

## MINUTES

### South Australian Local Government Financial Management Group Executive Committee

21 June 2019 at 9:30am

Angus Room & Community Space – Strathalbyn Library & Council Office  
1 Colman Terrace, Strathalbyn

#### 1. Present

##### Executive Committee:

- Kate George (President), City of Salisbury
- Alexander Oulianoff (Treasurer), Mount Barker District Council
- Clive Hempel (Secretary), Mid Murray Council
- Craig Mudge, District Council of Mount Remarkable (via teleconference)
- Angela Papatheodorakis, City of Port Adelaide Enfield
- Annette Martin, City of Charles Sturt
- Anthony Amato, Town of Gawler
- Katy Bone, Town of Walkerville
- Mark Lague, The Barossa Council (via teleconference)
- Mike Carey, Adelaide Hills Council
- Simon Zbierski, City of Campbelltown

##### Proxies:

- Grant Jennings, Alexandrina Council (for Elizabeth Williams)
- Angela Shi, Alexandrina Council

##### Observers/Guests:

- Rebecca Muller, LGA
- Jeff Tate, SA Productivity Commission
- Professor Christopher Findlay, SA Productivity Commission
- Matthew Willett, SA Productivity Commission

#### 2. Apologies

- Chris Birch, City of Prospect
- David Harman, City of Marion
- Elizabeth Williams (Vice President), Alexandrina Council
- Grace Pelle, City of Playford
- Karishma Reynolds, City of Burnside
- Leta Northcott, City of Mitcham
- Norm Biggs, City of West Torrens
- Pep Piscioneri
- Rajith Udugampola, Adelaide Plains
- Sarah Taylor
- Sonia Sghendo, City of Onkaparinga

*It is important to note that on occasion it may be necessary for the Executive Committee to discuss an item in confidence and in those circumstances, observers and guests will be asked to leave the room for that item.*

### 3. Presentations

#### 3.1 SA Productivity Commission – Jeff Tate, Professor Christopher Findlay, Matthew Willett

The SA Productivity Commission was set up by the State Government to pursue a number of set objectives. The Commission is set up as an independent agency as a source of advice and is open and transparent. The Commission works on matters referred to them by the Premier and can advise on any matter that is referred to them. The Commission talks publicly about their objectives and they run a research program in the background. There are currently four part-time Commissioners: Jeff Tate, Professor Christopher Findlay, Matthew Willett and Adrien Tembel and they will bring people in to help when necessary. Generally it takes a minimum of 6 months start to finish for an inquiry. The commission will be influenced by a good argument that will become a consideration into the inquiry, but they won't be influenced by a political position. The Commission's independent processes are for the Government not by the Government.

There is currently an inquiry into Local Government costs and efficiency. Public submissions have been invited and consultation has occurred with the LGA (they Commission also met with the LGA Board yesterday). Submissions are due by 12 July. The Commission's findings and recommendations will be evidence based and submissions need to reflect that. There is a reference group to assist with the inquiry. The first meeting of the reference group is being held next Monday. The paper has been circulated via LGA circular.

The Commission will draw on studies on the Local Government sector and other sectors. General rates per property average across the whole state suggests that rates are rising faster than the CPI and the LGPI. The Executive Committee discussed this at length and the following was noted from the discussion:

- There are a number of things that will be driving this increase, particularly the range of services being provided by Councils.
- There is also the fact of raising costs to be able to complete the services being provided.
- What does general rates per rateable property mean? There is a difference between general rates and separate rates.
- The data was collected from the Local Government Grants Commission (total rates). If you look at the amounts that are levied, Councils have rebates and have to give 75% (went from 25% to 50% and now at 75%).
- Mandatory rebates need to be factored in and it would be interesting to see what the increase graph would look like with the mandatory rebates removed as that is essentially income that Councils will never get.
- Councils are under pressure to give discretionary rebates. The rates survey data includes mandatory and discretionary rebates. In some Councils the figures have jumped by a few million dollars over the past few years.
- In the regional areas they have had a post war boom of assets. Services provided and embedded into those have been bundled into the general rates increasing them instead of identifying them as a separate charge.
- The increase graph would be more useful if it was broken down into rural and metro given the differences in rates per property. Levies also need to be taken into consideration. Could groupings be per the Remunerations Tribunal groupings (small, medium, large).
- Freezing of the Grants Commission grants and user charges (food inspections and planning for example) are also a factor in Council income.
- There was a spike in Council rates due to the LGA's Financial Sustainability Paper - some work completed by UHY Haines Norton around 2012 should provide some further information and the LGA should be able to provide it.

- Reliance on rate revenue for SA compared to other states requires some work also.
- Asset planning and depreciation – we have financial indicators and Councils are custodians of the assets and need to look after them. Councils have their Asset Management Plans and the depreciation is getting better but varies from Council to Council, roads depreciation is the biggest task for each Council. Depreciation can only be an estimate – about 25% of the operating cost, non-metro would be higher (over 30%). The significance of depreciation is a large factor for Local Government but not for other levels of government. Councils are sensitive to be seen to be financially sustainable. The kinds of assets that the community expects have increased in volume and price. Synthetic surfaces are another example as opposed to using natural materials. The Productivity Commission would like the Executive Committee to discuss this issue and put forward ideas on what could happen around depreciation (not necessarily following current practices). Councils do regular condition assessments to assist with understanding the quality of the asset and the potential depreciation. Market conditions constantly change the depreciation. We need to find a way to improve the way depreciation is calculated whilst preserving the integrity of what Councils are doing. Councils need to come up to the same level of sophistication with regard to resourcing this issue in their respective Council. If all Councils are using the same methodologies, there will be better accuracy.
- Performance measurement – in South Australia there's not a lot of collective data on the sector as a whole. NSW and Victoria have completed a lot of work on financial data. The Grants Commission data should show the trends but that needs to be read in conjunction with why there have been movements and how it varies for different areas across the state.
- Having a clear policy and framework on Council's role and how decisions are made to ensure this is understood. Coastal issues in stormwater are a couple of issues that Councils have been involved in that could have a collective approach.

The work of the commission is evidence based. Explanations are factored in, but they need to be quantified. The more data and real information the Commission can receive will help, even if Councils can provide their own case studies to provide input into the process.

Kate confirmed that a meeting will be held at 2pm on 2 July with Lisa Teburea at the LGA and other Executive Committee Members are welcome to attend.

**Moved:** Annette Martin

**Seconded:** Clive Hempel

**Recommendation:** *That the President prepare a submission to the Productivity Commission on behalf of the SALGFMG.*

**CARRIED**

#### 4. Confirmation of Minutes

**Moved:** Mike Carey

**Seconded:** Annette Martin

**Recommendation:** *That the minutes of the meeting held on 31 May 2019 be confirmed as a true and correct record.*

**CARRIED**

## 5. Projects/Work Groups – Update/Status

### 5.1 Asset Management – Katy Bone (Chairperson)

Katy advised that the group met on 6 June. Discussion was based around the renewal vs upgrade (what do Councils do) ratios and the group agreed to keep with the same ratios we have and look at the Asset Management Plans instead as they feed into the ratios. The AASB13 Guidance Paper was also put up, Katy spoke to John Comrie and also a lady named Carmel from the ASSB Board a few days ago at the standards meeting. The group has been encouraged to provide feedback that we don't won't the changes to go through for AASB13 changes. The group also discussed Asset Management Plans and Katy will circulate some examples. Note 7 mentions depreciation using the old method – if Councils have that they need to remove it.

### 5.2 Costing Principles – Alex Oulianoff (Chairperson)

Alex advised that there has been some feedback regarding wastewater reserves, people who have them are starting to discuss going into negative. Advice from auditors is that you can have a reserve in negative however in the notes when it comes to reserves, in the model statements a reserve can't be at a negative number. Alex will discuss this matter with SALGAG for clarification.

### 5.3 Events – Kate George (Chairperson)

#### 5.3.1 AGM – 30 August 2019 – Stamford Plaza Adelaide

Stephen Pallaras confirmed is confirmed as the guest speaker. Registrations to be released soon.

#### 5.3.2 December Workshop & Conference – 5 & 6 December 2019 – Adelaide Oval

The group is currently confirming program topics.

#### 5.3.3 May Conference – 15 May 2020 – Adelaide Convention Centre

The venue for the May event has been booked.

Events			
Action Items	Meeting	Responsible	Status
Training by the FMG or the LGA on the accounting standards.	22/02/19	Seminar Workgroup	

#### 5.4 Fees and Charges – Elizabeth Williams (Chairperson)

No update. Patricia will contact Elizabeth to see if a copy of the ruling can be obtained for the Executive Committee.

Fees and Charges			
Action Items	Meeting	Responsible	Status
Elizabeth Williams is to provide a copy of the first ruling to Patricia Coonan, to be emailed to Executive Members watermarked "DRAFT not to be circulated".	22/02/19	Elizabeth Williams / Patricia Coonan	

#### 5.5 Financial Management Framework – Mark Lague (Chairperson)

##### 5.5.1 2019 Model Financial Statements – now approved

Clive advised that the model financial statements have been finalised and now provided by LGA Circular: <http://www.lga.sa.gov.au/page.aspx?c=85417>.

Financial Management Framework			
Action Items	Meeting	Responsible	Status
Internal Controls survey. Prepare survey monkey survey once all feedback is received and provide the link to the LGA for distribution via an LGA circular.	23/11/18	Mark Lague / Patricia Coonan	<b>No further work required.</b>
Wastewater reserves, people who have them are starting to discuss going into negative. Advice from auditors is that you can have a reserve in negative however in the notes when it comes to reserves, in the model statements a reserve can't be at a negative number.  Alex will discuss this matter with SALGAG for clarification.  Workgroup to pick up as feedback for the MFS's next financial year.		Treasurer  FMF Workgroup	

#### 5.6 Local Government Price Index – Chris Birch (Chairperson)

There is no update. The group agreed that the LGPI should be circulated via the FMG to the membership when it is confirmed.

<b>Local Government Price Index</b>			
<b>Action Items</b>	<b>Meeting</b>	<b>Responsible</b>	<b>Status</b>
Speak with the SA Centre for Economics regarding forecasting and commentary for the LGPI and provide feedback to the Executive Committee.	18/03/16 & 29/04/16	Chris Birch / LGPI Workgroup	<b>Determine whether a forecasting indicator is required.</b>
Work on a set of definitions for data that feeds into the LGPI and supply it to the Grants Commission for their consideration.	21/09/18	LGPI Workgroup	
LGPI – to be provided to Secretariat once confirmed for distribution to the membership.	21/06/19	Chris Birch	

**5.7 Local Government Reform – Kate George (Chairperson)**

Kate advised that a meeting will be held next week.

**5.8 Long Term Financial Plan – Kate George (Chairperson)**

Kate advised that a session was held after the last Executive Committee meeting and Kate has finalised feedback to provide to LG Solutions.

**5.9 Membership & Communication – Craig Mudge (Chairperson)**

No update. The current regional membership list has been sent to Craig to review the buddies list.

<b>Membership &amp; Communication</b>			
<b>Action Items</b>	<b>Meeting</b>	<b>Responsible</b>	<b>Status</b>
A draft application form for the engagement of distant FMG Members has been produced. The form will act as an 'expression of interest' for those members to request to attend FMG Executive Committee meetings with reimbursement of accommodation and travel expenses.	31/05/19	Membership & Communication.	<b>Reviewing draft, to be submitted to Executive Committee.</b>
Buddy list to be reviewed and distributed to Executive Committee.	21/06/19	M&C Workgroup	

**5.10 Rating and Valuation – Simon Zbierski (Chairperson)**

Simon advised that there is no update and the next meeting will be held in early August.

**5.11 DACO Update – Simon Zbierski and Clive Hempel**

No update.

## 6. Treasurer's Report

Alex advised that the FMG is financially sound. Some transactional items, receipts and journals need to be added/corrected in Xero to ensure reporting is accurate. Reports will be provided to the Executive Committee each month thereafter. The ATO paperwork finally went through updating the Public Officer and an AusKey has been obtained for the Treasurer to now complete BAS statements. ATO representatives need to be updated every year when Office Bearers change at the AGM.

Finance			
Action Items	Meeting	Responsible	Status
Complete outstanding BAS statements once journal and receipt issues are resolved.	21/06/19	Treasurer	
Prepare financial reports monthly for the Executive Committee.	21/06/19	Treasurer	
Contact Ian McDonald in advance of the AGM to seek his interest in providing accountant services for 2019/20.	21/06/19	Treasurer	
Organise for the Executive Committee Office Bearers to be signatories on the NAB account.	21/06/19	Treasurer	

## 7. Correspondence

Nil

## 8. Confidential Discussion Items

Nil

## 9. Other Business

### 9.1 Draft Constitution

**The Executive Committee discussed the proposed changes and noted the following additional changes:**

- 4.1 - to refer to Ordinary Members
- 5.11 - Guests can be invited by the Chairperson of the workgroup on an as needs basis.
- 6.2 - change to 60 days.

**Moved:** Annette Martin

**Seconded:** Craig Mudge

**Recommendation:** *That the suggested changes as modified to the Constitution be adopted by the Executive Committee and that the draft Constitution be provided to the membership for feedback.*

**CARRIED**

## 9.2 Membership Fees and Draft Guidelines

The Executive Committee discussed the guidelines and fees and agreed to the proposed recommendations.

**Moved:** Clive Hempel

**Seconded:** Mark Lague

***Recommendation:** That it be a recommendation to the SALGFMG AGM that no changes be made to the Membership Fees for 2019/20.*

**CARRIED**

**Moved:** Clive Hempel

**Seconded:** Mark Lague

***Recommendation:** That the changes to the Membership Guidelines be adopted.*

**CARRIED**

## 9.3 Nominations – Honorary Member, Life Member & Executive Committee Member

Executive Committee Members are reminded that they need to renominate if they are wanting to stay on the Executive Committee. Nominees for Honorary and Life Members need to be received prior to the July meeting, a form is available on the website.

## 9.4 Auditor Appointment

**Moved:** Simon Zbierski

**Seconded:** Alex Oulianoff

***Recommendation:** Subject to Ian's interest, that it be a recommendation to the SALGFMG AGM that Ian McDonald be provided with a letter of engagement as Auditor of the SA Local Government Financial Management Group for the 2019/20 financial year.*

**CARRIED**

## 9.5 Executive Committee Nominations

Reminder to renominate.

## 9.6 South Australian Local Government Rate Oversight Scheme from ESCOSA released 6 June 2019 (Mike Carey)

Mike raised concerns that the ESCOSA paper doesn't allow for property growth. It seems they have used the 17/18 LGPI and in terms of growth they allow an increase in new assessments then allow the increase in the value of the assessments then they add on the 2.9% CPI. Do we need a collective LGA/sector wide view and recommendation as there is no consistency and perhaps need to talk to Councils who aren't covering this correctly. Fact sheets are currently available on the LGA website for valuations. There is different messaging occurring and it is a concern as to how this may be affecting the sector negatively.

Clive will have a look at the model spreadsheet previously circulated for rate capping and provide the information to Patricia to distribute to the Executive Committee for responses that will then be provided to the LGA.

#### **9.7 AASB13 Guidance Paper (Katy Bone)**

The review of the guidance paper has been completed. It is suggested that the date be removed and replaced with version numbers and dates relating to the version.

**Moved:** Mike Carey

**Seconded:** Annette Martin

***Recommendation:** That the AASB13 Guidance Paper is endorsed by the Executive Committee.*

**CARRIED**

#### **9.8 Internal Control for Insurance (Clive Hempel)**

Clive advised that the insurance we have signed for 2019/20 with Local Government Risk Services requires dual authorisation for the release of funds or cheques. Alex will talk to NAB about this.

**Moved:** Mike Carey

**Seconded:** Clive Hempel

***Recommendation:** That the Treasurer organises for the Executive Committee Office Bearers to be signatories on the NAB account.*

**CARRIED**

#### **9.9 LG Research and Development Scheme Project Submissions**

Simon raised that the LGR&DS Project submission deadline will be closing soon. Simon will discuss the process with Lisa at the LGA.

**Moved:** Katy Bone

**Seconded:** Annette Martin

***Recommendation:** That submissions for the Local Government Research and Development Scheme be prepared by Simon Zbierski in consultation with the Executive Committee out of session.*

**CARRIED**

#### **9.10 ECR Closing Down**

Annette raised the issue of the ECR closing down. It is suggested that most Councils will just be using the ATO business portal through the ATO website if not already.

## 9.11 Rate Rebate Paper Update

Mike raised the rate rebate paper update being prepared by Michael Kelledy and the need for FMG to review the updated paper. It is suggested that Mike attend the next Rating and Valuation FMG Workgroup meeting.

Other Business			
Action Items	Meeting	Responsible	Status
Local Government Reform Program – create an FMG Workgroup	29/03/19	Secretariat	<b>Kate to send email to organise a meeting – same members of the LGPI workgroup.</b>
Form a Data Collections – Annual Grants Commission Returns workgroup.	29/03/19	Executive Committee	<b>Kate to send email to organise a meeting – same members of the LGPI workgroup.</b>
Prepare a submission to the Productivity Commission on the Inquiry into Local Government Costs and Efficiency on behalf of the SALGFMG.	21/06/19	President	
Distribute Constitution to FMG membership for comment.	21/06/19	Secretariat	
Finalise Membership Guidelines and add to the website.	21/06/19	Secretariat	
Distribute Executive Committee and Life and Honorary Membership nomination forms to membership.	21/06/19	Secretariat	
Have a look at the model spreadsheet previously circulated for rate capping and provide the information to Patricia to distribute to the Executive Committee for responses that will then be provided to the LGA.	21/06/19	Clive Hempel	
That submissions for the Local Government Research and Development Scheme be prepared in consultation with the Executive Committee out of session.	21/06/19	Simon Zbierski	

## 10. Next Meeting

26 July 2019 – City of Burnside

Standing and Future Items	Meeting	Frequency
Presentation from the Local Government Grants Commission	March	Annually
Sponsorship Proposal for the next financial year	April/May	Annually
AGM Matters and Recommendations: <ul style="list-style-type: none"> <li>• Constitution Draft</li> <li>• Membership Guidelines Draft</li> <li>• Membership Fees Recommendation to AGM</li> <li>• Honorary &amp; Life Member Nominations</li> <li>• Auditor Appointment Recommendation to AGM</li> <li>• Executive Committee Nominations</li> </ul>	June	Annually
<ul style="list-style-type: none"> <li>• Davin Lambert – LGFA update</li> <li>• Constitution Recommendation to AGM</li> <li>• Membership Guidelines adoption</li> </ul>	July	Annually
<ul style="list-style-type: none"> <li>• New Committee Members</li> <li>• Workgroup allocations</li> <li>• Proxy/Deputy Chairperson for each of the Workgroups and Executive Committee meetings</li> <li>• Meeting dates for next 12 months</li> <li>• Event registration fees for the financial year</li> </ul>	September	Annually

## 11. Close

For further information regarding topics raised at the FMG Executive Committee meetings, please see contact details below:

FMG President, Kate George: [kgeorge@salisbury.sa.gov.au](mailto:kgeorge@salisbury.sa.gov.au).

- Asset Management Workgroup Chairperson, Katy Bone: [KBone@walkerville.sa.gov.au](mailto:KBone@walkerville.sa.gov.au)
- Costing Principles Workgroup Chairperson, Alex Oulianoff: [aoulianoff@dcmtbarker.sa.gov.au](mailto:aoulianoff@dcmtbarker.sa.gov.au)
- Events Workgroup Chairperson, Kate George: [kgeorge@salisbury.sa.gov.au](mailto:kgeorge@salisbury.sa.gov.au)
- Fees and Charges Workgroup Chairperson, Elizabeth Williams: [elizabeth.williams@alexandrina.sa.gov.au](mailto:elizabeth.williams@alexandrina.sa.gov.au)
- Financial Management Framework Workgroup Chairperson, Mark Lague: [mlague@barossa.sa.gov.au](mailto:mlague@barossa.sa.gov.au)
- Local Government Price Index Workgroup Chairperson, Chris Birch: [chris.birch@prospect.sa.gov.au](mailto:chris.birch@prospect.sa.gov.au)
- Local Government Reform Chairperson, **TBC**
- Long Term Financial Plan Workgroup Chairperson, Kate George: [kgeorge@salisbury.sa.gov.au](mailto:kgeorge@salisbury.sa.gov.au)
- Membership & Communication Workgroup Chairperson, Craig Mudge: [finance@mtr.sa.gov.au](mailto:finance@mtr.sa.gov.au)
- Rating and Valuation Workgroup Chairperson, Simon Zbierski: [szbierski@campbelltown.sa.gov.au](mailto:szbierski@campbelltown.sa.gov.au)