

## MINUTES

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

27 September 2019 at 9:30am

City of Salisbury Council Chambers – 12 James Street, Salisbury

#### 1. Present

##### Executive Committee:

##### Office Bearers:

- 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

##### Members:

- Annette Martin, City of Charles Sturt
- Anthony Amato, Town of Gawler
- Chris Birch, City of Prospect
- Luke Harris, City of Mitcham
- Marc Sodomka, City of Port Adelaide Enfield
- Mark Lague, The Barossa Council
- Norm Biggs, City of West Torrens
- Samantha Grieve, City of Playford
- Simon Zbierski, City of Campbelltown

##### Proxies:

- Nil

##### Observers/Guests:

- Andrew Lamb, LGA of SA
- Joe Scordo, Light Regional Council

*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

- David Harman, City of Marion
- Karishma Reynolds, City of Burnside
- Katy Bone, Town of Walkerville
- Mike Carey, Adelaide Hills Council
- Rajith Udugampola, Adelaide Plains
- Rebecca Muller, LGA
- Sonia Sghendo, City of Onkaparinga

### 3. Welcome New Committee Members:

- Luke Harris
- Marc Sodomka
- Samantha Grieve

### 4. Presentations

#### 4.1 Local Government Reform – Andrew Lamb, Local Government Reform Partner, Local Government Association of SA

Firstly, Andrew thanked the FMG for its valuable input into Dogs and Cats Online (DACO) to help make the system successful.

Andrew provided background to the current Local Government reform issues. The Government election last year raised Local Government as an issue, particularly with rates consistently increasing and this informed the need for extra regulation. The LGA has been able to work with the opposition to move issues like rate capping and the Minister is pleased that the Local Government sector is working with them constructively. The election promises will be kept to, however, Local Government is in a much better position now than 12 months ago.

The LGA is formulating a response to the Government's 72 proposals. In the next few months, the LGA will work on the details with the Government and there is a real opportunity to use the support of the sector. The Productivity Commission report advised that the regulatory burden on Councils is too high.

There are a number of proposals in the submission for example the External Auditor Oversight – the Auditor-General already has powers to audit any Council at any time. It is acknowledged that the Auditor-General doesn't have the capacity to do the audits himself so it would likely be contracted out. The LGA has attended a range of metropolitan and regional Council meetings and there is a strong opposition on this, and it raises the question of whether there are other ways that this can be addressed. There is no evidence of external auditors or any Council's external audit function that has been deemed to be inadequate.

Should the majority of members on audit committees be independent? The Office of Local Government would like tiers for the scope of audits – each Council within a tier has to have a certain amount of scope. Councils want to keep their own flexibility on the scopes of their audits as there is no evidence that the external audits are being compromised.

The Executive Committee discussed the LGA submission and the following was noted:

- Dr Sabine Schuhrer from Adelaide Uni undertook a study on the audit issue (Who Should Audit Local Governments in South Australia?) to investigate the costs and benefits of alternative Local Government audit arrangements and the proposed recommendation was that the current audit arrangements and the quality of the work provided and the fees charged for the services are satisfactory.
  - Some Councils are spending a very low amount on their external audits and the Office of Local Government is questioning that.
  - Systems, processes and controls and LTFP's are more important than the smaller issue of external auditing. If Councils were to perform a governance check it would not be centred around the auditors.

- With respect to having all independent members on Audit Committees, regional Councils will struggle to get independent members and some Councils would have to fly them in. Councils could share with other Councils around them as a cluster of Councils (one Audit Committee for a cluster of Councils). This also raises the question of what makes someone an independent member (it would need to be defined – qualifications and experience). Video conferencing technology would help reduce the travel issue.
- Most Audit Committees are covering risk under their Terms of Reference and through their reporting.
  - It would be more beneficial to increase the understanding of Council Members about financial issues.
  - A balance of risk and financial governance is the role of the Audit Committee.
  - Anything to do with an investment should be taken to an Audit Committee given the skill set of the Members, and then to Council to make a decision.
  - Audit Committee's need to be given powers to cover investment decisions. Increasing the scope of Audit Committees to include governance issues would bog them down.
- There are a lot of issues, but they don't all need to be mandatory – flexibility is important between Councils. Will there be penalties, or will there be a Code of Practice or will there be expectations and failure to comply? How will the issues be addressed?
- Industry wide policies and guidelines would be beneficial across all areas.
- Councils already consult on the draft Annual Business Plan that includes the proposed rate increase. What is the prescribed level? Where is that coming from? Rate revenue is needed to make the Annual Business Plan work and to deliver the services provided. Councils could look to creating a mandatory one-page report that shows why there is a rate increase – net costs required from rates on display, costs for each major function.
- The LGA supports a performance management system, a sector led system and designed for the needs of Councils to assist them to make informed decisions and if the information is presented in a way by the sector to the community, this will assist the community in understanding what is happening. If a system could draw from Councils systems automatically and report to entities automatically by the due dates, this would be ideal and would save on resources.
- When discussing 'total general rate revenue', the language needs to be moved towards 'average rate payer' otherwise there will be shrinking revenue against growing expenditure.

Executive Committee Members are encouraged to contact Andrew with further feedback. The President will collate the information she has and circulate it to the committee.

## 5. Confirmation of Minutes

**Moved:** Norm Biggs

**Seconded:** Anthony Amato

**Recommendation:** *That the minutes of the meeting held on 26 July 2019 be confirmed as a true and correct record.*

**CARRIED**

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

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

A meeting of the group was held on Monday. A list of what the group will be working on over the next 12 months has been developed. A Local Government Research and Development Scheme submission was developed for the development of a strategic asset management plan. IPWEA also provided a submission on the same subject matter and the LGA have now decided that they will run the project.

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

Alex advised that there is no update at this stage.

### 6.3 Events – Kate George (Chairperson)

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

Kate advised that the group is currently finalising the program for the event.

**Moved:** Elizabeth Williams

**Seconded:** Chris Birch

**Recommendation:** *That the Executive Committee delegates the Events Workgroup to finalise registration fees for the December Workshop and Conference including a discounted package for Members only.*

**CARRIED**

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

Kate advised that the group used to hold this event in March but have changed the timing for 2020 based on feedback received from delegates and we are hoping the new timing will assist attendees.

Events			
Action Items	Meeting	Responsible	Status
LGFA sponsorship of regional attendees to attend FMG Conferences.	26/07/19	Events Workgroup	<b>President to discuss options with LGFA.</b>

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

Elizabeth advised that the first ruling is now with the publishing team at the ATO and should come out in October. The second ruling is still being developed, BDO have done a lot of work reformulating their database so that the ATO can use it easier. They are looking at what legislation enables Local Government to make the supply and then charge a fee and issue a license or a permit. There is a question regarding retirement village and independent living unit fees – do the fees need the GST associated with them. BDO have indicated that the project will cost an additional \$5k to complete.

**Moved:** Anthony Amato

**Seconded:** Norm Biggs

**Recommendation:** *That the Chair of the Fees and Charges Working Group be authorised to negotiate with BDO an additional spend of up to \$5,000 to complete the Fees and Charges project, noting that the Executive Committee is querying BDO’s definition of the scope change.*

**CARRIED**

**6.5 Financial Management Framework – Mark Lague (Chairperson)**

**6.5.1 LGA Information Papers Reviews – Update**

Mark thanked those who have assisted in reviewing the papers. Half a dozen of the papers have only had one reviewer at this stage. Groups have been asked to review the papers and the Audit Committee paper is recommended to be taken out and the Long Term Financial Plan paper to be held off for now. It is anticipated that the papers will be brought back to the next Executive Committee meeting.

**6.5.2 2019 Model Financial Statements - AASB7 & AASB9 Financial Instruments at Note 13 and “rates and charges”**

How we are treating rates and charges on note 13 – in the Model Financial Statements (MFS) it is being treated a certain way but a few Councils have been excluded from note 13 in relation to what work is being done for sundry debtors (including them in note 13). This issue was hopefully picked up by the Councils before they reached their final audit.

In relation to the contract for the Model Financial Statements, Mark has spoken with Rebecca at the LGA and provided comments from the workgroup. The new contract will be due for next year’s MFS.

<b>Financial Management Framework</b>			
<b>Action Items</b>	<b>Meeting</b>	<b>Responsible</b>	<b>Status</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.	21/06/19	Treasurer  FMF Workgroup	

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

Chris advised that the LGA has agreed to a one-year trial to the forecasting index. They met with the University and they have agreed. The forecasting will be reviewed to ensure it is providing value to Councils and also to ensure its accuracy. There will be a cost, but we are not aware at this stage what it will be.

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	<b>Completed</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	

## 6.7 Local Government Reform – Kate George (Chairperson)

Kate met with Alex from the Office of Local Government. Kate will be pulling together a paper. We need to be careful in the wording that is used and also the regional impacts. We won't necessarily be putting forward alternatives. Kate will circulate the paper prior to the next meeting and then adopt at the next meeting.

With respect to the SA Productivity Commission paper, a session was held at Walkerville with Jeff Tate on Tuesday. We need to focus on the few issues that are really relevant to the FMG as a body and put forward ideas and thoughts on practical steps. The commission has requested information to assist in their decision making and Executive Committee Members are encouraged to have their Councils provide information. A meeting was also held at the LGA in early September – Kate will distribute the slide pack.

The committee agreed that if Local Government is benchmarked against an index, they need to make sure that it actually applies.

## 6.8 Long Term Financial Plan – Kate George (Chairperson)

Kate advised that she will be finalising the project report shortly for the LGA and this project will then be completed.

## 6.9 Membership & Communication – TBC (Chairperson)

No update provided.

Membership & Communication			
Action Items	Meeting	Responsible	Status
Buddy list to be reviewed and distributed to Executive Committee.	21/06/19	M&C Workgroup	

## 6.10 Rating and Valuation – Simon Zbierski (Chairperson)

Simon advised that the next meeting of the group will be held on 15 October at Campbelltown. The MOU between the LGA and the Valuer-General has expired, Simon is meeting with the Valuer-General next week with the LGA and Revenue Professionals SA to start the process again.

## 6.11 DACO Update – Simon Zbierski and Clive Hempel

Simon discussed the issue of when Councils are supposed to receive payments. There is an official process and dates that have been circulated to the committee.

**Moved:** Simon Zbierski

**Seconded:** Elizabeth Williams

**Recommendation:** *That the Executive Committee endorsed the wording changes provided on the 'Taking Payments for Animal Registration Renewals Using DACO document.*

**CARRIED**

## 7. Treasurer's Report

Alex advised that the group's finances are currently healthy and in profit.

Finance			
Action Items	Meeting	Responsible	Status
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	<b>Forms to be signed.</b>

## **8. Correspondence**

### **8.1 Letter from the LGA – IAMP Template Updates LGR&DS Proposal**

Noted.

## **9. Confidential Discussion Items**

Nil

## **10. Other Business**

### **10.1 Workgroup Allocations**

Committee Members nominated for workgroups. The workgroup listing will now be provided to the membership for additions and changes.

### **10.2 Proxy/Deputy Chairperson for each of the Workgroups and Executive Committee Meetings**

Proxies for members will be confirmed out of session.

### **10.3 Executive Committee Meeting Dates and Venues**

Confirmed:

- 25 October 2019 – Campbelltown City Council
- 29 November 2019 – The Barossa Council
- 31 January 2020 – City of Port Adelaide Enfield
- 28 February 2020 – City of West Torrens
- 27 March 2020 – City of Mitcham
- 24 April 2020 – Town of Walkerville
- 29 May 2020 – City of Charles Sturt
- 26 June 2020 – City of Prospect
- 31 July 2020 – Mount Barker District Council
- 25 September 2020 – Alexandrina Council

Annette left the meeting and Joe Scordo was Proxy for Annette from this point.

### **10.4 Interstate Conferences – Reciprocal Arrangements**

The information of both conferences will be provided to the Executive Committee for Committee Members to put forward interest in attending.

- FinPro Conference – RACV Cape Schanck Resort, Victoria – 16 to 18 October 2019  
Program: <http://9fwkpb.attendify.io/>
- NSW Conference – Crowne Plaza Hunter Valley – 13 to 15 November 2019

## 10.5 Steve Wilkinson Recognition

**Moved:** Elizabeth Williams

**Seconded:** Chris Birch

**Recommendation:** *That the President is authorised to make a donation to a suitable charity or a suitable community initiative to the amount of \$100.*

**CARRIED**

## 10.6 Timing of DACO Receipts

Discussed at item 6.11.

Other Business			
Action Items	Meeting	Responsible	Status
Form a Data Collections – Annual Grants Commission Returns workgroup.	29/03/19	Executive Committee	<b>Chris to send email to organise a meeting – same members of the LGPI workgroup.</b>
Send collated Rate Capping information to the Executive Committee and the LGA.	26/07/19	Clive Hempel	<b>Completed</b>

## 11. Next Meeting

25 October 2019 – Campbelltown City Council

Standing and Future Items	Meeting	Frequency
Presentation from the Local Government Grants Commission	March	<b>Annually</b>
Sponsorship Proposal for the next financial year	April/May	<b>Annually</b>
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	<b>Annually</b>
<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	<b>Annually</b>
<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	<b>Annually</b>

## 12. 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)
- Long Term Financial Plan Workgroup Chairperson, Kate George: [kgeorge@salisbury.sa.gov.au](mailto:kgeorge@salisbury.sa.gov.au)
- Membership & Communication Workgroup Chairperson, **TBC**
- Rating and Valuation Workgroup Chairperson, Simon Zbierski: [szbierski@campbelltown.sa.gov.au](mailto:szbierski@campbelltown.sa.gov.au)