

Draft Framework Section 2 Legal Framework	AHC Submission
<p>Ref: 2.3.1 <i>Overarching intent of the legal framework</i></p> <p>(ESCOSA Question 2.1)</p> <p>Do stakeholders agree with this interpretation of the legal framework? If not, why not?</p>	<p>No</p> <p>In line with Local Government sector discussion very concerned that ESCOSA's expansive interpretation of the ambit of its review will result in significant additional work by council administrations to create and supply additional information. It would appear that this has already impacted in terms of proposed additional costs determined by ESCOSA.</p>
<p>Ref: 2.3.2 <i>The scope and context of the advice</i></p> <p>(ESCOSA Question 2.2)</p> <p>Do stakeholders agree with this interpretation of the scope and context of the advice to be provided under the scheme? If not, why not?</p>	<p>No</p> <p>Interpretation of scope is too broad and does not appear to be in line with the intent of the revised Section 122. Our expectation per the legislation was that the requirements are aimed at an aggregate level ie in terms of overall funding whereas this interpretation appears to be much more detailed.</p>

Draft Framework Section 4 Provision and Publication of Advice	AHC Submission
<p>Ref: 4.2 <i>The Principles underpinning the analytical framework</i></p> <p>(ESCOSA Question 4.1)</p> <p>Do stakeholders consider these principles appropriate for the analytical framework?</p> <p>If not, why not? How should they be changed and why?</p>	<p>Yes</p> <p>Principles proposed appear to be consistent with the legislative amendments and are a sound basis for designing a limited, high-level review as contemplated by the legislation.</p> <p>However, we don't consider that these principles have then been applied in designing the proposed framework and approach.</p>
<p>Ref: 4.3.4 <i>Applicability to the analytical framework</i></p> <p>(ESCOSA Question 4.2)</p> <p>Do stakeholders consider this an appropriate analytical framework?</p> <p>If not, why not? How should it be changed and why?</p>	<p>No</p> <p>The premise of high level advice state of and sustainability of councils' financial positions, as set out in council's LTFP and IAMP is considered appropriate.</p> <p>However, the documentation proposes a far more detailed analysis of council's financials and the impact on council's time and resources likely to be significant at a time when councils are focussed on their year-end statutory compliance responsibilities</p> <p>Further, it is noted that the analytical framework has little reference to Infrastructure and Asset Management Plans. These are a key input and linkage to the Long Term Financial Plan and therefore any funding consideration including proposed rate increase.</p> <p>The lack of detail in terms of what is required with respect to these plans is of concern.</p>
<p>Ref: 4.4.1.1 <i>The relevance of historical trend</i></p> <p>(ESCOSA Question 4.3)</p> <p>Do stakeholders consider it necessary to consider historical trends when applying the analytical framework?</p> <p>If not, why not? How should it be changed and why?</p> <p>Ref: 4.4.1.2 <i>What historical information is needed from each council</i></p> <p>(ESCOSA Question 4.4)</p> <p>Do stakeholders consider this to be an appropriate approach for the collection of historical information?</p> <p>If not, why not? How should it be changed and why?</p>	<p>No</p> <p>It is noted that when Council prepares its LTFP only the previous year's data is used to position the numbers and used as a starting point.</p> <p>In addition, historical trends have become more difficult to assess in recent years given that one off grants received often are not able to be readily matched to expenditure timing and the accounting standards often require capital related grants to be treated as capital.</p> <p>As such it is considered that no more than a couple of years of historical trend data would be sufficient to enable ESCOSA to provide high-level advice about the state of and sustainability of councils' financial positions, as set out in their LTFP and IAMP.</p>

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<p>Ref: 4.4.1.3 Accounting for scale</p> <p>(ESCOSA Question 4.5)</p> <p>Do stakeholders agree that, where it is useful to do so, information should be normalised on a per rateable property basis?</p> <p>If not, why not? How should it be changed and why?</p>	<p>No</p> <p>It is important for ESCOSA to gain a much better understanding of the local government sector in order to understand the challenges in undertaking comparability of councils across the state.</p> <p>Our Manager Financial Services has been involved at senior finance level at both Unley and Adelaide Hills Councils in recent years and note that the estimated resident population and number of rateable properties for both councils are similar.</p> <p>However, where Unley City Council is responsible for 1,440 hectares, Adelaide Hills Council is responsible for 79,432 hectares which is over 50 times the Unley area.</p> <p>It is extremely unlikely that any meaningful comparison can be determined from normalising data based on rateable property basis.</p> <p>It is also noted that properties are determined as rateable or non- rateable based on legislation, not on the cost impost of those properties on council services. As such, limiting the normalisation to rateable properties is also likely to impact on comparability across councils.</p>
<p>Ref: 4.4.1.4 Accounting for inflation</p> <p>ESCOSA Question 4.6)</p> <p>Do stakeholders agree that use of the CPI is an appropriate index to utilise when considering a council's operating income and expenditure growth over time?</p> <p>If not, why not? How should it be changed and why?</p>	<p>No.</p> <p>It is important for ESCOSA to gain a much better understanding of the local government sector in order to understand the best parameters to consider as cost and revenue drivers.</p> <p>I'm sure that ESCOSA is aware that CPI measures increases in the costs of goods and services purchased by households/ consumers. This is a different bundle of goods and services than the bundle purchased by councils.</p> <p>The LGPI attempts to measure increases in the costs of goods and services actually purchased by councils. As such, the LGPI is a more relevant index by which to judge whether council expenditure and revenue increases are reasonable together with endorsed Enterprise Bargaining Agreements, the ABS wage price index and other actual cost factors which collectively provide a more accurate representation of inflationary pressures to be considered by council.</p>
<p>Ref: 4.4.2 The key questions to address</p> <p>(ESCOSA Question 4.7)</p> <p>Do stakeholders consider these to be appropriate questions for implementing the analytical framework?</p> <p>Whether a council's LTFP and IAMP are robust, consistent with each other and successfully implemented, with actual performance relative to plans monitored?</p> <p>Do the LTFP and IAMP, and the implementation of those plans, ensure the sustainability of the council's long-term financial performance and position?</p>	<p>Yes</p> <p>It is considered that the three key questions detailed covers what is required of a high-level review of the 'relevant matters'.</p> <p>However, there is a concern that the proposed implementation framework has ignored that representation in terms of the requirements proposed.</p>

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<p>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?</p> <p>If not, why not? How should they be changed and why?</p>	
<p>Material amendment</p> <p>(ESCOSA Question 4.8)</p> <p>Do stakeholders consider the proposed approach to a material amendment appropriate?</p> <p>If not, why not? How should it be changed and why?</p>	<p>Yes. Agree</p>
<p>Ref: 4.4.5</p> <p>Comparison of historical trends to any revised SMP</p> <p>(ESCOSA Question 4.9)</p> <p>Do stakeholders consider this an appropriate approach to the analytical framework to assess the key questions in Table 5?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>No.</p> <p>Similar to the response to Question 4.3 and 4.4, Council has concerns that any proposal to increase the review in areas which already has oversight from other bodies including the Audit Committee is not necessary to conclude on the key outcomes set down in legislation.</p> <p>In addition as previously commented any requirement to undertake an analysis of historical trends is unlikely to provide a value outcome in meeting the key outcomes referenced above.</p>
<p>Ref: 4.5.1</p> <p>Content of the advice</p> <p>(ESCOSA Question 4.10)</p> <p>Do stakeholders consider this an appropriate approach to developing the content of the advice that the Commission provides to each council? If not, why not? How should the approach be amended and why?</p>	<p>No</p> <p>As per previous comments the ESCOSA review should be a high-level review, focused on the 'relevant matters'</p>
<p>Ref: 4.5.2</p> <p>Publication of the advice</p> <p>(ESCOSA Question 4.11)</p> <p>Do stakeholders consider this an appropriate approach to adopt for the publication of the advice, given the legal framework?</p>	<p>Agree that the legislation requires the publication of ESCOSA advice and that it is in the public interest for this advice to be made public.</p> <p>However, a sizeable ESCOSA report and inclusion in the Annual Business Plan (ABP) is likely to mean that the Community engagement and understanding of the Council's ABP suffers significantly and the ABP becomes an unwieldy document that no one reads</p>

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<p>If not, why not? How should the approach be amended and why?</p>	<p>As such the suggestion of an (ESCOSA-prepared) executive summary (ie. the findings and recommendations) to be published in the council's ABP, together with an ESCOSA link to the full document would seem to have merit and be more manageable and understandable to the Community</p>
<p>Ref: 4.6.1 Alignment with the legal framework</p> <p>(ESCOSA Question 4.12)</p> <p>Do stakeholders consider the analytical framework aligned with the legal framework?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>No</p> <p>As per previous comments, the Interpretation of scope is too broad and does not appear to be in line with the intent of the revised Section 122.</p>
<p>Ref: 4.6.2 Alignment with the overarching principles for the analytical framework</p> <p>(ESCOSA Question 4.13)</p> <p>Do stakeholders consider the analytical framework to be aligned with the overarching principles for its development?</p> <p>If not, why not?</p>	<p>No</p> <p>As per previous comments, the Interpretation of scope is too broad and does not appear to be in line with the intent of the revised Section 122.</p>

Draft Framework Section 5 Guidelines and information provision	AHC Submission
<p>Ref: 5.2 Guidelines and information provision</p> <p>(ESCOSA Question 5.1)</p> <p>Do stakeholders consider publishing a revised set of guidelines and proforma Excel template no later than the start of each the Relevant Financial Year appropriate?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>Yes.</p> <p>However, there is a significant concern across the sector in terms of the proposed data requirements and the timing.</p> <p>The current proposal is not cognisant that Councils are resource constrained and further that finance staff have a heavier than usual workload in the months of July through to September to undertake Annual Business and Budget finalisation, rates generation and associated processes and completion of the statutory financial statements during this timeframe.</p> <p>Obviously it would be advantageous to have any data requirements clearly articulated as early as possible, notwithstanding that Councils are likely to have difficulty in meet the timeframe unless data requirements are kept to a minimum.</p>
<p>Ref: 5.3 Timing of information provision</p> <p>(ESCOSA Question 5.2)</p> <p>Do stakeholders consider the proposed timing for information provision appropriate?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>No.</p> <p>It is of concern that the Local Government sector's views on the timing of information provision was not sought.</p> <p>As discussed again the timing is very problematic given the workload requirements over the period July to September.</p> <p>It is therefore suggested that a deadline cannot be any earlier than 31 December or it will not able to meet by a significant number of Councils unless the data collection requirements are minimal</p>

Draft Framework Section 7 Cost Recovery	AHC Submission
<p>Ref: 7.2 Reasonable costs</p> <p>(ESCOSA Question 7.1)</p> <p>Do stakeholders agree with the Commission’s approach to allocating its projected indicative costs across the first cycle of the scheme?</p> <p>If not, why not? How should the approach be amended and why?</p> <p>(ESCOSA Question 7.2)</p> <p>Do stakeholders agree with the Commission’s approach to addressing any material difference between its actual costs and its projected indicative costs?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>No</p> <p>The costs of \$52,000 cited per council are significant and appear to include set up costs, and for ESCOSA to gain an understanding of Local Government, which should not be on charged to councils.</p> <p>These costs associated with the proposed scheme are far in excess of what was anticipated. And as such there is a concern about the value derived from the process and the burden this places on councils.</p> <p>It will be extremely difficult for small councils in particular to accommodate these costs. As such, if there is a cost it should have regard to council size.</p> <p>Further, it is considered that the scope of the proposed scheme should be fully funded by the State Government, or at least reduced to address the unreasonable costs.</p>
<p>Ref: 7.3 Cost recovery</p> <p>(ESCOSA Question 7.3)</p> <p>Do stakeholders agree that the Commission should bill the LGA the total yearly cost associated with the scheme, noting that any such scheme would require unanimous agreement between the LGA and member councils covering at least the first four-year cycle?</p> <p>If not, why not?</p>	<p>No</p> <p>There are concerns about how and when the costs associated with the scheme will be invoiced across the sector.</p> <p>Further introducing another party such as the LGA to be involved in invoicing would present additional administration and inefficiencies that would provide little value to the local government sector.</p> <p>Councils are already familiar with processes such as the recovery of the Landscape Levy by councils on another agency’s behalf to be well aware of the confusion that arises in terms of roles and responsibilities as well as the difficulties and administrative burden that stem from such arrangements</p>
<p>Ref: 7.3.2 When should councils be billed and with what frequency?</p> <p>(ESCOSA Question 7.4)</p> <p>Do stakeholders agree with the Commission’s approach to the timing and frequency of billing?</p> <p>If not, why not? How should the approach be amended and why?</p>	<p>No</p> <p>As commented on previously, the current proposal and the costs involved is likely to impact smaller Councils to a significant extent compared to medium to larger Councils.</p> <p>As such, depending on the final outcome of cost allocation across councils, councils should be given the option to either receive a single invoice per year or more frequently ie quarterly as the preference is likely to vary across the sector</p>

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<p>Ref: 7.3.3 <i>How should costs be allocated between councils?</i></p> <p>ESCOSA 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?</p>	<p>No</p> <p>Similar to other costs shared by the sector, the efficient cost of undertaking this review should be allocated fairly and equitably based on the size of a council and not apportioned equally as proposed</p>