our submission highlighted our concerns with the approach that ESCOSA proposed, which was granular analysis over a 20+ year period. Section 122 of the Local Government Act does not require this granular approach. The Act requires ESCOSA to have regard to Council's objectives of having ratepayers make appropriate financial contributions for services and facilities. It is evident from the Advice that ESCOSA has had little regard to the City Plan, which sets the strategic direction for the City of Salisbury and is a S122 plan together with the Long Term Financial Plan and Strategic Asset Management Plan.

Historical Operating Surpluses & Salisbury Aquatic Centre

The City of Salisbury has achieved higher operating surpluses than budgeted due to a range of factors, including inconsistency in the payment of the Financial Assistance Grant, with some years having six quarterly payments needing to be brought to account as required by Accounting Standards.

Other factors include timing of the delivery of the capital works program, which when delays occur results in lower depreciation costs and interest costs than budget.

Surpluses were also bolstered from the impact of property development proceeds which at the time were quarantined for budgeting purposes to ensure that Council remained financially sustainable without these "abnormal" returns.

City of Salisbury has provided a swimming pool at the Salisbury Recreation Precinct since the '60's. This ageing asset was not meeting community expectations with limited attraction for families, and being open air was only operational during warmer months. Construction of a new pool is underway in this same location following external expert advice regarding the need to provide a pool and the location of other facilities to determine the viability. Community consultation resulted in a larger scale investment in the facility, and while this results in higher depreciation, overall it improved the operating result of the facility, and reduced the impact on ratepayers.

There is modest provision in the Long Term Financial Plan for construction of new assets and the provision of new or expanded services. This provision is appropriate given the public were consulted on the City Plan 2035 which sets the strategic direction for Council and has a number of projects on the horizon which are not yet sufficiently scoped to plan in a more detailed financial year at this time. We have also been shifting from Asset Management based on asset condition to continuity of service and with uncertainty regarding the financial impact it is important to "stress test" the financial forecast to determine the level of capacity for funding new and upgraded infrastructure.

- ▶ higher average cost increases than it has experienced over the past 10 years (and higher than projected inflation)
- ▶ the continued prioritisation of its asset expenditure on renewal and rehabilitation works, as well as higher spending on new and upgraded assets, and
- ▶ continued rate increases on the community, above the rate of inflation.

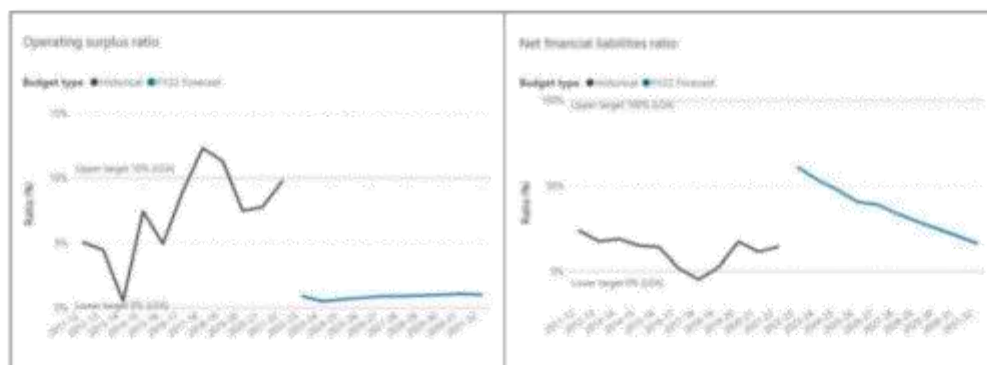
There are current risks to its financial sustainability arising from the extent of funding it has allocated for undefined capital projects in its forward projections, noting that the Salisbury Aquatic Centre project costs and associated service offerings have increased considerably from those originally planned. The Commission encourages the City of Salisbury to review these spending allocations critically and to publish community consultation outcomes on future spending priorities. The Commission has also observed that the Council's AMPs were last updated in 2015, which raises questions as to the current knowledge of the condition and the cost implications of maintaining or renewing the existing assets.

To finance the infrastructure projects, the Council has also borrowed more (with projected debt amounts still well within acceptable limits) and there might be an opportunity to reduce annual repayments with a longer loan payback period. This would then reduce the need for higher rate increases in the short to medium term.

The Commission considers that there may also be opportunities to continue to achieve savings and efficiencies in its recurrent budget and encourages the Council to review and report on this. This includes a review of the asset-related assumptions feeding into its estimated depreciation expenses.

The charts below of the City of Salisbury's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio and average rate revenue per property, together support these findings.

The 'heat map' diagram (over the page) summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators¹⁰ and the level of cost control and affordability risk identified for the Council over time.



¹⁰ The suggested LGA target range for the ratios are discussed in more detail in the attachment.

ESCOSA Advice – City of Salisbury Comments

Assertion that there are Risks to Financial Sustainability

The City of Salisbury has operated in a financially sustainable way since 2008/09, and it was at this time that Local Government commenced the recognition of assets and associated depreciation. Other levels of Government do not recognise depreciation in their cost structures. Over the past decade with improved asset understanding we have now recognised over \$2.3bn of assets with annual depreciation of over \$30M, which is an operating cost, and primarily funded through rates. During this period there has also been significant cost shifting from State Government including the Solid Waste Levy increasing from \$35 per tonne in 2011/12 to \$149 per tonne in 2022/23, equivalent to a 426% increase, Regional Landscape Levy 33% increase from 2011/12 to 2022/23 and Supported Housing accommodation rebates which were \$275k in 2011/12 increasing to \$677k in 2022/23, being an equivalent of 246% increase. Despite these challenges City of Salisbury has remained financially sustainable, carried out a series of service reviews to recalibrate its service offering and continues to deliver services expected by the community as determined by our strategic City Plan document.

Council's AMPs

AMPs (Asset Management Operational Plans) are technical internal documents. The service levels associated with Assets are contained in the Strategic Asset Management Plan, which is a \$122 Plan, **consulted with the community and approved by Council**. City of Salisbury is reaching maturity in our asset management planning with each asset class being comprehensively reviewed at a minimum of every four years, with the condition data and valuations from these reviews being utilised to reset renewal programs, and used to inform asset lives.

Debt

The City of Salisbury has \$1.8bn in infrastructure assets (excluding land), with the 2022/23 LTFP forecasting debt peaking at \$59.1M in 2022/23. This results in a Net Financial Liabilities ratio of 60.82% which is within Council's endorsed operating range for this indicator. The payback period for this debt is not a driver of rate levels. The LTFP is based on sound treasury management practices of ensuring that cash holdings are minimised and surplus funds are directed to lowering debt levels to minimise interest costs. The operating surpluses across the LTFP are at a low level, where if the intention was to have higher rate levels to repay debt more quickly this would result in higher operating surpluses. It should be noted that there is \$28.9M of sales proceeds from property development over the 10 year horizon of the LTFP that contributes to keeping debt levels at a lower level.

LGA Target Ranges

The LGA have not and should not establish target ranges for indicators, as this is a decision for Council.

Actual and Planned Results

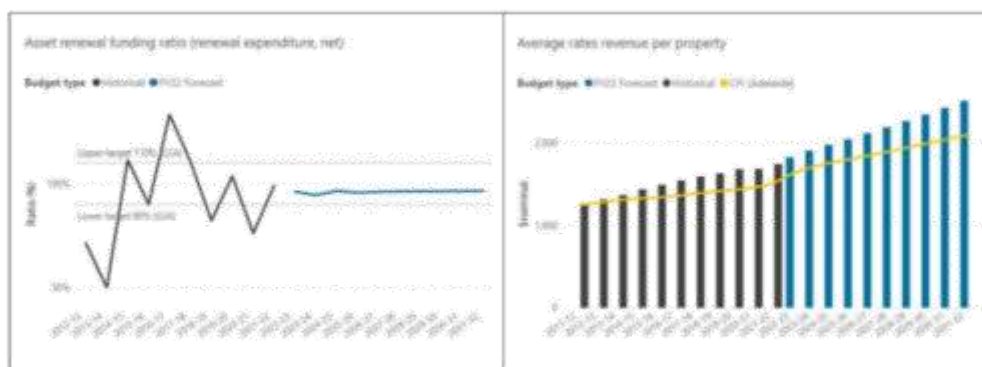
City of Salisbury has continued to budget and plan to operate within Council approved operating ranges for financial sustainability indicators. When actual results have varied to budget, these have been subject to extensive reporting at end of financial year, with these reports having been approved by Council's Audit Committee and Council.

Operating Surplus Ratio

The City of Salisbury has achieved higher operating surpluses than budgeted due to a range of factors, including inconsistency in the payment of the Financial Assistance Grant, with some years having six payments needing to be brought to account as required by Accounting Standards, rather than the four that are due in any one year.

Net Financial Liabilities Ratio

The Net Financial Liabilities Graph shows a result below zero, which means that Council's financial assets were greater than financial liabilities. This is not operating in a financially unsustainable way, and the approved range for this indicator is less than 70%, not between 0% and 70%.



Summary of the City of Salisbury's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)	2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)
Operating surplus ratio (target 0-10%)	Operating surpluses and target range generally met to 2021-22 (with high surpluses in two years) →		Ratio forecast to be met with continued operating surpluses →
Net financial liabilities ratio (target 0-100%)	Ratio met historically (apart from negative result 2017-18) and in forecast period →		→
Asset renewal funding ratio (target 90-110%)	Below target range	Some volatility but ratio generally within target range, on average →	Asset renewal spending in line with AMPs over LTFP projections →
Identified Risks:			
Cost control risk	Operating expenses per property average growth 1.9% p.a. to 2021-22 (CPI 2.0%) →		Cost pressures to 2024-25 Projected operating expenses per property average growth 3.1% p.a. (7 years to 2031-32)
Affordability risk	Rate revenue per property average growth 3.4% p.a. to 2021-22 (CPI 2.0%) →		Rate revenue per property forecast average growth 3.6% p.a. to 2031-32 (CPI 2.6%), with lower capacity to pay indicators →

	Ratio outside suggested LGA target range or higher risk
	Ratio close to suggested LGA target range or medium risk
	Ratio within suggested LGA target range or lower risk

The affordability risk for higher rate levels for the community could also be managed by:

- ▶ continuing community engagement on further rate increases and associated service level outcomes, to ensure continued support for any further increases, especially related to subsidising new capital initiatives, and
- ▶ reviewing the Council's rating policy to ensure the equitable sharing of the revenue requirement and consider minimising increases on more vulnerable groups of the community where the affordability risk is higher.

ESCOSA Advice – City of Salisbury Comments

Asset Renewal Funding Ratio

This graph is not accurate as it reports the Asset Sustainability Ratio in 2012/13 and 2013/14. Ignoring this inaccuracy in the graph, and focusing on 2014/15 onwards, City of Salisbury have planned for a ratio of 100%. Actual results have varied as reported in our end of financial year analysis reports, with the primary reason being delivery of the capital program with planned works being delivered in subsequent years, leading to a rolling average result of 100%, which given the scale of works and the complexity of our capital programs is reasonable.

Average Rate Revenue per Property

The calculation of average rates is not consistent with the methodology of the Local Government Sector, and the calculation of ESCOSA includes revenue increases from property development, which does not aid ratepayers in understanding how rate increases have applied. The Local Government Sector applies a rate in the dollar to the valuation data provided by the Valuer General. The current rate in the dollar is discounted for the average property movement for the Council area. For City of Salisbury, the average market movements for residential are determined separately from average market movement for commercial and industrial rates as different rates in the dollar apply to these different categories. By discounting the rate in the dollar Councils do not gain additional revenue from property market increases. Council then determine the average rate increase that will apply through consideration of the budget and Long Term Financial Plan, and it is this increase that is the average rate increase as defined by the sector. Each year there is land that is subdivided, and additional properties constructed, or additions to existing buildings. There is additional rate revenue that flows from these activities that helps to offset the costs of providing services to these new ratepayers, and also offset existing costs which keeps rates lower for all ratepayers and allows for service changes without the full impact of those changes flowing through to existing ratepayers.

Heat Map

Asset Renewal Funding Ratio

Last 10 years has a yellow region at the start of that period "Below Target Range". This region represents the asset sustainability ratio which is calculated as asset renewal expenditure divided by depreciation, which is not consistent with the calculation of the Asset Renewal Funding Ratio. Please refer to content above titled "Asset Renewal Funding Ratio".

Cost Control & Affordability Risk

The average rate increase over the past 11 years (2011/12-2021/22) is 3.0% not 3.4%, and over the past 5 years (2017/18 to 2021/22) the average annual rate increase was 2.1%, compared with CPI of 1.8% over this period, which demonstrates Council's ongoing commitment to manage the organisation sustainably, with a focus on service provision, balanced against affordability. For 2022/23 average residential rates increased by 3.5% and Commercial and Industrial Rates by 3.9% compared to CPI to June 2022 of 6.1%. The Long Term Financial Plan is not a 10 year budget. It is a health check on Council's financial sustainability, and as each annual budget is considered there will be a number of factors at play which will result in the actual budget varying to LTFP forecasts.

Long Term Financial Plan and Annual Business Plan (LTFP&ABP) Consultation

The LTFP&ABP is open for consultation each year, and will continue to be. Additionally, the community elect Council members to represent them and make decisions regarding services, and rates, amongst a myriad of other things. The performance over the past decade, highlighted above under the heading "Cost Control & Affordability Risk", demonstrates that Council has been effective at balancing the needs of the community and containing cost increases, noting that Council's cost structures differ from the basket of goods purchased by households as measured by the Consumer Price Index.

Rating Policy

Having differential rates in place is a mechanism that councils can use to share the rate liability based on capacity to pay. City of Salisbury has differential rating in place, with commercial and industrial properties having a higher rate in the dollar than residential, which is typically around 50% higher, and noting that for businesses rates are a tax deduction. Likewise, vacant land has a higher rate in the dollar, being 30% higher than residential properties to act as a dis-incentive to "land bank" and continue to have new housing stock entering the market. It should be noted that City of Salisbury Council must provide mandatory rebates of \$1.3M in 2022/23, with \$677k being for supported housing accommodation. This rebate increased from 25% to 50% in 2011/12 and then 75% in 2012/13, and that combined with the SA Housing Trust divesting its stock to Supported Housing Associations has been an ongoing impact for City of Salisbury's other ratepayers, who are cross subsidising this impact. This has the largest impact for Councils like City of Salisbury which have lower average property values where SA Housing and Community Housing Associations tend to hold housing stock.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the City of Salisbury's material changes to its 2022-23 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹¹

2.2.1 Advice on material plan amendments in 2022-23

The Commission has compared the City of Salisbury's projections in its 2022-23 LTFP with those from its 2021-22 LTFP and focused on the aggregate of the nine overlapping years' statistics: 2022-23 to 2030-31 to ensure a comparable analysis of material amendments.

The City of Salisbury's 2022-23 LTFP includes increases to its projected income, operating expenses, and capital expenditure estimates to 2030-31, compared with the 2021-22 forecasts.¹² Its operating position amendments are as follows:

- ▶ An additional \$82.1 million or 6 percent in total operating income. This includes an additional \$26.5 million or 50 percent due to higher user charges, mainly relating to the new Salisbury Aquatic Centre, which is currently expected to be operational by mid-2024.¹³ The Council stated in its 2022-23 LTFP that rates revenue estimates were also increased by an average of 0.6 percentage points per annum above inflation.¹⁴
- ▶ An additional \$88.1 million or 6 percent in total operating expenses. This includes an additional \$41.6 million or 7 percent for 'materials, contracts and other' expenses, and an additional \$38.0 million or 9 percent in 'employee costs'. Much of that increase is due to the expanded scope of the Salisbury Aquatic Centre, noting that higher inflation will also have an impact across all years of the LTFP.

Based on the Council's assumptions in its 2022-23 LTFP, an increase in its costs and revenue estimates by around 6 percent over the 2022-23 to 2030-31 forecast period¹⁵ would account for higher inflation, compared with same estimates in its 2021-22 LTFP.

The Council has assumed Consumer Price Index (CPI) inflation growth of 3.3 percent in 2022-23, then 2.8 percent in 2023-24 and 2.5 percent per annum from 2024-25. The Commission notes that compared with Reserve Bank of Australia (RBA) estimates the Council's stated assumptions for indexation in the short term could be low in the current inflationary environment, but that its assumptions thereafter are consistent with a return to long-run averages.¹⁶ Notwithstanding the need

¹¹ The attachment will be available on the Commission's website with the advice.

¹² The overlapping forecast period in both LTFPs (2021-22 to 2030-31 and 2022-23 to 2031-32).

¹³ City of Salisbury, Media Release: "Exciting plans released for new Salisbury Aquatic Centre", 23 December 2022, available at: <https://www.salisbury.sa.gov.au/>

¹⁴ City of Salisbury, 2022/23 Long Term Financial Plan and Annual Business Plan, June 2022, p. 17, available at <https://www.salisbury.sa.gov.au/assets/downloads/Council/22-23-Long-Term-Financial-Plan-and-Annual-Business-Plan.pdf>. The Commission notes that the projected average rates per property increase above the Council's projected CPI inflation growth to 2031-32 (in the Council's LTFP projections) is higher by 0.6 percent each year.

¹⁵ The set of nine years forecast in both the 2021-22 and 2022-23 LTFP projections.

¹⁶ RBA, Forecast Table - February 2023, available at <https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html>. The CPI (Australia-wide) is forecast to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 percent in the year to the June 2024 quarter and by 3.0 percent in the year to the June 2025 quarter. Beyond June 2025, the RBA has not published inflation

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LTFP 2021/22 compared with 2022/23

There are two primary changes in the LTFP year on year. The biggest impact was the review of inflation from a 9 year average (2022/23 to 2030/31) of 2.02% to 2.62% across the common years which increase the expenditure budget by \$32.8M and was also reflected in rate revenue required. The other impact was the potential to insource the operations of the Salisbury Aquatic Centre (SAC), rather than paying a contract management fee. This impact was across user charges and materials, contract and other costs. As the 2021/22 plan had factored in the outsourced model, and depreciation of the asset, SAC was not a significant overall variance year on year, but did impact on the detail of the operating budget with these changes largely offsetting each other.

LTFP 2021/22 & 2022/23 Average Rate Increase

The 2022/23 LTFP stated the average rate increase would be 0.6% above CPI, which is consistent with the 2021/22 LTFP. It should be noted that this is not a change in assumption which could be inferred from the ESCOSA Advice, further this assumption is not the same as "rate revenue estimates were also increased by an average of 0.6 percent" as stated in the ESCOSA Advice. The revenue increase also results from new rateable properties and development activity such as constructing new dwellings and commercial properties, as detailed in the LTFP Assumptions.

LTFP Assumptions

All LTFP Assumptions are reviewed each year, with sources of data being primarily Access Economics.

CPI / Inflation Growth

CPI is reviewed each budget when the Long Term Financial Plan is updated. Council had consulted with the community based on inflation of 3.3% in the 2022/23 draft Annual Business Plan, and with so much variability and economic uncertainty decided to remain with this forecast inflation rate. Council responded to the challenging economic conditions by reducing the average residential rate increase from 3.9% to 3.5% on adoption of the budget.

City of Salisbury LTFP CPI / Inflation Forecast

The City of Salisbury refers to CPI in the LTFP&ABP as this is an index that is known by many in the community, however, it is not reflective of the cost base of Council. The LTFP has an assumption that rates will increase on average over the plan by 0.6% above CPI, however, the real increase will only be determined when each budget is formed. Council are charged with the responsibility of determining the level of service that the community requires and balancing that with the cost to the community.

RBA Forecast

CPI forecast February 2023 was not available in March 2022 when the LTFP was being formed. The CPI in the LTFP will be updated as part of developing the LTFP for 2023/24 and each subsequent year.

for the Council to endeavour to find savings and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

1. Continue to review its inflation forecasts in its budget and forward projections, given the potential for higher short-term outcomes before a return to long-run averages.

The City of Salisbury's LTFP 2022-23 also incorporates an increase of \$52.9 million or 35 percent for capital expenditure on new and upgraded assets, over the period 2022-23 to 2030-31. Much of the increase is driven by the expanded scope of the Salisbury Aquatic Centre (from \$15.5 million to \$28.4 million), the carryover and retiming of part of the Council's prior years' infrastructure recovery program (which was not spent previously), and an increase in funding for new and upgraded assets by \$19.0 million over the period from 2025-26 to 2030-31.

The additional capital expenditure factored into the forward projections is being funded in large part by additional rate contributions, but much of the allocations are general without specific projects yet defined. The Commission notes that the Council generally demonstrates good governance related to its capital enhancement projects and the regular consultation of its community on service priorities and funding requirements. However, an implication of the Council 'locking in' significant funding allocations in its 2022-23 LTFP for undefined future projects is that it must also plan for further rate increases above inflation to help fund them.

The Salisbury Aquatic Centre¹⁷ was not in the Council's City Plan 2035 nor a particularly high priority in its 2020 community survey results;¹⁸ it also brings potentially significant upfront and ongoing costs in terms of subsidising its operation.¹⁹ The Council has not yet published the report containing the community consultation results specifically related to the facility.²⁰

The Commission notes that it is for the Council to determine the service level enhancements it wishes to provide to its community but, for the reasons identified above, it has also found that it would be appropriate to the City of Salisbury to:

2. Focus on controlling cost growth in its budgeting, including by reviewing its projected capital expenditure allocations (in consultation with the community, as required) to remove those which are not yet tied to defined and costed projects, and reduce the need for further rate increases.
3. Ensure that it publishes relevant reports regarding community consultation outcomes about large infrastructure projects which are to be significantly rate-funded.

forecasts, but a return to the long-term average (of 2.5 percent based on the midpoint of the RBA's target range of 2 and 3 percent) is a reasonable assumption.

¹⁷ The Council will receive grant funding of \$7.2 million for the aquatic centre from the South Australian Government. City of Salisbury, *2022/23 Long Term Financial Plan and Annual Business Plan*, June 2022, p. 7.

¹⁸ McGregor Tan, *City of Salisbury Community Perceptions*, December 2020, p 28, available at https://www.salisbury.sa.gov.au/assets/files/assets/public/general_documents/council/have_your_say/community_perceptions_2020_-_final_for_website.pdf. The survey results showed that 7 percent of respondents felt there was 'more things to do' by the Council related to recreation services and youth activities. Three service areas were identified as higher priority for improvement (the rest lower).

¹⁹ As identified in Dean Newbery, *Prudential Report, Salisbury Recreation Precinct Project*, November 2021 and discussed further in section C.1.

²⁰ This refers to consultation undertaken by UPRS in 2021, as referenced in Dean Newbery, *Prudential Report, Salisbury Recreation Precinct Project*, November 2021, p. 6. The Council's website otherwise provides consultation outcomes for its key infrastructure projects.

ESCOSA Advice – City of Salisbury Comments

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

New and Upgraded Assets Forecast Expenditure

Both the 2021/22 and 2022/23 Long Term Financial Plans (LTFP) had provision for new capital from year 3, which in nominal terms is \$15Mp.a and \$16.2Mp.a. respectively, with a greater level of new and upgrade being identified in the 2022/23 SAMP based on ongoing improvements in our asset management practices. Also impacting is the 2022/23 capital expenditure, with the 2021/22 LTFP including \$39.8M carryover to the 2022/23 financial year, which increased the capital program to \$70.1m in the 2022/23 LTFP. The majority of the difference was not additional capital expenditure, but rather capital expenditure planned for 2021/22 that was retimed into 2022/23, totalling \$37.3M.

Salisbury Aquatic Centre

Additional funds were also provided for the Salisbury Aquatic Centre (SAC). The 2021/22 budget included capital expenditure of \$18.7M with \$7.185m of funding, being a net \$11.515m, noting at this time the project was not fully scoped and costed, and as Council worked through this process it was determined that an additional \$3.8m would be required. Council through consideration of public consultation feedback and financial modelling of operating impacts associated with varying project scopes, decided to expand the scope of SAC to total expenditure of \$28.4M with \$7.185M of grant funding, being a net cost of \$21.2M, an increase in net cost of \$9.7m on the 2021/22 bid, but only \$5.9m to deliver a scope aligned to community expectations given the increase expenditure required to deliver the initial scope. The expanded scope decreased the cross subsidisation of the facility and consequently the impact on rates by over 40% inclusive of depreciation, and when considering the previous facility operating cost, the impact of the new facility expanded scope has an expected impact on rates of a one-off rate increase of 0.4%, and equates to \$5.33 on the 2022/23 average residential rate account.

Consultation Outcomes

Item 5.4.1 to the Community Wellbeing and Sports Committee 21 September 2021 was initially a confidential report, with confidentiality being removed February 2022. The results of community consultation have been publicly available since that time. ESCOSA flagged in broad terms that their report would cover SAC, we offered that if ESCOSA could be more specific we may have other relevant information to provide. This was declined. Key findings from consultation were:

- 93% of 'non-users' of the existing pool indicated that it was a result of the pool not being open at times of preferred use, or that they didn't know where it was/how to get there.
- Top facilities requested were indoor warm water pool (78%), water slide (70%), café (67%), picnic area (65%), water play (63%).
- Over 50% of respondents indicated they would use an outdoor pool for lap swimming, with 37% preferring a 50-metre pool, compared to 11% preferring a 25-metre outdoor lap pool.
- Top 3 responses to why people would visit the new aquatic centre are to swim for fun, swim for fitness and swimming lessons.
- Entry cost (48%), safety (47%), entertainment options (42%) and cleanliness (39%) were identified as the most important visitation considerations.

The consultation report is available for public review at [Salisbury Aquatic Centre - City of Salisbury](#)

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Community Survey

In terms of community survey results, Recreation Services and Youth Activities were ranked in 4th place for improvement to quality of life in the City of Salisbury. Council is capable of addressing feedback across multiple services, 4th spot is not insignificant in terms of community response, and a decision was needed regarding the ageing pool asset which was constructed in the 1960's, to either close the pool and cease providing the service, or provide a pool with a modern service standard.

2.2.2 Advice on financial sustainability

Operating performance

The City of Salisbury has had operating surpluses from 2011-12 to 2020-21 and, in the last five years (to 2020-21), it achieved an operating surplus averaging \$11.9 million per annum (mainly used to repay borrowings and to support funding an increasing capital expenditure program). Its operating surplus ratio is forecast to reduce to more conservative levels and will remain within the suggested LGA target range over the forecast period to 2031-32 (when it will average 0.9 percent or \$1.5 million per annum).²¹

The Council generated operating income growth of 2.8 percent per annum from 2011-12 to 2020-21, compared with operating expense growth of 2.4 percent per annum.²² This exceeded the average rate of CPI inflation (1.7 percent per annum) over that period.²³ Rate revenue growth of 4.0 percent led the income growth, with offsetting reductions in user charges and grants income. Expense growth was led by higher depreciation expenses (4.4 percent) and 'materials, contracts and other' expenses (2.7 percent).²⁴ The Council's 'employee costs' increased by an average of 1.4 percent annum (reflecting a decrease of approximately six Full Time Equivalents (FTEs) per year).

Looking ahead, the estimated average growth in operating expenses over the next 10 years of 4.1 percent per annum²⁵ (which is higher than RBA-based forecast inflation growth of 2.8 percent),²⁶ combined with higher growth from rates and user charges, is expected to maintain the Council's operating performance. The Council is projecting average annual rates revenue growth of 4.2 percent (to 2031-32), which assumes average growth in rateable property numbers of 0.6 per annum (the impact on ratepayers is discussed further below).

To minimise cost and ultimately, rate pressures, it is important that the Council finds opportunities for tangible savings in its budget, where possible. The Council noted that it had implemented an energy efficiency program in its 2022-23 budget.²⁷ However, it does not appear to have identified the quantum of the savings generated nor shown any other tangible savings. Given the extent of the Council's increase in operating expenses forecast over the next 10 years, the Commission considers that it would be important for the City of Salisbury to:

4. Report its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its future operations and service delivery.

The Council has estimated that the Salisbury Aquatic Centre will also contribute to a lower operating surplus ratio, with net operating losses forecast, over the first five years of operation, totalling \$5.4 million (including depreciation and excluding debt servicing costs). Thereafter annual losses are

²¹ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (LGA SA Financial Indicators Paper), p. 6).

²² Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²³ CPI Adelaide (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²⁴ The Commission notes the impact of the increase in the solid waste levy on councils' waste management costs.

²⁵ This does not include the initial budgeted increase in total operating expenses of 9.1 percent in 2022-23.

²⁶ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

²⁷ City of Salisbury, *2022/23 Long Term Financial Plan and Annual Business Plan*, June 2022, pp. 88 and 90.

ESCOSA Advice – City of Salisbury Comments

Operating Surpluses

Average operating surpluses 2016/17 – 2020/21 were \$8.7M above budget expectations, with these impacts not being evident during the budget setting process. The main factors contributing to this favourable result include Grant revenue with \$5.4M Grant income received ahead of time and additional grant revenue including Roads to Recovery \$2.2M, Financial Assistance and Untied Local Roads grants \$6.7M and Other of \$2.2M, with no communication regarding any of these grant impacts being provided during the budget setting process. During this period there were property development proceeds which were quarantined to assist funding the Salisbury Community Hub, together with earnings on these proceeds. Our treasury management practices had a total impact of \$4.8M, with a smaller proportion of this saving result from the timing of the delivery of capital works. Additionally, there was \$7.8M favourable depreciation expenditure over the 5 year period with the most significant impacts resulting from review of asset components and lives of \$7.0M with these impacts being factored in immediately and then built into subsequent budgets and reflected into lower subsequent rate increases. Given the nature of these impacts it is reasonable that operating surpluses exceeded budget expectations.

Operating Income

Average rate increases were not at 4.0% over this period, as the 4.0% quoted by ESCOSA reflects rates on new subdivisions and new building construction, with this activity also increasing costs to maintain infrastructure and provide services. User charges income dropped over this period with the outsourcing of recreation services and rather than receiving income and paying the costs of operating these facilities, Council paid a management fee instead, with this model providing savings to the community. This statement by ESCOSA is misleading as it reads as though rates were increased and offsetting reductions in user charges.

Cost Minimisation

The budgeting and cost management practices within the City of Salisbury are complex, with the organisation adapting to increased customer expectations and changes in the external environment, often with the cost of the adaption being absorbed. An example is the resource taken in relation to the ESCOSA review process, with this being a significant impost on Council in providing feedback on the draft framework, with ESCOSA the finalising framework without any of the changes suggested by the industry being adopted, and providing detailed comments in relation to the resulting report to ensure that a balanced and comprehensive view is available to the community. To monitor savings and cost increase avoidance is a complex task and resource intensive.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Salisbury Aquatic Facility

The annual impact of the new aquatic facility compared to the old facility is approximately \$0.4M, which is the equivalent of a one-off rate increase of 0.4%, and equates to \$5.33 on the 2022/23 average residential rate account. This compares with the following paid directly or indirectly to State Government: Regional Landscape Levy which for the 2022/23 financial year is a cost of \$33.88 to the average residential ratepayer, and the Solid Waste Levy \$3.7M which equates to \$49 per average residential rate account. Further mandatory rebates total \$1.3M for 2022/23 and are funded by other ratepayers, and equates to \$17.23 on the average residential rate account.

estimated to be up to around \$1 million per annum (once the facility reaches 100 percent capacity). This means that all ratepayers will be expected to subsidise the operations of the aquatic centre over the life of the investment, through their rates.

The average annual net loss annually equates to around \$16 per ratepayer but there are additional risks to the cost estimates. The Commission notes that, as for all major capital projects of this nature, it will be important for the Council to focus on post-construction ownership and operating risks and to have regard to competitive neutrality obligations.²⁸

To manage risks related specifically to the new aquatic facility, the Commission has found that it would be appropriate for the Council to:

5. Develop and publish a risk management plan for the Salisbury Aquatic Centre, which incorporates annual review of the requirements for recurrent spending (given demand estimates and outcomes), and the associated impact on the Council's operating capacity and quantum of rate contributions.

Net financial liabilities

Despite the Council's large operating surpluses from 2011-12 (including depreciation expenses), its net cash flows after operating and investing (that is, capital-related) activities has averaged \$2.5 million per annum between 2011-12 and 2020-21. This reflects the Council's repayment of borrowings, as well as secured grant funding specifically for new and upgraded assets to support its increasing capital expenditure program.

The Council has consistently used borrowings and other financing options (such as cash and leases) to fund its assets as required, and over time, this has been within the suggested LGA target range for the net financial liabilities ratio.²⁹

It will continue to meet the suggested LGA target range under its 2022-23 forecasts and has projected a reduction in the ratio from a peak of 60 percent in 2022-23 to an average of 25 percent in the five years to 2031-32. The additional borrowings (of \$32 million) will help fund the Council's Salisbury Aquatic Centre for \$25.5 million (its largest capital expenditure item in 2022-23). The Council will also receive grant funding of \$7.2 million for the aquatic centre from the South Australian Government under the Local Government Infrastructure Partnership Program.

The reduction from 2022-23 onwards is projected to come from progressive repayment of total borrowings (of \$24.3 million over the next five years to 2026-27) and higher operating income growth. This indicates that the Council may be accelerating the payback of its new loans relative to the lifespan of its assets (for example the aquatic centre), and it may be appropriate for it to review these financing assumptions in its LTFP, so the loan costs are spread across a longer period.

For this reason, the Commission considers that it would be appropriate for the City of Salisbury to:

6. Review its projected borrowing repayment plans in its long-term financial plan projections with a view to spreading the repayments over a longer time period, if possible, to reduce the extent of the required financial contributions from ratepayers to meet repayments in the short to medium term.

²⁸ Dean Newbery, *Prudential Report, Salisbury Recreation Precinct Project*, November 2021, pp. 15 and 26.

²⁹ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

ESCOSA Advice – City of Salisbury Comments

Salisbury Aquatic Facility

The Salisbury Aquatic Facility does not result in a \$1M additional cost to the budget, as the cost of the current facility has not been factored into this comment. Please refer to comment on the previous page for further information. The cost for the average residential ratepayer is a one-off rate increase of 0.4% and equates to \$5.33 based on 2022/23 rates.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Treasury Management and Borrowing Strategy

City of Salisbury takes a wholistic approach to Treasury Management. Cash Advanced Debentures are the primary facility that has been used for financing activities over the past decade. These facilities act like an overdraft, meaning that cash can be directed to reducing debt levels and then facilities redrawn as required. The comment that cash is not utilised to fund assets is not correct. Leasing has been a less desirable option for funding assets due to higher interest costs that are charged through leases, than can be obtained by Council borrowing directly. Borrowings are not taken out for specific projects, but rather the net borrowing requirements to deliver Council's infrastructure program.

Loan Repayments

Operating Income growth is not a driver in debt repayment. Operating income increases are required to fund operating expenditure growth, with modest forecast surplus. Debt is in the form of Cash Advance Debentures which operate like an overdraft. When surplus funds are available the debt is repaid, and this is achieved primarily as a result of unanticipated favourable budget impacts whether they be timing or permanent, which in turn reduces interest costs and further increases funds available to reduce the debt position. Repayment of debt more slowly will result in higher interest costs, which will have a negative impact on rates if the organisation continues to operate with a budgeted operating surplus. Rate increases are not driven by the desire to repay debt.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Asset renewals expenditure

Between 2011-12 and 2020-21, the City of Salisbury's spending on new or upgraded assets averaged \$20.4 million per annum, compared with \$16.2 million on the renewal of its asset base. However, the overall amount of spending on asset renewals has been within the requirements the Council identified in its AMPs. The asset renewal funding ratio (IAMP-based) was within the suggested LGA target range (90 percent to 110 percent) across years,³⁰ including an average of 90 percent between 2018-19 and 2020-21.

From 2022-23, the Council is increasing both asset renewal and new and upgraded asset expenditure, and its asset renewal funding ratio (IAMP-based) is expected to trend around the mid-point of the suggested LGA target range (with an average annual renewal expenditure of \$17.1 million, in nominal terms). This also coincides with higher forecast spending by the Council on new or upgraded assets (estimated to average \$22.6 million per annum to 2031-32). This reflects the Council's relatively large capital budget in 2022-23, which includes the spend on Salisbury Aquatic Centre Redevelopment (of \$25.5 million in 2022-23).

The Commission encourages the Council to continue to focus on prioritising renewal of its assets in line with its AMP requirements.

With the Council's projected higher capital expenditure, the depreciation expenses are projected to be significantly higher than renewal spending. Renewal spending is forecast to account for 56 percent of depreciation expenses on average to 2031-32.³¹ One area that might be leading to higher depreciation expense forecasts, relative to annual asset renewal expenditure needs, is the Council's recent accumulation of new assets following its capital expenditure projects. Another risk that arises when depreciation expenses exceed spending on asset renewals is that the asset lives are assumed to be shorter (in the depreciation calculation) than occurs in practice. The implication of projecting higher than necessary depreciation expenses is that higher operating income (and potentially higher rates income) is required to generate an operating surplus for the Council.

In general, it would be prudent for the Council to re-examine the key drivers of its depreciation modelling (such as average asset lives and asset valuations), but also its projected increase in new and upgraded capital expenditure over the period of its LTFP.

The Commission has also observed the Council's individual AMPs were last updated in 2015, and the information may include dated assessments of asset condition, service levels, asset renewal requirements and community expectations. In addition, the Council's 2022-23 LTFP includes significantly more expenditure on new and upgraded assets than has been originally projected in the AMPs.

For these reasons, it would be appropriate for the City of Salisbury to:

7. Review the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of asset lives

³⁰ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

³¹ The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses) is forecast to average 53 percent to 2031-32. This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

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Renewal v New Expenditure

The level of renewal is appropriate if it is delivering on the requirements of the Strategic Asset Management Plan, which it does, as Council always budgets to fully fund the SAMP renewal program. At times Council determine to replace ageing assets with new modern assets which provide a significantly improved service to the community. An example is the Salisbury Community Hub, with a budgeted cost of \$43M. This expenditure is treated as new, although replacing the old civic centre on James St, and the library on John St. If this had been treated as renewal, the average renewal expenditure over this period would have been \$20.5M compared with new of \$16.1M. Salisbury Aquatic Centre is another example of this approach, which is wholly focused on providing an appropriate, modern level of service to the community.

Renewal Expenditure compared with Depreciation

Renewal expenditure is determined by asset condition and service standards, and is detailed in Council's Strategic Asset Management Plan. Council have continued to fund 100% of the SAMP renewal. New assets have an impact on depreciation, but more significant is the need to revalue assets to take into account market increases, so that assets are always valued at fair value rather than at historical cost. Typically, the average indexation for assets is higher than CPI, e.g. concrete prices impact the values of some of Council's Drainage Assets like Junction Boxes and Side Entry Pits, which increased at a minimum of 9.3% in 2020/21 compared to the Adelaide CPI of 2.8%. Assets owned by Councils have long lives, for example around 25% (\$524M) of Council's infrastructure assets are drainage assets, which are depreciated over 100 years, with annual depreciation for these assets being \$5.3M, and renewal expenditure averaging \$933k over the last 5 years which only represents around 18% of the drainage asset depreciation. Likewise, kerbing assets have lives extending up to 250 Years in some locations (such as on local roads). Kerbing assets are worth \$173M with annual depreciation of \$970k and renewal expenditure averaging \$376k over the last 5 years, or only around 39% of the kerbing depreciation, noting that renewal for some components will be decades if not centuries away. Finally, under Australian Accounting Standards, we are required to depreciate assets based on an assessment of lives, which when long life assets are involved, can be difficult to determine, and must be set conservatively. Asset lives are reviewed annually and as new information is available, lives are adjusted accordingly. It is illogical to assert that renewal expenditure in the short term (decades) should equal depreciation expense.

Asset Management

The City of Salisbury uses up to date asset condition information to inform the Strategic Asset Management Plan which was last reviewed in the 2021/22 financial year, with the renewal program and LTFF reflecting this information. The focus of the SAMP is renewal, rather than new capital expenditure, with new capital expenditure determined through Council's City Plan. As projects aligned to the City Plan are developed and progressed through Council they are incorporated into the Budget and Long Term Financial Plan and the provision for new capital expenditure reduced accordingly. This approach has not been acknowledged by ESCOSA, and is fundamental to continue to deliver infrastructure aligned to community expectations as determined by the City Plan.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22

Asset Renewal Funding Ratio

The Asset Renewal Funding ratio is calculated as renewal expenditure divided by that required by the **Strategic Asset Management Plan**. Where Strategic Asset Management Plans are in place it is inappropriate to calculate this ratio with depreciation being the denominator as there is recognition that the ratio so calculated is not particularly meaningful when you have long lived assets that were all constructed within over just a few decades, as renewal of these assets will be several decades, and at times centuries into the future. We are also required to depreciate all assets, whether they will be renewed or not. For example, drainage pipes can be lined to provide a further period of life. The cost of lining pipes is a cheap intervention and can extend the life by 50 to 100 years, but we are not able to take this intervention and extension of life into account when setting the depreciation for the initial installed pipe network. The \$435M of pipe network is depreciated over 100 years, and as we get closer to the end of this life we will have better information about the life and its accuracy.

and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

8. Review the new and upgraded asset expenditure projections (as per Finding 2) with consideration of the service levels desired by the community.

2.2.3 Advice on current and projected rate levels

The City of Salisbury's rate revenue per property growth has averaged 3.4 percent or \$49 per annum for each property over the past 10 years³² and equated to \$1,744 per property in 2021-22. This is double the rate of CPI inflation over this period (averaging 1.7 percent per annum).

The Council implemented a 4.6 percent increase to its rates revenue per property in 2022-23,³³ which is higher than previously forecast in its 2021-22 LTFP. The increase is due to the Council's estimate of higher inflation, and to maintain financial sustainability while also increasing funding to provide expanded services and the ongoing costs of new infrastructure.³⁴ Its 2022-23 LTFP forecasts an average increase of 3.6 percent annum or \$685 in total to existing rates to 2031-32 (to \$2,509), which represents an increase of \$224 above the Council's assumed inflation growth.³⁵

Affordability risk among the community for the further rate increase appears moderate based on a range of factors including the existing rate levels³⁶ and the projected increases (above the forecast rate of inflation), an assessment of the economic resources available to the community³⁷ and the Council's increasing expenditure forecasts (for example related to new and upgraded assets or new service provision) which risks further increases to its general rate levels.

For these reasons, it would be appropriate for the City of Salisbury to:

9. Review and consider limiting future minimum rate and average rate increases above inflation, particularly on rate categories which have lower capacity to pay, to help minimise affordability risk in the community.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the City of Salisbury's:

- ▶ ongoing performance against its LTFP estimates
- ▶ review of capital expenditure allocations for undefined projects

³² From 2011-12 to 2021-22.

³³ Based on the Council's Excel template submitted to the Commission.

³⁴ City of Salisbury, *2022/23 Long Term Financial Plan and Annual Business Plan*, June 2022, p. 17.

³⁵ The Council's projected CPI inflation is 3.3 percent in 2022-23, 2.8 percent in 2023-24, and then 2.5 percent thereafter (City of Salisbury, *2022/23 Long Term Financial Plan and Annual Business Plan*, June 2022, p. 17). This is broadly consistent to the CPI line in charts throughout this Advice which are based on RBA forecasts and then, a return to long-run averages from 2025-26 (with growth of 2.5 percent per annum).

³⁶ Refer to the Councils in Focus website available at https://councilsinfocus.sa.gov.au/councils/city_of_salisbury for 2019-20 rates data by council.

³⁷ The City of Salisbury area is ranked 17 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics socio-economic indexes for areas Index of Economic Resources (2016), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscribe.nsf/!openagent&2033055001%20-%20Iga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&2.7.03.2018&Latest>.

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Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22.

Average Rate Revenue per Property

The calculation of average rates is not consistent with the methodology of the Local Government Sector, and the calculation of ESCOSA includes revenue increases from property development, which does not aid ratepayers in understanding how rate increases have been applied. Further information about how Local Government calculates average rate increases can be found on pages 120 to 123. Over the 10 year period 2013/14 to 2022/23 the average rate increase was 2.77% for residential properties and 2.81% for commercial and industrial rate payers, not 3.4%.

Average Rate Increase 2022/23

The 4.6% quoted by ESCOSA is not the average rate increase. The 2021/22 LTFP was based on inflation in 2022/23 of 1.7% which was based on Access Economics forecast. With significant economic upheaval post COVID-19 and with the Russian invasion of the Ukraine, CPI forecasts changed dramatically after the adoption of the 2021/22 LTFP. When setting the 2022/23 LTFP, forecast CPI was 4.25%, however, Council worked to contain costs, and implemented average rate increases of 3.5% for residential rates, and 3.9% for commercial rates, with the minimum rate also increasing by 3.5%. Given the changes in economic circumstances City of Salisbury delivered an average rate increase below CPI to try to contain the impacts for the community. Council's role is to balance the various needs and wants from the community with the community's capacity to pay.

Advice: These specific advice items are responded to in Council's Action Plan, contained in Pages 20 to 22.

Advice and Focus Areas

It is Council's decision what actions to take in relation to the advice provided by ESCOSA, and so whilst ESCOSA has highlighted the next Advice and focus areas, which are aligned to the Advice provided (highlighted in blue comment boxes through-out the ESCOSA report), a focus on these areas disregards the action plan that Council will develop in response to the Advice, and that choices Council is entitled to take.

Council's Excel Template

This template is not a template of the City of Salisbury, it is a template that ESCOSA require to be completed as part of their review process

ABS Socio-Economic Index

We acknowledge that City of Salisbury is a community of lower economic means than some other communities. Unfortunately, with relatively low levels of grant funding City of Salisbury is reliant on rate revenue funding approximately 80% of its operating expenditure. In other states the relevant State Governments provide significantly more grant funding to fund operational expenditure and this enables lower reliance on rate revenue in these states. The expectation of ESCOSA that rates should be limited to CPI will result in a contraction of services provided by Councils and this will not meet community expectations. It should be noted that despite SA Housing Trust stocks being primarily located in areas of lower socio-economic capacity, the State Government still decided to increase the mandatory rebate on Supported Accommodation from 25% to 75%, and divest housing stock to Community Housing Associations – this lost revenue then impacts on other ratepayers through higher rate increases and impacts on people that are in a similar financial situation to those in social housing. This resulted despite the strong advocacy of the local government sector.

- ▶ achievement of cost savings and efficiencies, and its reporting of these achievements
- ▶ its risk management progress related to the Salisbury Aquatic Centre
- ▶ progress in reviewing and updating the AMPs and its depreciation expenses, and
- ▶ how it has sought to minimise any affordability risks.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
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Hon Geoff Brock MP



23MINLG-0472

Mayor Gillian Aldridge
City of Salisbury
12 James Street
SALISBURY SA 5108
galdridge@salisbury.sa.gov.au

Dear Mayor Aldridge

As I trust that you are aware, the Essential Services Commission of South Australia (ESCOSA) has a new role to provide advice to individual councils every four years in relation to a council's long-term financial plan, infrastructure and asset management plan, and revenue sources as outlined in the council's funding plan. Councils must publish this advice, and any response they make to it, in their annual business plan each year.

The intent of the Local Government Advice Scheme (the Scheme) is to increase trust and confidence in councils' financial sustainability through the transparent release of information by an independent authority, that body being ESCOSA. The Scheme was established through amendments to the *Local Government Act 1999* (the Act) by the State Parliament following significant debate on rate capping during the previous term, and ultimately in a form that was supported by the local government sector at the time.

In February 2023, ESCOSA provided its advice to each of the first 15 councils comprising the first tranche, including the City of Salisbury (the Council), and has published the advice on its website. I note that ESCOSA found that the Council's financial position is sustainable with conservative operating surpluses projected from the forecast growth in operating income marginally outpacing forecast cost growth.

Such independent advice should provide a level of comfort to the Council, elected members, and your community that their municipal services are being managed well. I therefore encourage the Council to draw your community's attention to this finding. Making this positive independent advice known will likely increase the trust and confidence of ratepayers in the decisions their council is making about revenue and expenditure, in the context of their council's long-term financial planning.

While the ESCOSA advice does not address any single year's rate increase, this reassurance to communities is particularly important at a time when many councils are implementing rate increases in the range of six to thirteen per cent.

Minister for Local Government | Minister for Regional Roads | Minister for Veterans Affairs

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OFFICIAL

One of the key intents of the Scheme is to position all council members to better understand their council's financial position and performance, and I trust that you and all of your fellow Council members will take this opportunity to do just that.

ESCOSA has provided specific recommendations for changes to the Council's strategic management plans to ensure its financial sustainability and ratepayers' confidence they are paying an appropriate level of rates for council services. I note that the Council has published a response to these recommendations. I encourage you and your fellow elected members to consider the recommendations and work through any actions that may need to be taken to fully respond to these improvements.

I also note that the Council's response identifies that many of the specific action items are already in place and that the Council does not intend to make any changes. I encourage you and your fellow members to insist that your administration provides clear explanations as to the content of the ESCOSA advice, any actions that the administration is proposing to address it, and—if the administration is of the view that no actions are necessary—why this is the case, particularly as the advice raises matters that have the potential to have significant impacts on your ratepayers in the future.

I emphasise that ESCOSA's advice is provided on the basis of each council's financial and asset management planning for the next ten years. Your Council's response should therefore give you certainty that your administration is making any changes or improvements that are needed to address the matters raised by ESCOSA.

I also note that the Council's 2023-24 Annual Business Plan questions the approach taken by ESCOSA and expresses concern that ESCOSA did not have direct or detailed discussions with the Council. If your administration is of the view that ESCOSA's advice is based on incorrect information, I encourage the administration to engage more closely with ESCOSA in the preparation of the advice in future.

I am aware that some in the local government sector do not support the intent and the implementation of the Scheme. However, it must be remembered that ESCOSA is an independent body that has been tasked by the State Parliament to provide thorough and dispassionate advice to all councils on a matter that is fundamental to their good operation—their financial sustainability. To my mind, it is difficult for a council to argue that this advice is of limited value, particularly when significant risks are identified that could have detrimental impacts on ratepayers in the future.

I have always been clear that I do not support policies that seek to impose formal restraints on the ability of councils to determine what services should be provided within the context of their ratepayers' ability and willingness to pay for them.

OFFICIAL

However, I also acknowledge that ratepayers' lack of understanding and trust in the decisions that their council is making in this regard underpins the broad appeal of policies such as rate capping. The Scheme was aimed directly at addressing this issue, and I urge councils to use the independent advice they receive to support their decision-making.

I strongly encourage any council or elected member with questions about the Scheme, including its costs, to contact ESCOSA by telephone on 08 8463 4444 or using the contact form on its website at www.escosa.sa.gov.au/engage/contact to discuss these matters.

ESCOSA has expressed to me its desire to work with those in the local government sector to ensure that the advice provided is well-informed by council information, and is constructive and useful.

It is also worth bearing in mind that the Scheme is still in its early stages. I intend to await the full four-year rollout before considering whether changes are warranted and deserving of future consideration by the State Parliament.

I also note that any suggestion for improvement of the Scheme from councils must be informed by community consultation that is open and truthful about the advice being received, and does not simply seek to remove an independent level of monitoring of the local government sector.

I also emphasise that mature governments understand independent oversight and transparent decision-making are fundamental to the quality of the decisions we make, and for the assurance of our residents and ratepayers that these decisions are made in their best interests and for the public good.

I trust that you and your fellow elected member colleagues will use the advice and recommendations from ESCOSA to improve decision-making within your council, as well as to ensure that your community has confidence that their council is financially sustainable and is making decisions about the rates that they contribute to your council for the greatest public good now and for the future.

Yours sincerely



Hon Geoff Brock MP
MINISTER FOR LOCAL GOVERNMENT

25/10/2023



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November 2023

Office of the Mayor
Gillian Aldridge
maldridge@salisbury.sa.gov.au

Mr Geoff Brock MP
Minister for Local Government
GPO Box 1533
SALISBURY SA 5001

Dear Mr Brock

I refer to your letter dated 25 October 2023 in relation to the Council response to the Essential Services Commission of South Australia (ESCOSA) Local Government Advice report on the City of Salisbury's financial sustainability as required under the Local Government Advice Scheme (Scheme).

At its November Council considered your letter and resolved to provide a response to the letter given Council's concern with some matters raised in your letter.

It appears that the letter aims to ensure Councils are clear on the intent of the Scheme and your expectation that Councils should appropriately engage with ESCOSA and give careful consideration to the advice given by ESCOSA so that all Councils can deliver services to the community in a financially sustainable manner. I note that our Council is supportive of the Scheme and its intent but also have some concerns with matters raised in your letter which I have summarised below.

In the letter it appears to assume that Council had not appropriately considered the ESCOSA report and the responses to the recommendations made by ESCOSA. It also implies that Council's administration has not appropriately informed Council. I note that Council received a briefing on the report on the 29 March 2023 and then considered a report at its 17 April 2023 Finance and Corporate Committee and then at its Ordinary Council meeting held on the 24 April resolving to adopt the responses presented in our 2023/24 Annual Plan and Budget.

Further Council's Audit and Risk Committee also considered the ESCOSA report, recommendations and Council's response at its 12 April 2023 meeting.

The other concern is the implied reference that Council's administration view of limited engagement by ESCOSA in finalising its assessment and final report is not accurate. I note that Council administration attempted on many occasions to engage with ESCOSA staff to help them better understand the financial and asset information but there appeared to be minimal interest in this engagement with the predominate engagement being requests for information from Council staff.

We had raised this concern directly with ESCOSA which resulted in a meeting between our Chief Executive Officer and ESCOSA Chief Executive Officer with an aim to better understand how this can be resolved. We are of the view that our concern with minimal engagement is reflected by the further comments we have made to the ESCOSA final report provided in February 2023 which we also attached to our publicly available 2023/24 Annual Plan and Budget report.

Your letter also refers to significant risks but its unclear if this reference is specific to the City of Salisbury or a general statement. As we understand there were no significant risks identified in the report by ESCOSA with ESCOSA noting that Council's financial outlook is sustainable.

Finally, I would like to reaffirm Council's position on the Scheme in that it fully supports the independent oversight of Local Government authorities and the value that this can provide to not just the local authorities but the broader community that we all serve, however in order to maximise the returns from such oversight it is believed that through better engagement with the sector and individual Councils a more thorough understanding of each Council's financial standing can be achieved.

I trust this letter provides some clarity to our view of the matters raised in your letter and would welcome a discussion with yourself and staff if you believe this would be beneficial to drive a better outcome for the Scheme.

Yours sincerely

Gillian Aldridge OAM
MAYOR

ITEM	3.1.5
	GOVERNANCE AND COMPLIANCE COMMITTEE
DATE	20 November 2023
HEADING	Policy Review - Plaques and Memorials Policy
AUTHOR	Ben Hopkins, Team Leader Sport, Recreation and Cemeteries, Community Development
CITY PLAN LINKS	1.1 Our City is attractive and well maintained 4.1 Members of our community receive an exceptional experience when interacting with Council 4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	The Plaques and Memorials Policy has been reviewed and updated in accordance with the requirement to review Council policies within 12 months following an election. General amendments have been made to the existing policy to provide greater clarity.

RECOMMENDATIONThat Council:

1. Adopts the revised and updated Plaques and Memorials Policy as set out in Attachment 1 (Governance and Compliance Committee, 20 November 2023, item no. 3.1.5)

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Plaques and Memorials Policy

1. BACKGROUND

- 1.1 The City of Salisbury maintains a policy in relation to Plaques and Memorials that community members request to be placed in the Council area. This Policy is subject to Council's Policy Framework which required all Policies to be reviewed within 12 months of a general election and thereafter every two years.
- 1.2 The policy serves as a guide to the City of Salisbury for the placement, design, maintenance and recording of all plaques and memorials within the Council area.
- 1.3 While appropriate memorials can enrich public open space, it is important that memorials and plaques are carefully considered to ensure they do not have negative impact on the amenity of the open space.

2. DISCUSSION

- 2.1 The Plaques and Memorials Policy has been reviewed by the Policy Owner.
- 2.2 Minor changes have been made to remove duplication within the policy and also to clarify the Council's responsibilities.
- 2.3 Changes/amendments are as follows;
 - 2.3.1 Clause 2.6 – Addition of specific reference to Department for Infrastructure and Transport;
 - 2.3.2 Clause 4.1 – Expansion of the definition of a memorial to include a 'collection of objects' rather than a single object;
 - 2.3.3 Clause 4.2 – Inclusion of a definition of "the Panel";
 - 2.3.4 Clause 5.3.1 – Changed "designated" areas to "preferred" areas, acknowledging the Council may approve the placement of memorials outside of the designated areas;
 - 2.3.5 Clause 5.3.2 – Amendment to allow the number of existing memorials to be factored in at the stage of consideration of a memorial, rather than placement;
 - 2.3.6 Clause 5.5.4 – Removal of duplicated information;
 - 2.3.7 Clause 5.11.2 – Clarification that a memorial that is accepted as a work of art will be maintained as part of that collection.
 - 2.3.8 Appendices – various clarifications made regarding temporary memorials and the potential for them to be replaced by permanent memorials.

3. CONCLUSION

- 3.1 The City of Salisbury maintains a policy in relation to Plaques and Memorials that community members request to be placed in the Council area. This Policy is subject to Council's Policy Framework which required all Policies to be reviewed within 12 months of a general election and thereafter every two years.
- 3.2 The policy serves as a guide to the City of Salisbury for the placement, design, maintenance and recording of all plaques and memorials within the Council area.
- 3.3 The Plaques and Memorials Policy has been reviewed and updated (refer Attachment 1) in accordance with the requirement to review Council policies following an election. General amendments have been made to the existing policy to provide greater clarity.



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

TITLE: Plaques and Memorials Policy

Adopted by:	Council
Responsible Division:	Community Planning
First Issued/Adopted:	26 September 2005
Last Reviewed:	17 August 2021
Next Review Date:	17 August 2023

1. Purpose

- 1.1. This policy will serve as a guide to the City of Salisbury for any memorials or plaques it may wish to place in parks or public areas within its jurisdiction.
- 1.2. While appropriate memorials can enrich public open space, it is important that memorials and plaques are carefully considered to ensure that they do not have a negative impact on the amenity of the open space.
- 1.3. It is recognized that a particular location may reach a saturation point (i.e. where the number of memorials in a specific area undermines the impact of the memorial or amenity/form of a location) and it would then be appropriate to consider limitations or a moratorium of future memorial installations at a particular location or area.
- 1.4. The City of Salisbury is committed to the provision of high-quality open spaces whilst also ensuring there are opportunities for appropriately designed memorials, and plaques that honour an individual, organization or event that is considered to be of benefit to the broader community.

2. Scope

- 2.1. This policy is applicable to all proposed memorials and plaques to be placed in any public open space within the City of Salisbury. All such memorials and plaques will be required to conform to this policy.
- 2.2. This policy replaces any previous approval or process in regard to the installation of memorials and plaques within the City of Salisbury.
- 2.3. Any alterations to or replacement of an existing memorial or plaque must comply with this policy.
- 2.4. This policy clearly identifies the types of works that will be accepted for memorials and plaques.
- 2.5. This policy does not prevent maintenance or conservation of any previous memorials and plaques that do not comply with this policy.
- 2.6. This policy is not applicable to privately owned property. It also does not apply to roads under the care and control of other groups [\(including Department of Infrastructure and Transport\)](#). Cemeteries within the City of Salisbury are also exempt in relation to process and implementation of plaques.
- 2.7. This policy does not cover signage, display boards or banners.

3. Legislative Requirements and Corporate Policy Context

- 3.1. Councils have authority to act in relation to temporary roadside memorials pursuant to the provisions of the Local Government Act 1999. In particular:
 - 3.1.1. Chapter 2, The System of Local Government (Sections 6, 7 and 8 in respect to the principal roles, functions and objectives of a Council); and
 - 3.1.2. Chapter 11, Part 2, Division 6, Control of Works on Roads (Sections 221, 229, 234 and 235 in respect to management of roads).
- 3.2. Section 221 (Alteration of Road) states that 'a person (other than the Council or a person acting under some other statutory authority) must not make an alteration to a public road unless authorised to do so by the Council'. Maximum penalty \$5,000.
- 3.3. A person makes an alteration to a public road if the person:
 - 3.3.1. alters the construction or arrangement of the road to permit or facilitate access from an adjacent property; or
 - 3.3.2. erects or installs a structure (including pipes, wires, cables, fixtures, fittings and other objects) in, on, across, under or over the road; or
 - 3.3.3. changes or interferes with the construction, arrangement or materials of the road; or
 - 3.3.4. changes, interferes with or removes a structure (including pipes, wires, cables, fixtures, fittings and other objects) associated with the road; or
 - 3.3.5. plants a tree or other vegetation on the road, interferes with the vegetation on the road, or removes vegetation from the road.

4. Interpretation/Definitions

4.1. Memorial/Monument: for the purposes of this policy these will be considered as one and the same and are defined as an object (or collection of objects) that is designed to preserve the memory of a person, group, association, event or occasion.

4.2. Panel: refers to the group of staff assigned to assess all applications for Plaques and Memorials covered by this policy.

4.2.4.3. Park/Reserve: is a green public open space and includes parks, reserves and formal gardens.

4.3.4.4. Plaque: a flat tablet of metal that includes text and/or images that commemorate a person, an event and/or provide historical text or information relevant to its location. This could then be affixed to an object, building or pavement.

4.4.4.5. Proponent: the person or group who put forward a proposal for a memorial or plaque.

4.5.4.6. Public Art: Works of art in any media that have been planned and executed with the specific intention of being sited or staged in the physical public domain and accessible to the public.

4.6.4.7. Public Open Space: includes community land, road reserve and operational land owned by Council and any other land in Council's care, control or management.

4.7.4.8. Sculpture: including but not limited to representational, non-objective, contemporary and abstract pieces in a wide variety of artistic mediums such as metal, glass, bronze, ceramic, wood, etc. that meet the City of Salisbury's criteria for public art. It is preferable that artworks be integrated into a placement or setting.

4.8.4.9. Temporary memorial: Those memorials that are installed on an ad hoc basis in various locations within the city and without prior approval.

5. Policy Statements

5.1. General

5.1.1. The City of Salisbury will consider all application for plaques and memorials that comply to the following criteria:

5.1.1.1. An individual or Association that has contributed significantly to the cultural, political or social aspects of the City's development;

5.1.1.2. An individual or Association strongly linked to the City and its history;

5.1.1.3. A significant anniversary of an event unique to the City's history and development; or

5.1.1.4. Historical or other information relevant to the site/location of the plaque.

5.1.2. A proponent can make a formal request that consideration be given for the placement of a memorial or plaque that does not meet the above the above stated criteria. These applications will be considered on an individual basis and will submitted to the Plaques & Memorials Panel (the Panel) for consideration.

5.1.3. No new memorial or plaque will be considered which commemorates a person, event or occasion already memorialised in the City of Salisbury unless

there are exceptional circumstances. Special anniversaries may be acknowledged.

5.1.4. The City of Salisbury has final approval of appropriate site/s and will determine the exact location of any plaque or memorial.

5.1.5. All applications must comply with the process outlined in Appendix "A" of this policy.

5.2. Costs

5.2.1. Unless otherwise agreed, the proponents of the proposed memorial or plaque are required to pay for design, manufacture, installation, maintenance and repair to ensure adequate quality of care.

5.2.2. The City of Salisbury may consider contributing funds to a community memorial only when the memorial is for broad community purpose that marks an individual, organisation or event that has broadly impacted the community.

5.2.3. Where the City of Salisbury installs or contributes to a community memorial, consideration will be given to an ongoing maintenance budget to ensure adequate quality of care.

5.3. Sites

5.3.1. All proposed plaques or memorials must relate to and support their proposed site and/or community. The City of Salisbury has identified ~~designated-preferred~~ areas for the placement of plaques or memorials within its city boundaries which complement the landscape. These are listed in Appendix "B".

5.3.2. The ~~consideration of any memorial placement of memorials~~ will take into account the number of existing memorials, artworks or other objects in the vicinity of the proposed new memorial or plaque.

5.3.3. Approval for a particular site will only be granted if it is consistent with Council's strategic development framework for that site and the proposed plaque or memorial being relevant to the site.

5.4. Approval

5.4.1. Approval must be sought and granted through the Panel prior to installation of any plaque or memorial.

5.4.2. Any existing plaque or memorial cannot be taken as a precedent for future approvals.

5.4.3. The Panel will be established comprising nominated representatives of the following departments as required; Community Development and City Infrastructure. Terms of Reference for this Panel are attached in Appendix "C".

5.4.4. The Panel will consider;

5.4.4.1. All applications received for new plaques and memorials;

5.4.4.2. Requests to replace existing plaques or memorials damaged or otherwise degraded or require alterations; and

5.4.4.3. Removal, relocation and re-accession of existing plaques and memorials.

5.4.5. The Panel will respond in writing to all applications within 30 days of receipt. Additional time may be required to process applications that are of a complex or sensitive nature.

5.5. Right of Refusal

5.5.1. The City of Salisbury has the right of refusal.

5.5.2. A plaque /memorial will not be approved where there is a religious or political affiliation, and/or the proponent cannot prove to the Panel's satisfaction that the person, event or occasion commemorated has contributed significantly to the Salisbury community.

5.5.3. If in the opinion of the Panel the proposed plaque/memorial is considered offensive or has the potential to offend the application will not be approved.

~~5.5.4. No new memorial or plaque will be permitted which commemorates a person, event or occasion already memorialised in the City of Salisbury unless there are exceptional circumstances.~~

5.6. Appeal Process

5.6.1. Any appeal made in relation to the outcomes of the approval process for plaques and memorials must be in writing and addressed to the Chief Executive Officer.

5.6.2. The Panel will respond in writing to all appeals within 30 days of receipt. Additional time may be required to process appeals that are of a complex or sensitive nature.

5.7. Community Consultation

5.7.1. The Panel during its deliberations regarding an application may request that a period of community consultation be undertaken by the proponent or on behalf of the proponent.

5.8. Design

Plaques

5.8.1. To signify or commemorate an individual, organisation, historic or civic occasion or to provide interpretative materials relevant to a nearby artwork, or feature. The specification of plaques is outlined in Appendix "D" of this policy.

Memorials

5.8.2. Memorials that have a significant financial burden for the City of Salisbury will be referred to Council for consideration.

5.8.3. Memorials should have timeless qualities and make a statement of significance to future generations. The specification of memorials is outlined in Appendix "D" of this policy.

5.8.4. The location under consideration for the memorial must:

- 5.8.4.1. Be an appropriate setting;
- 5.8.4.2. Convey specific geographic justification for the memorial's placement;
- 5.8.4.3. Contribute to the setting from a functional or design standpoint;
- 5.8.4.4. Not interfere with the underlying purpose of the area; and
- 5.8.4.5. Not obstruct (hinder) existing and proposed circulation and use patterns.

5.9. Temporary Memorials

- 5.9.1. It is not the intent of the City of Salisbury to prevent the installation of these memorials as they often arise spontaneously as a result of a tragic circumstances; however controls do need to be put in place.
- 5.9.2. It is recognised that due to the circumstances from which these memorials arise the application of the de-accession procedures as outlined in Appendix "E" will be undertaken in a sensitive manner.

5.10. Register

- 5.10.1. The City Infrastructure department will keep a register of plaques and memorials as part of infrastructure management.

5.11. Ownership

- 5.11.1. All memorials or plaques placed in/or erected in open space by the City of Salisbury should be deemed to be under the unconditional control of the City of Salisbury and managed in accordance with a signed agreement or a lease between the proponent and the City of Salisbury.
- 5.11.2. If the memorial is a work of art accepted by the City of Salisbury, then it becomes part of the City of Salisbury's public art collection and maintained as part of this collection. [Any memorial of this nature will be removed from the Register of Memorials.](#)

5.12. Removal, Relocation and De-accession

- 5.12.1. All memorials or plaques installed on City of Salisbury land after the endorsement date of this policy that have not obtained the necessary approvals will be removed.
- 5.12.2. City of Salisbury will apply the de-accession procedures as outlined in Appendix "E" of this policy.

6. Related Policies and Procedures

- 6.1 Other City of Salisbury policies and guidelines that must be considered in association with this policy include but are not limited to:
 - Cultural Strategy
 - Corporate Signage Policy and Guidelines; and
 - Specification for Salisbury Memorial Park.

7. Approval and Change History

Version	Approval Date	Approval By	Change
	October 2005	Council	
	October 2011	Council	
	March 2011	Council	
	May 2013	Council	
	March 2015	Council	
	April 2017	Council	
	May 2019	Council	
	September 2021	Council	
	November 2023	Council	

8. Availability

8.1 The Policy is available to be downloaded, free of charge, from Council's website www.salisbury.sa.gov.au

8.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Salisbury Community Hub
34 Church Street, Salisbury SA 5108
Telephone: 84068222
Email: city@salisbury.sa.gov.au

9. Review

E.g. This Policy will be reviewed:

- If a new Policy - within 12 months of a Council election and thereafter as necessary; or
- The frequency dictated in legislation; or
- Earlier in the event of changes to legislation or related Policies and Procedures; or
- If deemed necessary by Council.

Further Information

For further information on this Policy please contact:

Responsible Officer: Divisional Manager Community Planning
Address: 34 Church Street, Salisbury SA 5108
Telephone: 8406 8222
Email: city@salisbury.sa.gov.au

Appendix A

Application and Approval Process

- Applications must be made in writing to the Community Planning Division, City of Salisbury. No application will be considered outside this process.
- Applications for new plaques and memorials should include all relevant details including;
 - o [Name of the Proponent](#)
 - o The type of plaque or memorial;
 - o Site/location for the project;
 - o Explanation of the significance and relationship to each site;
 - o Proposed text or images to be included; and
 - o Any other pertinent information.
- Applications for the replacement of existing plaques or memorials are required to conform to current design specification and guidelines.
- All applications will be assessed by the Plaques and Memorials Panel (the Panel) in relation to the policy and procedures outlined in this document.
- Applications will be forwarded by the Community Planning Division to the Panel members and any other relevant parties prior to the Panel meeting for comment. From that point on, a member of the Community Planning Division will liaise with the proponent of the memorial/plaque.
- During consideration of the nominated sites the Panel will consider the number of existing plaques and memorials, artworks, and other objects in the vicinity of the proposed new plaque or memorial.
- Approvals for applications that comply to the criteria will be made by the Panel. Approvals will be on the basis of majority agreement of the Panel.
- Requests for plaques/memorial that fall outside the criteria will be referred to the Chief Executive Officer for approval.
- Decisions will be confirmed in writing to the proponent and delivered through the Community Planning Division.
- An agreement in regards to payment, maintenance and damage will be developed following confirmation to the proponent, and in line with this Policy.

Appendix B

Preferred Sites for the Placement of Plaques

(a) Salisbury Memorial Park

Situated on the corner of Spains Road and York Terrace, Salisbury the park has been designed to comprise open space, multiple rose gardens and green lawns so that it is perpetual record of the past and it showcases a history of hard working, community-minded people.

Memorials in the form of statues or monuments commemorating deceased individuals are encouraged to be located within the Salisbury Memorial Park, as the City's parks and open space should not duplicate the commemorative function of the Park.

(b) Parks and Reserves

The following are the parks and reserves identified as being the most appropriate locations for memorials and plaques within the City of Salisbury. However, where appropriate, consideration will be given to other major Council reserves.

(i) Pitman Park

The Volunteer Garden is a section of Pitman Park considered the most desirable and is a suitable location to acknowledge contributions made by a resident(s) or organisations that have contributed to the Salisbury Community via voluntary works. The Rose Garden will be excluded as this is a venue used for weddings and it is desirable that this area not contain any additional plaques or monuments.

(ii) Pioneer Park

The section of the park considered to be appropriate is the area surrounding the existing waterwheel museum and is a suitable location to acknowledge contributions made by early settlers (and their families).

(iii) Unity Park & Paddocks Wetlands

Suitable locations for the installation of plaques and memorials at these sites will be determined by City Infrastructure department, City of Salisbury.

(c) Historical Sites

These will be site specific and will provide interpretive information about the site or facility. These will be of an interpretive nature and design works will be developed for this type of signage appropriate to each location. Memorials can be developed that reflect or provide information about the significance of this site.

Appendix C

Terms of Reference Plaques and Memorials Panel

- The Plaques and Memorials Panel (the Panel) will meet as required.
- Approvals for applications that comply with the criteria will be considered by the Panel. Approvals will be on the basis of majority agreement of the Panel.
- Reports will be submitted to the Executive detailing applications received and approvals for endorsement as required.
- The Panel will report and make recommendations to the Chief Executive Officer, regarding applications received that do not fit within the guidelines as per the appeals process detailed within this Policy.
- A report will be prepared outlining the decommissioning of plaques and memorials to the Urban Services Committee for endorsement as required.

Appendix D

Specifications for Plaques & Memorials

(a) Metal plaques

Plaques are to be installed flush with adjacent surfaces in parks, streets or flat on masonry surfaces.

Text should be brief and, in a language accessible to the public and should avoid use of jargon or acronyms.

(i) Plaque Development

- Text should be written following research from a wide range of authoritative sources and be verified by a qualified historian, Elder or Cultural Leader when in relation to a location or past facility.
- Proofing and checking will be undertaken by the City of Salisbury. If a graphic image is utilised the amount of text will be reduced.
- Any sponsorship recognition will be through use of approved wording or logo should take up no more than 10% of the overall plaque design.
- The proponent must meet all costs associated with design, manufacture and installation of the plaque or memorial. In some instances a contribution toward maintenance will also be a condition of approval.
- The City of Salisbury will manage the design, manufacture and installation of the plaque and costs incurred by proponent.
- Payment in full will be required prior to the commencement of work.

(ii) Design and installation specifications

- 250 mm maximum wide.
- Acid etched black paint fill.
- Four pins on back for installation or other method of anchoring plaque.
- No varnish.
- A border of clear space of at least 30 mm should be left around edge of plaque.
- A small amount of text, and it should be centred. Consideration can be given to justified left text if there is a lot of text.
- Small logos may be used if appropriate.
- Maximum text of 120 words and should be in a language that is accessible to the public.
- ~~If the content of the text is historical the text should be researched and written from a wide range of sources and checked by a qualified historian, Elder or Cultural Leader.~~ Proofing and checking is required to be undertaken by the proponent.
- Installation to be flush with pavement, masonry or grass. Preference is given to installation into a hard surface for maintenance purposes. Installation into grassed area the plaque has to be inserted with a minimum 50 mm wide skirt of concrete.

(b) Memorials

- The memorial should be designed by a qualified professional in the field appropriate to the size scale and complexity of the proposal.
- If the memorial is a work of art (as defined by Public Art) and the City of Salisbury has contributed funding then it becomes a part of the Council art collection, and maintained as part of the collection. In this case the City of Salisbury will assume responsibility for commissioning documentation and construction contracts, and managing the construction or the commissioning of artworks. The development of significant memorial will request community consultation to be undertaken and the format of the consultation must comply with the City of Salisbury community consultation strategy. The cost of the consultation will be borne by the proponent.

(c) Use of Infrastructure for Memorials

- The use of sections of pathway, tables, chairs can be used for the purposes of memorials within parks, reserves or open spaces within Salisbury however these will need to comply with the specifications set by Council.
- Use of barbecues, buildings, shade covers, picnic shelters, retaining walls, will not be considered for the purposes of memorials within parks, reserves or open spaces within Salisbury.
- The use of tree(s) for memorials will not be considered, however tree(s) planted as part of the memorial may be considered.

~~(d) Salisbury Memorial Park Infrastructure~~~~(i) Seating with Plaque~~~~(ii) Moss Rock with Memorial Plaque~~~~(iii) Wall of life and memories~~~~(e) Historical Markers~~

~~Application for historical markers will be assessed on a case by case basis. Public art guidelines may also need to apply in relation to these markers.~~

Appendix E

De-accessioning Procedures

(a) Long term memorials

- Memorials and plaques do have a finite life and, while every reasonable effort will be made to extend the life of these structures, the City of Salisbury cannot guarantee that a memorial or plaque will remain at the designated site indefinitely.
- A memorial or plaque will be guaranteed to be located at the designated site for a period of not less than five (5) years from the time of installation with the following exceptions the:
 - o area in which the item is sited is to be redeveloped;
 - o use of the area in which the item is sited changes significantly in character and the item is not deemed suitable for the site; or
 - o structure or support on which the item is located is to be removed or permanently altered.
- Existing memorials or plaques may have fallen into disrepair or the site may no longer be suitable and de-accessioning may be required. This will be based on the following:
 - o condition of the installation;
 - o cost of maintenance;
 - o cost of repair; or
 - o site no longer suitable.
- Prior to de-accessioning every responsible attempt will be made by the Council to contact the proponent. Options will be provided to the proponent which will include:
 - o repair of the work to be borne by the proponent;
 - o relocation of the work to an appropriate alternate site, costs of relocation will need to be negotiated;
 - o negotiation of maintenance payment and development of modified maintenance schedule; and o lastly, removal and disposal of work.

(b) Temporary memorials

- Can be displayed for a maximum of 3 months, after which time the memorial ~~will~~ may be removed.
- Where possible, the next of kin will be contacted by Council Staff and advised of the intention to clear the site and provide the opportunity for the installation of ~~a small memorial plaque~~ a permanent plaque or memorial in accordance with this policy.
- Permanent memorials need to be referred to the Cemetery in the first instance.
- ~~Whilst the~~ Where a permanent plaque is located at the site of the accident, on the anniversary of the death an application can be made to enable fresh flowers to be located near the plaque. Removal of flowers will be done between 7 to 10 days after the anniversary date.