

MINUTES

South Australian Local Government Financial Management Group Executive Committee

21 September 2018 at 9:30am

City of Salisbury Council Chambers – 12 James Street, Salisbury

1. Present

Executive Committee:

- Kate George (President), City of Salisbury
- Elizabeth Williams (Vice President), Alexandrina Council
- Alexander Oulianoff (Treasurer), Mount Barker District Council
- Clive Hempel (Secretary), Mid Murray Council
- Angela Papatheodorakis, City of Port Adelaide Enfield
- Annette Martin, City of Charles Sturt
- Anthony Amato, Town of Gawler
- Chris Birch, City of Prospect
- Craig Mudge, District Council of Mount Remarkable
- David Harman, City of Marion
- Katy Bone, Town of Walkerville
- Mark Lague, The Barossa Council
- Mike Carey, Adelaide Hills Council
- Pep Piscioneri, Adelaide City Council
- Rajith Udugampola, Adelaide Plains Council
- Simon Zbierski, City of Campbelltown

Proxies:

- Grace Pelle, City of Playford (for Samantha Grieve)

Observers/Guests:

- Joe Singh, City of Playford
- Kathryn Goldy, City of Salisbury
- Tami Norman, City of Unley
- Rebecca Muller, LGA of SA
- Adam Wilson, CEO, ESCOSA
- Natasha Cheshire, Director Licensing, Monitoring and Reporting, ESCOSA

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.

2. Apologies

- Leta Northcott, City of Mitcham
- Norm Biggs, City of West Torrens
- Sarah Taylor, City of Unley
- Samantha Grieve, City of Playford
- Sean McComish, ESCOSA
- Shane Sody, LGA of SA
- Sonia Sghendo, City of Onkaparinga

3. Welcome to New Executive Committee Members

The following new Committee Members were welcomed with the other new members to be welcomed at the October meeting.

- Angela Papatheodorakis
- David Harman
- Katy Bone
- Rajith Udugampola

4. Presentations

4.1 10am – Rate Capping Guidelines, ESCOSA – Adam Wilson (CEO) and Natasha Cheshire (Director Licensing, Monitoring and Reporting)

Adam and Natasha discussed the current process that is being undertaken. Essentially, the Government has its policy and the parliament has made a stand on this matter so there is now a political process that needs to be undertaken. ESCOSA has been tasked with undertaking a process to understand what will happen if the Bill goes through. They will be providing advice around mid-November and are currently consulting with the sector. There is a formula in the Bill for rate capping that ESCOSA is working through in terms of potential scenarios and the specifics of the formula.

The committee asked questions with respect to Council submissions. The Bill should be debated at the end of September, early October. Adam and Natasha worked through the questions in the consultation paper with the committee and the following feedback was noted:

Growth:

- What should be accounted for in growth? Market value is generally not a cost driver for Councils.

Primary rate cap for different groupings of Councils:

- Beneficial?
- Other option is through a variation method for specific individual Councils.
- A lot of Councils would struggle with the variation process as its likely to be the smaller Councils that are affected.
- Differentiation with groupings is likely to be preferable for smaller Councils.
- Development and growth varies greatly between Councils.
- Clearly defining characteristics for groups of Councils: mandatory rebates (short term issue), natural disasters, asset management issues (more rural than metro).
- Use a separate primary control, an example is that in the regulation of CWMS and water services, use it to address financial concerns.
- There are a number of Councils that need to bring their strategic plans, asset management plans and LTFP's up to date.

Primary rate cap will be a recipe:

- Indexation factor, plus efficiency factor, plus issues the Minister finds important, minus issues identified will be the formula.
- Could be how much green field they have? Metro and rural.
- The primary cap mechanism needs to be able to be refined – can't set and forget.
- Grouping of size of Councils/resources also needs to be factored in not just via asset management plans.

- There is capacity to feed factors into the formula. Service charges aren't captured in this capping – this will affect Councils that have these charges captured within their general rates (it can identified in the formula as an option 'if a Council does do this').
- Councils are looking at other income sources and how they can grow them to ensure they are covering infrastructure and other services.
- CPI and LGPI – what is a readily available index to use to be able to calculate the primary rate cap? CPI is good if it also includes wage costs, and using the end of September quarter is preferable. LGPI can be a bit circular. Additional factors will need to be added in. Would be good if there was a waste index. LGPI could be used as a secondary index to pick up infrastructure. Additional adjustment factors to the CPI – natural disasters, waste, extra compliance issues that soak up Council resources.
- A productivity and efficiency factor is not really required at this point given where we are at in the industry. This will likely be introduced at some point in the future.
- The formula will pick up industry wide factors that are quantifiable.

Rate cape variation determinations timing:

- Rather than setting a May date, get to Councils within a month or two of variations so early Councils will receive their variations quicker.
- It will be set up to complement Council processes rather than introducing new timeframes.
- Most Councils are wanting to rate from 1 July, so they will be wanting to move the rate capping process back a bit.
- Councils will need to plan their consultation timing carefully through the year so there's not a double up that might confuse the community.

General:

- ESCOSA would like a submission regarding the major cost drivers.
- NSW has a massive backlog in infrastructure because the cap is so low. 90% of Councils in some states have put in for a cap variation showing that the formula is not working. We need to ensure we don't make the same mistakes with the cap mechanism.

5. Confirmation of Minutes

Moved: Mark Lague

Seconded: Elizabeth Williams

Recommendation: *That the minutes of the meeting held on 27 July 2018 be confirmed as a true and correct record.*

CARRIED

6. Business Arising from the Minutes

Nil.

7. Treasurer's Report

Patricia advised that two sponsors have not renewed and that there is a new sponsor signing up for 2018/19. There is still one outstanding sponsorship payment for 2017/18 that is more than 12 months old. The committee agreed to commence legal action for payment of the outstanding sponsorship fee.

The Treasurer discussed the current finances and financial statements. Coalface have an arrangement with the LGA to prepare the model financial statements. Rebecca from the LGA will look at the agreement timeframes and find out if Coalface will be continuing. The FMG would like to be involved in any market approach in this regard.

Moved: Clive Hempel

Seconded: Craig Mudge

Recommendation: That the Treasurer pursue formal debt collection for the sponsor who hasn't paid for 2017/18.

CARRIED

Treasurer's Report			
Action Items	Meeting	Responsible	Status
Purchase and setup XERO and Arlo.	27/04/18	Treasurer	In progress.
Commence legal action to recover unpaid sponsorship for 2017/18	21/09/18	President/ Treasurer	

8. Projects/Work Groups – Update/Status

8.1 Asset Management – Pep Piscioneri (Chairperson)

Pep advised that there is no update at the moment, next meeting planned for October. Mark advised that he is keen for the renewal vs upgrade issue to be progressed to provide consistency across Councils. It requires a David Maxwell template document or a decision tree showing what is 'replacement', what is 'renewal' and what is 'upgrade'. This will be added as an agenda item to the next meeting of the workgroup. The committee discussed the option of updating the LGA Information Paper with examples, assets, KPIs and a decision tree – this can be further explored.

8.2 Costing Principles – Alex Oulianoff (Chairperson)

Alex advised that there is no current update. All the entities that have wastewater will need to provide their financials in November so the workgroup will likely meet in October to discuss consistency.

8.3 Dog and Cat Management – Simon Zbierski (Chairperson)

Simon advised that the project group has now disbanded and there is a call out for financial representatives to be on the user group. Clive and Kate are two of the representatives.

Mark raised the issue of income still being received at Council. Some Councils are still receiving 30% to 40% of the income. Can the system be opened up to debit cards? A conscious decision was made when the system was set up to not have this function, however enhancements for the future will be looked into. A meeting is going to be held in late October to discuss issues with the system.

8.4 Fees and Charges – Elizabeth Williams (Chairperson)

Elizabeth advised that there is no update at this stage.

8.5 Financial Management Framework – Mark Lague (Chairperson)

8.5.1 AASB15 & AASB1058: early adoption considerations for income received in advance and volunteer services accounting treatment

Mark advised that for Councils that choose to adopt the accounting standards early for their treatment (particularly grants and funding they may have had), the framework group has listed some issues and what needs to be considered with the early adoption. If Councils need help, Mark is happy to share what Barossa has done. Essentially, Councils can adopt early if they are treating their grants as received in advance and a note will need to be added to note 1. Criteria needs to include that there is a contract/agreement that proves the funding and its milestones.

8.5.2 AASB16 Leases: application from 1/1/2019

This is not expected to be a significant issue for most Councils.

Financial Management Framework			
Action Items	Meeting	Responsible	Status
Discuss ideas from Councils for best practice in relation to AASB124 Related Party Disclosures.	22/09/17	Financial Management Framework Workgroup	Mark has received information from John Wright, Tim Muhlhausler and David Maxwell. It is still confusing so it is recommended that a paper, guide or a table ideally needs to be prepared.

8.6 Local Government Price Index – Chris Birch

Chris advised that there is no current update. The committee discussed forecasting that could be potentially used for the rate capping formula, however it is not part of the current agreement with the LGA. The Grants Commission data is largely based on State and Federal funding being supplied and that data feeds into the LGPI. The committee would like the workgroup to agree on definitions and then put them to the Grants Commission for their consideration.

Local Government Price Index			
Action Items	Meeting	Responsible	Status
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	Awaiting result of the Rate Capping Bill to determine whether a forecasting indicator is required.
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	

8.7 Long Term Financial Plan – Kate George (Chairperson)

Kate advised that a walk-through of the 'Lite' version is happening today after the committee meeting to review work completed to date.

Long Term Financial Plan			
Action Items	Meeting	Responsible	Status
Review the Coalface Long Term Financial Model and its future.	25/11/16	LTFP Workgroup	Completed
When the LTFP LG Solutions Lite Model is released, Councils to be notified.	21/09/18	LTFP Workgroup	

8.8 Membership & Communication – Kate George (in lieu of Chairperson)

8.8.1 Building Capacity in Small Regional Councils Program

John Wright who is working with the LGA, contacted the FMG regarding the 'Building Capacity in Small Regional Councils Program' and the possibility of two regional participants attending the FMG November Workshop and Conference funded under the program. The committee discussed the different methods it uses to select a regional participant to attend events and funded by the FMG as part of the FMG's Membership Guidelines.

Moved: Annette Martin

Seconded: Mark Lague

Recommendation: *That Anne O'Reilly of Port Augusta City Council be the FMG sponsored regional participant for the November event.*

CARRIED

Moved: Elizabeth Williams

Seconded: Clive Hempel

Recommendation: *That information be provided to John Wright with respect to details of event participation and membership details of Councils that are Members of the FMG.*

CARRIED

Membership & Communication			
Action Items	Meeting	Responsible	Status
Information Sharing Platform - LinkedIn, Facebook or a website forum to be investigated with the help of Irene Scales.	31/03/17	Membership Workgroup	Seminars Workgroup to trial Facebook Group.
Draft an application form for the engagement of distant FMG Members. The form will act as an 'expression of interest' for those members to request to attend FMG Executive Committee meetings free of travel expenses.	23/03/18	Clive Hempel	

Membership & Communication			
Action Items	Meeting	Responsible	Status
Provide methods and information about regional Council participation in FMG events to John Wright to assist in their selection process for two funded participants to attend the FMG November Workshop and Conference under the 'Building Capacity in Small Regional Councils Program'.	21/09/18	Secretariat	Completed
Selection for one free attendance to the end of year Conference is offered each year to at least one Regional Council (location >200km from Adelaide CBD). The selection process is based on specified criteria used and as recommended to the Executive Committee by the Membership Group.	22/06/18	Membership Workgroup	Completed

8.9 Newsletter / Website – Elizabeth Williams (Chairperson)

Elizabeth advised that the next edition of the newsletter will start to be worked on soon.

8.10 Rating and Valuation – Norm Biggs (Chairperson)

8.10.1 ESCOSA Guidelines (Kate George)

Kate submitted a paper to the Executive Committee. The committee discussed the rate capping index again and one option that could be accurate is road and bridge construction SA (3108 ABS index) combined with CPI and wage price index. There is no one price index that is suitable and further work is required to work out which indexes should be applied.

Moved: Annette Martin

Seconded: Clive Hempel

Recommendation: *That the FMG provides a submission to the ESCOSA consultation on the South Australian Local Government Rate Oversight Scheme Guidelines and that the submission take the form of the draft circulated on 17 September and that it be updated to reflect the Executive Committee's discussion today.*

CARRIED

Simon advised that with regard to the revaluation initiative, most metro Councils will be completed in 2019/20 and the rest in 2020/21.

Kate advised that the rating policy update from RPSA has been submitted as an LGR&DS application to the LGA.

Rebecca advised that the 3 year no differential on vacant land issue is still being discussed, the LGA have provided some feedback from the sector but they are not sure if it will go anywhere.

Rating and Valuation			
Action Items	Meeting	Responsible	Status
Rate rebate policy – a possible LGR&D Scheme application to be prepared for funding to update the 2008 policy. Workgroup to seek a quote from Michael Kelledy (original author of the policy) to see how much it would cost to have the policy updated.	24/02/17	Rating & Valuation Workgroup	Revenue Professionals SA have applied for LG R&D funding for the rewrite of the Rebate Information paper.
Speak with the LGA regarding “Charge’s against the land”, such as Outstanding Block Clearing Fees and charges under the SA Health Act. Can these be placed on the assessment (rate notice) and charged fines/interest?	23/03/18	Rating & Valuation Workgroup	
Provide FMG submission to ESCOSA regarding the South Australian Local Government Rate Oversight Scheme Guidelines	21/09/18	President	

8.11 Seminars – Clive Hempel (Chairperson)

8.11.1 Workshop and Conference to be held on 29 and 30 November 2018 at Adelaide Oval

The program is almost finalised with just the rate capping session to finalise. The program should be issued in the next few weeks.

8.11.2 Workshop and Conference Registration Fees for 2018/19

Moved: Mike Carey
Seconded: Annette Martin

Recommendation: *That the committee delegates the Seminars Workgroup to finalise registration fees for the November Workshop and Conference including a discounted package for Members only.*

CARRIED

Seminars			
Action Items	Meeting	Responsible	Status
Setup a Facebook group for the workgroup to see how it works.	31/03/17	Seminar Workgroup	Facebook group created – yet to complete active testing.
Determine registration fees and discount package for Members for the November Workshop and Conference.	21/09/18	Seminar Workgroup	

8. Correspondence

Nil

9. Confidential Discussion Items

Nil

10. Other Business

10.1 FinPro Conference – 17 to 19 October 2018 at Mantra Lorne

The FMG has been invited to send a representative to the FinPro conference under the current reciprocal arrangements (accommodation and event subsidised).

Moved: Mike Carey

Seconded: Craig Mudge

Recommendation: That Alex Oulianoff attend the FinPro conference as the SALGFMG representative.

CARRIED

10.2 Workgroup Allocations

The committee discussed the current workgroups and made changes to the members of the groups and names of the groups. The workgroup listing is to be circulated to the membership for further changes prior to finalisation.

10.3 Proxy/Deputy Chairperson for each of the Workgroups and Executive Committee Meetings

To ensure quorum at Executive Committee meetings, Executive Committee Members will be asked to nominate a Proxy to attend at times that they may be unavoidably unavailable. Secretariat to seek Proxy names to be included in the calendar invitations and on the agenda. Deputy Chairs were allocated during the discussion of item 10.2 above.

10.4 Executive Committee Meeting Dates and Venues

The committee discussed meeting dates for the next 12 months and the following dates were agreed to:

Last Friday of the month unless otherwise indicated:

- 26 October 2018 – Campbelltown
- 23 November 2018 (instead of 30 November) – Port Adelaide
- 18 January 2019 (instead of 25 January) – Onkaparinga
- 22 February 2019 – Adelaide Hills
- 29 March 2019 – Walkerville
- 3 May 2019 (instead of 26 April) – Mount Barker
- 31 May 2019 – Playford
- 21 June 2019 (instead of 28 June) - Alexandrina
- 26 July 2019 – Barossa
- 27 September 2019 – Salisbury

10.5 My Local Services App (Annette Martin)

Annette advised that Charles Sturt has recently sent emails to Councils encouraging them to use the My Local Services App to send out rate notifications etc.

10.6 Bank Fees (Mark Lague)

Mark advised that bank fees are going up and that BPay are dropping the merchant fee from 1 October to be more competitive.

Other Business			
Action Items	Meeting	Responsible	Status
Possibility of having an Eyre Peninsula Financial Managers Group (sub group of LGFMG) to assist with keeping in touch with industry changes and Eyre Peninsula city counter parts - President to contact Michelle Tucker and advise her of the Executive Committee's discussion and then contact Regional LGA's to seek their feedback.	31/10/14	President	Completed. To be looked at in the future if required.
Prepare a letter of thanks for Anna-Lucia Draper who has resigned from the Executive Committee.	22/06/18	Secretariat	In progress for all outgoing Executive Committee Members.
Rate Capping - Approach ESCOSA to view the draft guidance paper and to offer the FMG's assistance as well as request that the FMG volunteer to be part of a working group.	27/07/18	President	Completed
Send updated workgroups listing to Members for any further updates.	21/09/18	Secretariat	Completed
Send request to Executive Committee Members to provide a Proxy for Executive Committee meetings.	21/09/18	Secretariat	Completed

11. Next Meeting

26 October 2018 – Campbelltown

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

12. Close

Meeting closed at 1:00pm.

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.

- Asset Management Workgroup Chairperson, Pep Piscioneri: p.piscioneri@adelaidecitycouncil.com
- Costing Principles Workgroup Chairperson, Alex Oulianoff: aoulianoff@dcmtbarker.sa.gov.au
- Events Workgroup Chairperson, Kate George: kgeorge@salisbury.sa.gov.au
- Fees and Charges Workgroup Chairperson, Elizabeth Williams: elizabeth.williams@alexandrina.sa.gov.au
- Financial Management Framework Workgroup Chairperson, Mark Lague: mlague@barossa.sa.gov.au
- Local Government Price Index Workgroup Chairperson, Chris Birch: chris.birch@prospect.sa.gov.au
- Long Term Financial Plan Workgroup Chairperson, Kate George: kgeorge@salisbury.sa.gov.au
- Membership & Communication Workgroup Chairperson, Craig Mudge: finance@mtr.sa.gov.au
- Rating and Valuation Workgroup Chairperson, Simon Zbierski: szbierski@campbelltown.sa.gov.au