

Hon Geoff Brock MP**Government
of South Australia**

23MINLG-0472

Mayor Jan-Claire Wisdom
Adelaide Hills Council
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Dear Mayor Wisdom

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 Adelaide Hills Council (the Council), and has subsequently published each advice on its website. I note that ESCOSA found that the Council's financial performance and position is sustainable with historical and projected operating surpluses, and the forecast renewal of infrastructure assets to continue to underpin the Council's strong financial performance without the need for further significant rate increases.

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.

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 bolster ratepayers' confidence they are paying an appropriate level of rates for council services. I am pleased to note that the Council has published responses 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 emphasise that ESCOSA's advice is provided on the basis of each council's financial and asset management planning for the next ten years. Therefore, your council's response should provide you certainty that your administration is making any changes or improvements that are needed to address matters that have the potential to have significant negative impacts on your ratepayers in the 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. 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 by 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