

# Integrated Strategic Management Framework

**LGA Guidelines**  
**August 2022**

## About the LGA

The Local Government Association of South Australia (LGA) is a membership organisation for all councils in South Australia and is the voice of local government in this State.

The LGA is created by councils and endorsed by the South Australian Parliament through the *Local Government Act 1999* (SA) (the Local Government Act) and is recognised in 29 other South Australian Acts.

The LGA represents the sector to State and Commonwealth Governments and other key stakeholders. Membership of the LGA is voluntary, but all 68 of South Australia's councils are members.

The LGA is a constituent member of the Australian Local Government Association (ALGA).

The mission of the LGA is to provide leadership, support, representation and advocacy on behalf of South Australian councils.

### Acknowledgement

The LGA provides leadership and services to councils and is particularly focussed on building capacity and capability by encouraging a continuous improvement culture for local government officers.

Development of this paper benefited from contributions from the CEO Advisory Group, South Australian Local Government Financial Management Group (SALGFMG), and funding from the Local Government Research and Development Scheme (LGR&DS) grants program.

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# 1. Introduction

The three tiers of government - local, State and Commonwealth - work together in various ways to govern and provide services to the community.

Although each tier of government operates differently and has very different powers and functions, each has an important role to play in Australia.

Local government is an elected system of government directly accountable to the local community.

Councils possess unparalleled knowledge about the needs of their local area and for this reason, local government is often referred to as the 'grass roots' level of government.

As with other democratically elected governments, i.e., the State and Commonwealth Governments, councils have powers to raise revenue (primarily through council rates) to provide and maintain infrastructure and services, to regulate activities (such as building development) and to impose penalties if local regulations are breached (for example dangerous dog attacks).

Council funds, supplemented in some cases by funding from the State and Commonwealth Governments, are used to deliver a diverse range of services to their local communities.

In general terms councils have two layers of accountability - primary accountability to the local communities whom they serve and accountability to State legal and administrative review systems (and in some instances to Commonwealth ones). In many cases the levels of accountability and transparency are far more robust than for the State and Commonwealth Governments.

Local councils in South Australia are required to undertake strategic management planning and reporting against statutory obligations in accordance with the *Local Government Act 1999* (SA) (the Local Government Act) and the subordinate regulations, however there is not always guidance in the Local Government Act or the regulations on what this means or how councils should go about this process.

This document seeks to provide some guidance on what 'good' integrated strategic management planning looks like and to assist councils to consider how their various plans are connected.

## 2. Context and purpose

### Role and functions of a council

The Local Government Act provides guidance on the role and functions of a council and the principles to be observed in sections 6, 7 & 8.

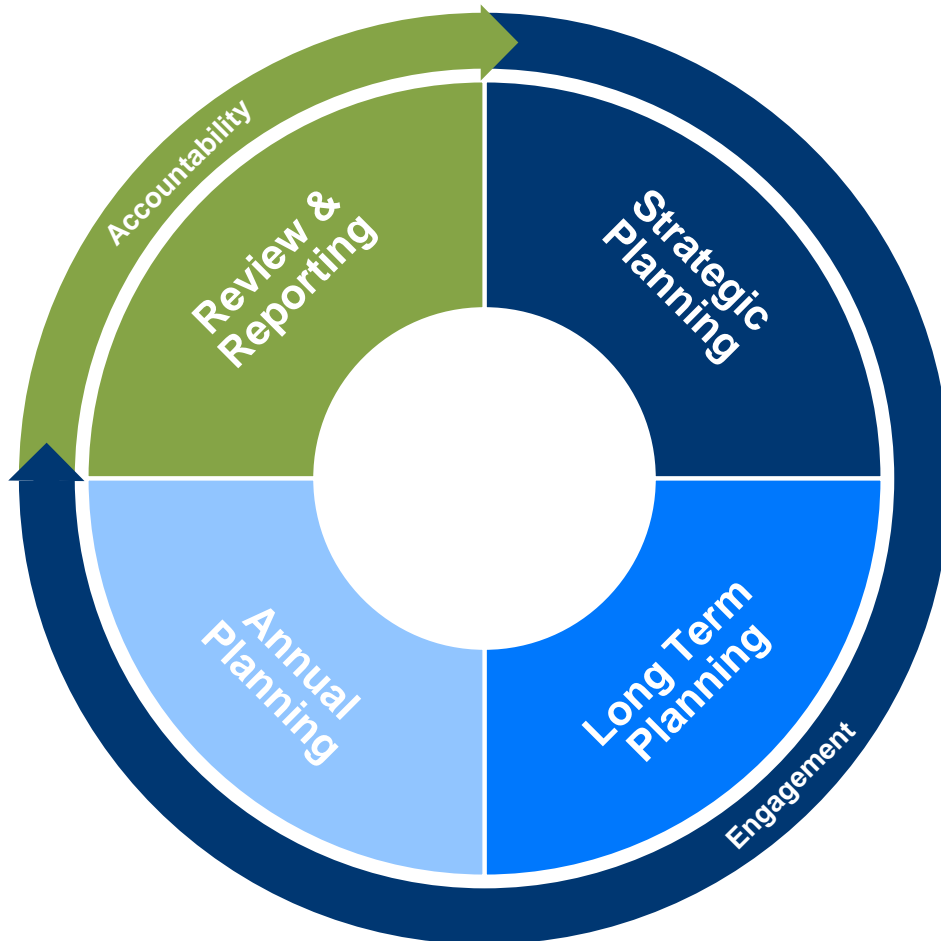
Put simply, the principal role of a council is to represent the interests of their community and make responsible, informed decisions for the benefit of that community in a way that is socially just and ecologically sustainable and that provides for the ongoing financial sustainability of the council.

### Strategic management planning

Integrated strategic management planning is a continuous cycle of consultation and engagement, with community and other key stakeholders, to assist in the development of goals, objectives, and activities within the various council plans. Councils then demonstrate accountability back to the community (and

other key stakeholders) via Annual Reports and periodic submissions to the Essential Services Commission of SA (ESCOSA) who provide advice on Strategic Management Plans (SMPs).

**The four main elements of the strategic management planning process as represented below are the focus of this document.**



Councils undertake various levels of planning and engagement from strategic (which has a longer time frame and provides overarching direction) through to annual (shorter time frame outlining specific programs and activities).

Council plans and policies cannot exist in isolation. Goals in the Strategic Community Plan (SCP) should clearly link to the activities in the Annual Business Plan (ABP). The Infrastructure and Asset Management Plan(s) (I&AMP(s)) and Long-Term Financial Plan (LTFP) should reflect the specific asset and financial activities which will have an impact on the council's finances.

Similarly, feedback received from the community via service requests and community consultation processes should inform discussions about service ranges and levels. Performance measures identified within the SCP should be reflected in agreements with contractors and should form the basis of community surveys (to measure performance against these indicators).

The suite of Strategic Management Plans (SMPs)<sup>1</sup> are a key interface between Elected Members' primary policy setting role and officers in councils delivering outcomes based on council policy. SMPs should assist in guiding everyday decision making.

Collectively the SMPs should provide readers with an understanding of:

- council objectives for at least four years including how those objectives align with other spheres of government (and other councils), and how any overlapping services can be shared or coordinated;
- the principal activities to achieve the objectives;
- the council's ongoing financial sustainability status (including estimates of the income and expenditure required to ensure the maintenance of council's high priority expenditure programs, both operating and capital); and
- the measures council will use to assess its performance.

These guidelines deal predominately with the following **key documents**:

- **Strategic Planning:**
  - Strategic Community Plan
- **Long Term Planning:**
  - Long-Term Financial Plans
  - Infrastructure and Asset Management Plan(s)
- **Annual Planning:**
  - Annual Business Plan and Budget
- **Review & Reporting:**
  - ESCOSA Strategic Management Plan Advice Scheme
  - Annual Report.

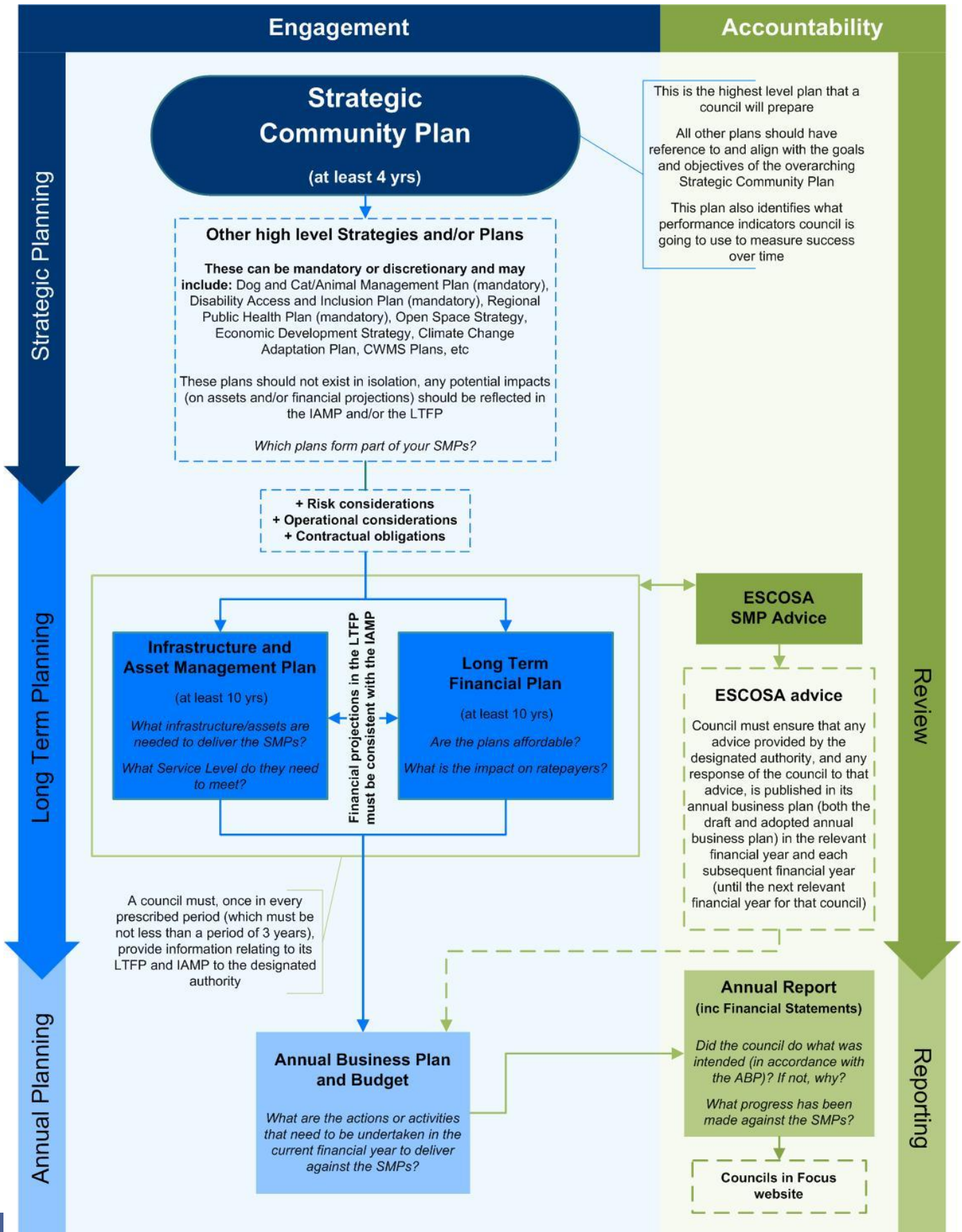
Please also refer to **Appendix 1 - Other information and resources** for further information.

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<sup>1</sup> *Local Government Act 1999 (SA)*  
Section 122(1) *A council must develop and adopt plans (which may take various forms) for the management of its area to be called collectively the strategic management plans (SMPs).*  
Section 122(1a) *A council must also develop and adopt a long-term financial plan and an infrastructure and asset management plan which will be taken to form part of the council's strategic management plans.*  
Section 122(8) *A council must specifically declare which plans will constitute the strategic management plans of the council.*

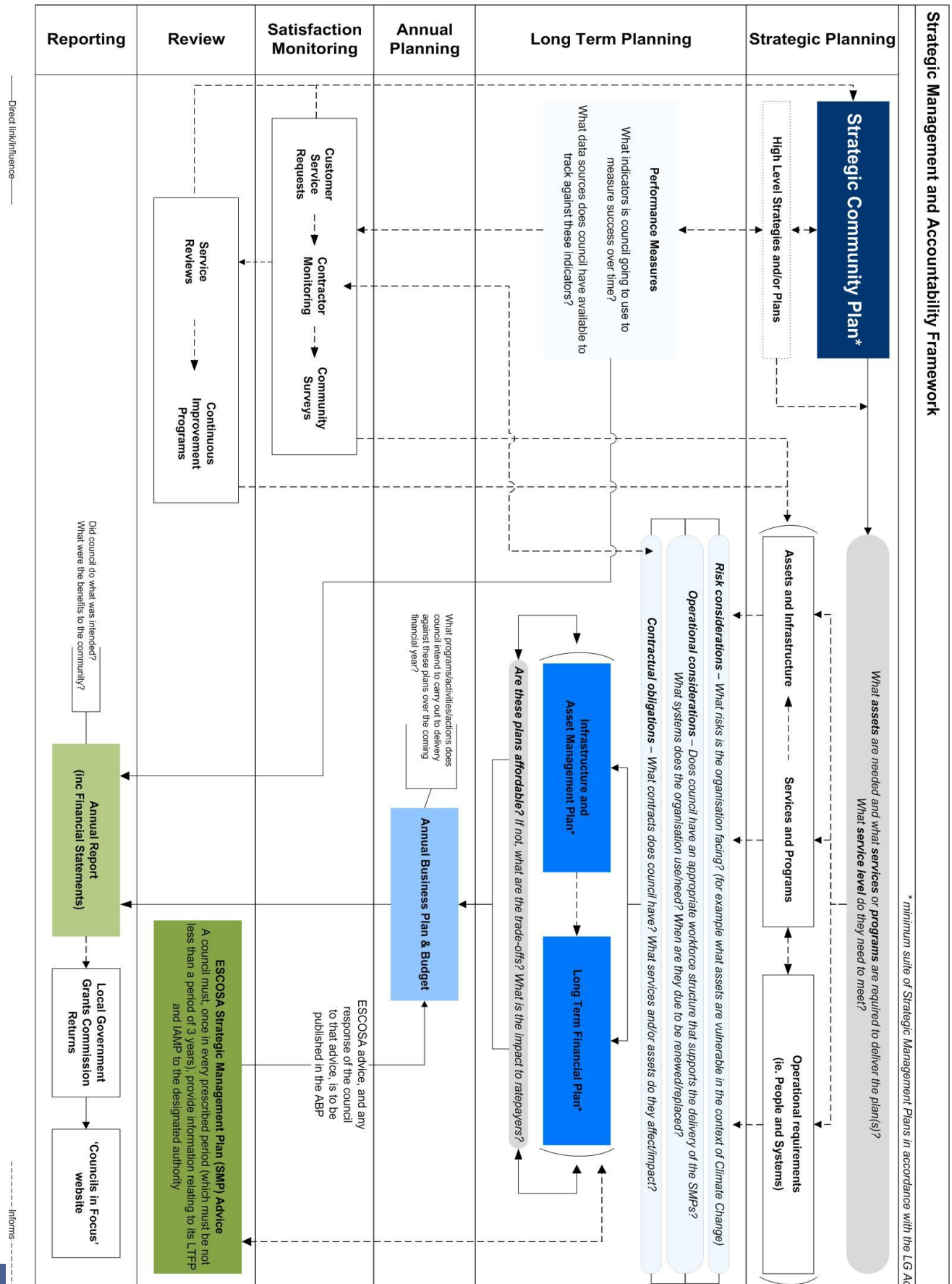
## Strategic management planning flowchart (simplified)

The strategic management planning process at a high level looks something like the below:



## Strategic management planning flowchart (detailed)

In practice, there are many more steps and considerations which is more likely to look like the below:





As outlined in the flowcharts above, the intent is to have an interlinked system that seeks broad feedback to inform the development of goals, objectives, and plans which then form the basis of performance reporting.

## Terminology

‘Strategic management planning’ is the comprehensive term used in the Local Government Act and in this guide. Most of the naming conventions employed here are commonly used in councils but may not be universally adopted.

The content of a council’s strategic management plans (SMPs), and the way they are integrated into the day-to-day operations of council is much more important than whether the term ‘goals’ or ‘objectives’ is used to describe what the council is seeking to achieve.

<b>Term</b>	<b>Definition</b>
ABP	Annual Business Plan
ABP&B	Annual Business Plan and Budget
ESCOSA	Essential Services Commission of SA
I&AMP(s)	Infrastructure and Asset Management Plan(s), as per section 122(1a)(b) of the Local Government Act
IPWEA	Institute of Public Works Engineers Australasia
Local Government Act	<i>Local Government Act 1999 (SA)</i>
LTFP	Long-Term Financial Plan, as per section 122(1a)(a) of the Local Government Act
Material	The concept of ‘materiality’ as per the Model Financial Statements
Public consultation and/or community engagement	As per Chapter 4, Part 5 of the Local Government Act. At the time of publication, section 50A of the Local Government Act had not commenced. Councils will be required by section 50A of the Local Government Act to have a Community Engagement Policy. The Community Engagement Policy must be consistent with and comply with any requirements specified by the Community Engagement Charter which may be published by the Minister from time to time. Until such time as section 50A commences, councils must follow their existing adopted Public Consultation Policies and/or procedures.
SCP	In this guide the singular term ‘Strategic Community Plan’ (‘SCP’) has been used to refer to the medium to long term overarching plan required by section 122 the Local Government Act and commonly called the Strategic Plan or Community Plan
SMPs	Strategic Management Plans, as per section 122 the Local Government Act
Suite of SMPs	Section 122 the Local Government Act also stipulates other required elements which form part of the SMPs, these include (at a minimum) an Infrastructure and Asset Management Plan(s) (I&AMP(s)), and a Long-Term Financial Plan (LTFP). In this paper these elements are referred to collectively, as the ‘suite of SMPs’

### 3. Strategic Planning

**Strategic planning** is concerned with the longer-term vision for both the council and the community. This vision is outlined within the:

- **Strategic Community Plan (SCP)** – The SCP (dealing with a period of at least four years) highlights what is important and guides the delivery of the council’s and community’s shared vision.

Informed by the long-term vision, councils may also develop other subsidiary high-level plans and strategies which can include:

- Economic Development Strategy
- Public Health Plan\*
- Dog and Cat Management Plan\*
- Disability Inclusion Action Plan\*
- Open Space Strategy
- Urban Design Framework
- Community Wastewater Management Plan
- Tracks & Trails or Walking Strategy
- Ageing Well Strategy
- Community Development Strategy
- Masterplans (i.e., Mainstreet)
- Climate Change Strategy/Action Plan
- Etc.

These plans can be mandatory (\*) (i.e., to comply with legislation other than the Local Government Act) or discretionary (a council *may* determine that they would add value or additional clarity to the planning process).

These subsidiary plans cannot exist in isolation. The impacts of **all of these plans** should be incorporated into (or at least considered within the context of) the LTFFP (if it predominately impacts on resourcing and/or operating costs) and/or the I&AMP(s) (if it impacts on council assets/infrastructure or the asset/infrastructure is key to delivering the plan).

If your council is financially sustainable with these endorsed plan(s) being modelled and certain aspects do not proceed it is likely to have a positive effect on your financial position, at least in the short term (although it may have a negative impact on services to the community). Conversely, if the plan(s) have not been modelled then this could contribute to a financial ‘shock’ should additional funding be needed.

If your council is not financially sustainable with these plan(s) being modelled then this provides an opportunity to consider the ‘trade-off’ decisions that will need to be made (i.e., increase in rates, revise desired quality or quantity, lower level of service elsewhere, seek additional funding, postpone, or do not proceed).



#### Questions to consider

- What is the long-term vision for your council?
- What assets and/or services or programs are needed to deliver on the vision?
- What service level do they need to meet?
- Are you aware of all the endorsed plans that your council has?
- Are they integrated into your LTFFP and/or I&AMP(s)?

## a. Strategic Community Plan

### Purpose

To avoid confusion, in this guide the singular term 'Strategic Community Plan' has been used to refer to the medium to long term overarching plan required by section 122 of the Local Government Act and commonly called the Strategic Plan or Community Plan.

The Strategic Community Plan (SCP) is the highest-level plan that a council is required to prepare (under the Local Government Act). In developing the SCP, the council will consider the issues and pressures affecting their community and the level of resources that will be required or are available to achieve its objectives.

### Key considerations when developing the SCP should include:

- **Sustainability of the council's financial performance and position:** What are the financial indicators telling you about the council's performance and position and what needs to be done to maintain or improve performance;
- **Services:** What activities, services and programs (and to what level of service) are needed to achieve the council's objectives;
- **Infrastructure:** What infrastructure and/or assets (and to what level of service) are needed to achieve the council's objectives;
- **Area changes:** What area changes might impact on council's ability to achieve its objectives;
- **Debt:** What does council propose with regard to debt levels; and
- **Cost impacts:** What changes might make a significant contribution to the costs of the council's activities or operations.

### Key considerations

#### What should be considered?

- (1) The SCP should be developed in consideration of the longer-term direction (and associated outcomes), that council wants to move their community towards and should outline how it will be delivered as a partnership between the council, State agencies, community groups and individuals.
- (2) Councils generally have broad discretion regarding the services that will be provided (apart from some mandatory requirements). For each service that is provided (or that council chooses to provide), a decision needs to be made about the level to which it will be provided. These decisions will require trade-offs, which should be explained to the community.
- (3) Even though the SCP is a high-level strategic document, clarifying and defining expectations around programs and services is one of the most important conversations councils will have with their communities during the planning process. These discussions are essential in informing the plan and the actions within subordinate plans.
- (4) Council's varying role in service delivery from lead through to facilitator/stakeholder, and the importance of close relations and alignment with other key bodies and partners, should also be part of the contemplation (i.e., Council doesn't have to 'deliver' everything).

- (5) Information should be presented to the community in an easy-to-understand format to encourage participation in the planning process.
- (6) Council objectives should indicate the extent to which they:
  - are linked to other councils and regional, state and national government objectives;
  - give consideration to other councils and regional, state and national government objectives and strategies;
  - coordinate with other councils and regional, state and national governments in planning and delivering services.

### How should it be structured?

- (7) There is no regulated 'template' however the SCP must cover the essential elements outlined in the legislation<sup>2</sup> including (but not limited to):
  - objectives over a period of four (4) years;
  - assessment against relevant matters (including sustainability);
  - proposed principal activities; and
  - proposed performance measures (financial and non-financial).
- (8) To emphasise the importance of the SCP, and from the practical perspective of duplication of effort, it is recommended that the Annual Business Plan and Budget and Annual Report are designed in a way which not only drives the achievement of the SCP but also allows for reporting in the format of the SCP (in preference to the 'departmental emphasis' on activity which can be prevalent in these documents).
- (9) Council must specifically declare which plans constitute the SMPs of the council<sup>3</sup>.

### How should the community be engaged?

- (10) The SCP is one of the minimum requirements in the suite of SMPs and therefore community engagement (i.e., public consultation) as per Chapter 4, Part 5 of the Local Government Act, is required.
- (11) Council must undertake community engagement (i.e., public consultation) in accordance with their adopted public consultation (or community engagement) charter and/or policy<sup>4</sup> in relation to the development and review of the SCP.
- (12) When engaging with community, the narrative that sits around the more 'financial' or 'technical' information in the document is particularly important. It should facilitate community understanding and engagement on the likely changes to be made in service delivery (i.e., what council can **and** can't do) to provide for or maintain financial sustainability in the longer term.

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<sup>2</sup> *Local Government Act 1999* (SA), s. 122(1)(a)(ab)(b)(d)(e)(g)(h), (2), (3) and (3a).

<sup>3</sup> *Local Government Act 1999* (SA), s. 122(8).

<sup>4</sup> At the time of publication, section 50A of the Local Government Act had not commenced. Councils will be required by section 50A of the Local Government Act to have a Community Engagement Policy. The Community Engagement Policy must be consistent with and comply with any requirements specified by the Community Engagement Charter which may be published by the Minister from time to time. Until such time as section 50A of the Local Government Act commences, councils must follow their existing adopted Public Consultation Policies and/or procedures.

- (13) Under section 270 of the Local Government Act, a council must develop and maintain policies, practices, and procedures for dealing with any reasonable request for the provision of a service by the council or for the improvement of a service provided by the council. Any trends in requests received under section 270 of the Local Government Act should be viewed as valuable input from the community to improve services and operations.

### What should the performance measures look like?

- (14) Performance measures<sup>5</sup> should be relevant, meaningful and provide a mechanism to track how the council and the community is progressing. One performance measure approach is SMART (Specific, Measurable, Attainable and action oriented, Relevant and Time-bound).
- (15) Some important things to keep in mind when deciding on performance measures, are to ensure they are:
- repeatable;
  - within your control;
  - well defined (how to calculate, what to include/exclude, etc.); and
  - the time and cost associated with tracking and recording the measure is considered against the value attained.

### What reporting must councils do?

- (16) Progress should be reported in the Annual Report (i.e., what progress has been made each year against the identified performance measures) including the council's performance in implementing its strategic management plans during the relevant financial year, and the council's projections and targets under its plans for the next financial year.<sup>6</sup>
- (17) At the completion of each relevant plan period (i.e., four-yearly), councils *may* consider preparing a report which consolidates and analyses the outcomes achieved against the priorities identified in the SCP (i.e., did council achieve all of the priorities identified over the term of the plan?).

## Links to other plans

### How should it be integrated?

- (18) As the key planning document of the council, it is essential that the SCP forms an integral part of all council decision-making considerations and that the day-to-day activities of the council are directed towards achieving the priorities identified in the SCP.

## Timing

### What is the timeframe?

- (19) The SCP **must** cover a period of **at least four years**.

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<sup>5</sup> *Local Government Act 1999* (SA), s. 122(1)(d) requires measures (financial and non-financial) to be used to monitor and assess the performance of the council against its objectives

<sup>6</sup> *Local Government Act 1999* (SA), Schedule 4(2)(a).

- (20) Some councils have developed a ten-year plan to align with the statutory minimum timeframe for preparation of I&AMP(s) and LTFPs. Some larger councils are also considering a twenty-year (or even longer) vision. In such cases it is common to also prepare a four year 'corporate plan' with a focus on current priorities.

#### How often must it be reviewed?

- (21) A council *may* review its SCP at any time but **must** undertake a comprehensive review every four years (within two years after each general election of the council).
- (22) It is recommended that councils commence a review from first principles in the first year following a general election (which meets the Local Government Act's requirement). This will ensure that the SCP reflects the views of the elected council and allows for early and total integration with council's day to day operations. Further revision may be necessary if material issues arise which deserve consideration.



#### Questions to consider

- a) Where is council now (what is the current state)?
- b) What is council's vision (what is the future state)?
- c) How will council get there (what is the gap)?
- d) How will council track progress (what are the performance measures)?
- e) Does your council have the underlying organisational structure/resources and subsidiary plans to deliver on the SCP?
- f) What contracts does council have? Do the contracts reflect the identified performance measures?

## Other information and resources

### Guidance and/or Information Papers

- LGA 'Guide to preparing a Strategic Management Plan'

Please refer to **Appendix 1 - Other information and resources** for consolidated list with links.

## Legislative references

This is not an exhaustive list but includes the main relevant sections:

### **Local Government Act**

Chapter 4, Part 5—Public consultation policies (and/or Community engagement)

Section 122—Strategic management plans

Section 270—Procedures for review of decisions and requests for services

Schedule 4—Material to be included in the annual report of a council

## 4. Long-Term Planning

A council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

**Long-Term Planning**, that sets out the longer-term (minimum of ten year) impact on the financial sustainability and assets of the council in delivering the strategic vision, is outlined within the:

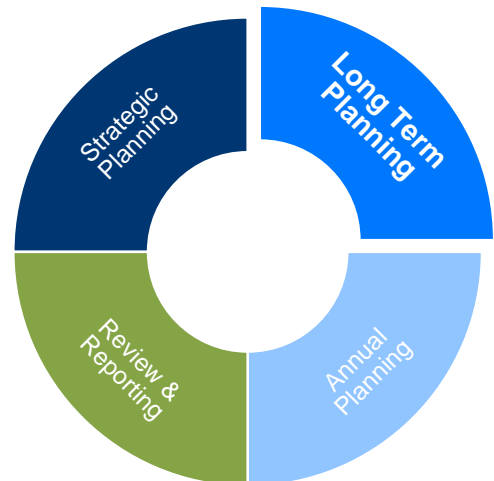
- **Long-Term Financial Plan (LTFP)**
- **Infrastructure and Asset Management Plan(s) (I&AMP(s))**

As outlined in Section 3 above, council **may** also adopt other subsidiary high-level plans and strategies.

Again, these subsidiary plans **cannot exist in isolation**. The impacts of **all of these plans** should be incorporated into (or at the least considered within the context of) the LTFP (if it predominately impacts on resourcing and/or operating costs) and/or the I&AMP (if it impacts on council assets/infrastructure or the asset/infrastructure is key to delivering the plan).

**Virtually every decision is a trade-off**, if funding is not approved (or deferred) for the actions and priorities that have been identified in adopted plans, then the consequences need to be considered, understood, and resolved.

**Changes made to one plan will, more than likely, affect another.**



### Questions to consider

- What risks or factors is your council facing that might affect your ability to deliver on the SCP vision? How 'sensitive' is council to these risks?**
- Are the LTFP and IAMP(s) affordable?** If not, what are the trade-off decisions that need to be considered? What is the impact to ratepayers?

### a. Long-Term Financial Plan

#### Purpose

In summary, the Long-Term Financial Plan (LTFP) aims to consider and define:

- can council afford what the community wants?
- how will council achieve financial sustainability over the long term?
- what are the future opportunities for income and economic growth?
- how sensitive is council to unforeseen circumstances? (pandemic, bushfire/flood, asset failure, removal/reduction of grants).

LTFPs support the delivery of the SCP (and other relevant plans) and is the point where long-term community aspirations and goals are tested against financial realities.

The LTFP is similar to, but usually less detailed than, the annual budget. It is a plan which considers the longer-term impact of intended future outlays and anticipated revenues. It enables the accumulating financial implications to be identified over the long term and, highlights where potential trade-off decisions may need to be considered.

## Key considerations

### What should be considered?

- (1) The LTFP is based on the best information available. Scenario modelling can help councils to navigate unanticipated events and provide an opportunity for the council to identify issues early and gauge potential impacts in the longer term.
- (2) If an LTFP showed that proposed future activities would have a detrimental effect on council's long-term financial sustainability (i.e., consistently outside responsible financial indicator target ranges), then the council needs to consider:
  - adjusting service levels (generally reducing); and/or
  - reducing or deferring proposed outlays; and/or
  - identifying additional revenue sources.
- (3) Conversely, an LTFP showing a very sound ongoing financial performance and position would allow a council to consider:
  - adjusting service levels (potentially increasing); and/or
  - introducing additional activities to further satisfy community wants and needs; and/or
  - reducing future proposed increases in rates and charges.
- (4) As with any long-term planning, the longer the planning horizon, the more general the plan will be in the later years.

### How should it be structured?

- (5) An LTFP should specify and take account of:
  - expected expenses and capital outlays, along with expected revenues and their source<sup>7</sup>, for each year of the plan;
  - an analysis of the three adopted financial indicators, and whether they are anticipated to be within or outside of responsible target ranges, over the period of the plan;
  - other relevant documents or endorsed strategies, and in particular the I&AMP(s);
  - the assumptions that have been used in the development of the LTFP;
  - any proposed variations to service standards that underlie expenditure plans; and
  - a sensitivity analysis, which highlights the factors or assumptions most likely to affect long-term financial sustainability.

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<sup>7</sup> At the time of publication, the changes to section 122(1a) of the Local Government Act had not commenced. Until the commencement of this section (currently anticipated to commence in June 2023) there are Transitional Regulations which provide that a council will be taken to have satisfied the requirements relating to a 'funding plan' if they provide ESCOSA with relevant information on the intended sources of the council's projected total revenue for the period to which its LTFP relates (such as revenue from rates, grants and other fees and charges).



- (6) The LTFP must include a plain-English statement setting out the purpose, basis (including key assumptions) on which it was prepared and key conclusions<sup>8</sup>.
- (7) An LTFP should include enough **narrative overview** to help both decision-makers and stakeholders understand the purpose of the document and the conclusions that can be drawn from the financial data presented.
- (8) Differences in assumptions regarding future events can have a big impact on the financial projections in an LTFP. It is important that the key assumptions used are reasonable, defensible, and clearly articulated in the LTFP.
- (9) There is no regulated LTFP ‘template’ however the LTFP must cover a period of ten years and include the elements outlined in section 122(1a)(i) to (iii) of the Local Government Act. The Local Government (Financial Management) Regulations 2011 also sets out information to be included in the LTFP<sup>9</sup>.

Much of the information must be presented in a manner consistent with the relevant notes (namely Note 15 and 16) of the Model Financial Statements.

- (10) Council must specifically declare which plans constitute the SMPs of the council<sup>10</sup>.

#### *Financial Indicators*

- (11) The Local Government (Financial Management) Regulations 2011 require a council to use three specific indicators (an operating surplus ratio; a net financial liabilities ratio; and an asset renewal funding ratio) in the council’s LTFP; annual budget; mid-year review of the annual budget and report on annual financial results.

For more information on the three indicators, please refer to **Appendix 1 - Other information and resources.**

#### **How should the community be engaged?**

- (12) The LTFP is one of the minimum requirements in the suite of SMPs and therefore community engagement (i.e., public consultation) as per Chapter 4, Part 5 of the Local Government Act is required.
- (13) Council must undertake community engagement (i.e., public consultation) in accordance with its adopted public consultation and/or community engagement charter and/or policy<sup>11</sup> in relation to the development and review of the LTFP.
- (14) When engaging with community, the narrative that sits around the more ‘financial’ or ‘technical’ information in the document is particularly important. It should facilitate community understanding and engagement on the likely changes to be made in service delivery (i.e., what council can **and** can’t do), infrastructure spending and imposition of rates, to provide for or maintain financial sustainability in the longer term.

<sup>8</sup> *Local Government (Financial Management) Regulations 2011* (SA), r. 5(2)(3).

<sup>9</sup> *Local Government (Financial Management) Regulations 2011* (SA), r. 5.

<sup>10</sup> *Local Government Act 1999* (SA), s. 122(8).

<sup>11</sup> At the time of publication, section 50A of the Local Government Act had not commenced. Councils will be required by section 50A of the Local Government Act to have a Community Engagement Policy. The Community Engagement Policy must be consistent with and comply with any requirements specified by the Community Engagement Charter which may be published by the Minister from time to time. Until such time as section 50A commences, councils must follow their existing adopted Public Consultation Policies and/or procedures.

- (15) An LTFP and an IAMP(s) need to not only reflect community wants and needs but also what can be afforded whilst still achieving longer-term financial sustainability. Community input is vital if a council is to achieve the best results from the development of its suite of SMPs.

### What reporting must councils do?

- (16) A council must, once in every prescribed period (which must be not less than a period of 3 years), provide information relating to its LTFP and I&AMP to ESCOSA.
- (17) Progress should be reported in the Annual Report (i.e., what progress has been made each year against the identified performance measures) including the council's performance in implementing its strategic management plans during the relevant financial year, and the council's projections and targets under its plans for the next financial year.<sup>12</sup>

## Links to other plans

### How should it be integrated?

- (18) **The LTFP and I&AMP(s) are critical to informed financial decision making for councils.** The quality of the financial projections for LTFPs is based, to a large extent, on the quality (and robustness) of the data and assumptions that flow into and from the I&AMP(s).
- (19) The LTFP and I&AMP(s) aim to capture and model the potential impact of a council's proposed strategic direction. The better a council has integrated all of these plans and strategies into the LTFP and I&AMP(s), the less likely they will be at risk due to unplanned variances that are within their control.
- (20) The LTFP informs decision making during the finalisation of the SCP and the development of the Annual Business Plan and Budget (ABP&B).
- (21) Without a soundly based LTFP a council and its management team will have insufficient financial information to determine sustainable service levels and affordable asset strategies, appropriate revenue targets or optimal treasury management.
- (22) The financial projections in an LTFP adopted by a council **must be consistent** with those in the I&AMP(s) adopted by the council.

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<sup>12</sup> *Local Government Act 1999* (SA), Schedule 4(2)(a).



## Questions to consider

- a) What are the assumptions that have been used to develop the LTFP? Are they reasonable? These assumptions should be clearly explained in the LTFP.
- b) What risks or factors is your council facing that might affect the projections in the plan? How 'sensitive' is council to these risks?
- c) Are the financial impacts from all other endorsed plans and strategies considered within the LTFP?
- d) Are the plans affordable? If not, what are the trade-off decisions that need to be made or considered?
- e) Do the financial projections in your LTFP align with the I&AMPs?
- f) Can council continue the sort of revenue and expenditure patterns of recent years while maintaining the levels of service expected by the community?

## Timing

### What is the timeframe?

- (23) The LTFP must cover a minimum of 10 years.

### How often it be reviewed?

- (24) Council **must** undertake a review of the LTFP on an **annual** basis. The review should inform the development of the ABP&B.

Like any long-term plan, projections in years one to three should be fairly tangible and reliable whilst later years may be more abstract and speculative.

- (25) A review of the LTFP must take into account a report from the chief executive officer on the sustainability of the council's long-term financial performance and position taking into account the provisions of the council's ABP and SMPs (and insofar as may be relevant - any other material prescribed by the regulations)<sup>13</sup>. The report must address any matters required by the Minister and, be in a manner and form determined by the Minister<sup>14</sup>. At the time of writing, the Minister had not declared any matters, manner, or form.
- (26) In any event, the LTFP **must** undergo a **comprehensive review** within two years after each general election of the council.

<sup>13</sup> Local Government Act 1999 (SA), s. 122(4a).

<sup>14</sup> Local Government Act 1999 (SA), s. 122(4b).

## Other information and resources

### Guidance and/or Information Papers

- Model Financial Statements
- Long-Term Financial Plans (FS Info Paper 08)
- Financial Indicators (FS Info Paper 09)

Please refer to **Appendix 1 - Other information and resources** for consolidated list with links.

### Legislative references

This is not an exhaustive list but includes the main relevant sections:

#### ***Local Government Act***

Chapter 4, Part 5—Public consultation policies (and/or Community engagement)

Section 122—Strategic management plans

Section 270—Procedures for review of decisions and requests for services

Schedule 4—Material to be included in the annual report of a council

#### ***Local Government (Financial Management) Regulations 2011***

Regulation 5—Long-term financial plans

## b. Infrastructure and Asset Management Plan(s)

### Purpose

Councils manage and maintain a huge amount of infrastructure and assets (collectively in SA in 2019/20 they were worth over \$25 billion) and they are vital in delivering services and programs. There is significant risk to councils (financial, reputation, service delivery) if they fail or cannot deliver to the required service level.

The purpose of an Infrastructure and Asset Management Plan(s) (I&AMP(s)) is to recognise the consumption of existing assets and ascertain likely future asset maintenance and renewal needs and the need for new additional assets to meet future community expectations, consistent with a community's financial capacity and willingness to pay.

In summary, an I&AMP(s) aims to consider and define:

- how the council's assets will enable the implementation of the SCP (and other relevant plans);
- the condition of key assets;
- acceptable levels of services (as determined with the community); and
- where (and when) council will intervene to improve assets (and potentially when assets may be decommissioned/disposed of).

I&AMP(s) support the delivery of the SCP (and other relevant plans).

### Key considerations

#### What should be considered?

- (1) Councils must ensure that assets are acquired, maintained, renewed, and replaced in a manner that meets the service needs of their communities, in accordance with their adopted SMPs and budgets (including appropriate affordability and financial sustainability considerations).
- (2) When developing an I&AMP(s), a council should consider the following key issues:
  - assets exist to support the delivery of a range and level of services to achieve a set of outcomes determined in consultation with the community;
  - asset management is a subset of strategic planning and, as such, it is an integral consideration in the creation of SMPs;
  - in evaluating alternatives for asset acquisition, the life-cycle costs and benefits of assets need to be considered and compared with the outcomes required to be produced by the asset;
  - assets may not always need to be renewed and acquiring more assets is not necessarily the solution to increased service demand; and
  - asset performance must be monitored, and action taken to renew (including upgrade/rehabilitate) or retire assets that do not provide appropriate service levels and outcomes; and

- workforce plans and organisational structures should be designed to ensure that assets are being appropriately managed to achieve desired service levels in a cost-effective manner.
- (3) I&AMP(s) should account and plan for existing assets, and any new asset solutions proposed in the SCP and other relevant plans.
- (4) Grant funded (particular Cap Ex.) projects should be modelled within the LTFFP and IAMPs so that the full effects, i.e., whole-of-life costs (including operating cost impacts) and potential future replacement costs, of the project are considered. These should all be reflected in long term plans.

### How should it be structured?

- (5) The Local Government Act does not prescribe any particular form, content, or approach for the preparation of an I&AMP(s).<sup>15</sup>
- (6) However, in order to help both decision-makers and stakeholders to understand and make use of the document, the I&AMP(s) should specify the desired and intended service levels sought to be generated from various classes (and sub-classes) of assets.

It needs to also include details of outlays estimated to be required each year for:

- acquisition of new, additional assets (commonly called 'Capital – New or Upgrade')
- renewal or replacement of existing assets (commonly called 'Capital – Renewal');
- maintenance of new and existing assets (commonly called 'Maintenance');
- operating costs associated with new and existing assets (commonly called 'Operating').

Many councils find it useful to prepare an I&AMP for each asset class and this is not discouraged. Where this approach is adopted, a council should still nevertheless prepare an overall I&AMP providing summarised information and clearly setting out outlay forecasts as described above aggregated for all classes of assets. The preparation of an overall I&AMP summary will also make the provision of information to ESCOSA simpler and easier.

- (7) Council must specifically declare which plans constitute the SMPs of the council<sup>16</sup>.

### How should the community be engaged?

- (8) I&AMP(s) are one of the minimum requirements in the suite of SMPs and therefore community engagement (i.e., public consultation) as per Chapter 4, Part 5 of the Local Government Act is required.
- (9) Council must undertake community engagement (i.e., public consultation) in accordance with their adopted public consultation and/or community engagement charter and/or policy<sup>17</sup> in relation to the development and review of the IAMPs.

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<sup>15</sup> *Local Government Act 1999* (SA), s. 122(1a)(b) states that IAMP(s) relate to the management and development of infrastructure and major assets.

<sup>16</sup> *Local Government Act 1999* (SA), s. 122(8).

<sup>17</sup> At the time of publication, section 50A of the Local Government Act had not commenced. Councils will be required by section 50A of the Local Government Act to have a Community Engagement Policy. The Community Engagement Policy must be consistent with and comply with any requirements specified by the Community Engagement Charter which may be published by the Minister from time to time. Until such time as section 50A of the Local Government Act commences, councils must follow their existing adopted Public Consultation Policies and/or procedures.

- (10) When engaging with community, the narrative that sits around the more 'financial' or 'technical' information in the document is particularly important. It should facilitate community understanding and engagement on the likely changes to be made in service delivery (i.e., what council can **and** can't do) to provide for or maintain financial sustainability in the longer term.
- (11) An LTFP and an IAMP(s) need to not only reflect community wants and needs but also what can be afforded whilst still achieving longer-term financial sustainability. Community input is vital if a council is to achieve the best results from the development of its suite of SMPs.
- (12) Under section 270 of the Local Government Act, a council must develop and maintain policies, practices, and procedures for dealing with any reasonable request for the provision of a service by the council or for the improvement of a service provided by the council. Any trends in requests received under section 270 of the Local Government Act should be viewed as valuable input from the community to improve services and operations.
- (13) The preparation of a high-level I&AMP 'summary' which provides consolidated information and clearly sets out outlay forecasts aggregated for all classes of assets can assist in engaging with the community.

#### **What reporting must councils do?**

- (14) A council must, once in every prescribed period (which must be not less than a period of 3 years), provide information relating to its LTFP and I&AMP(s) to ESCOSA.
- (15) Progress should be reported in the Annual Report (i.e., what progress has been made each year against the identified performance measures) including the council's performance in implementing its strategic management plans during the relevant financial year, and the council's projections and targets under its plans for the next financial year.<sup>18</sup>
- (16) Asset related projects which have been identified in the ABP&B should be reported against in the Annual Report (i.e., Did council do what was identified in the ABP&B? If not, why not? What progress has been made against the goals and objective within the SCP?).

#### *Financial Indicator - Asset Renewal Funding Ratio*

- (17) The Local Government (Financial Management) Regulations 2011 require a council to report on three specific indicators. One of these indicators is an 'an asset renewal funding ratio', which must be included in the council's LTFP; annual budget; mid-year review of the annual budget and report on annual financial results.
- (18) This ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in council's I&AMP(s). It is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure proposed in council's I&AMP(s).
- (19) Suggested target range - on average over time, between 90 and 110 per cent. Failure to achieve the target most likely would mean that council was not optimising its financial sustainability and in order to do so may need to consider revising service levels.

For more information on the three indicators, please refer to **Appendix 1 - Other information and resources.**

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<sup>18</sup> *Local Government Act 1999* (SA), Schedule 4(2)(a).

## Links to other plans

### How should it be integrated?

- (20) The LTFP and IAMPs aim to capture and model the potential impact of a council's proposed strategic direction. The better a council has integrated all of these other plans and strategies into the LTFP and IAMP(s), the less likely they will be at risk due to unplanned variances that are within their control.
- (21) These documents are critical to informed financial decision-making for councils. The relationship of IAMP's to the LTFP provides a clear mechanism for councils to plan effectively for asset maintenance, renewal, and replacement over time, and allows those decisions to be balanced in the context of annual budget processes. The quality of the financial projections for LTFPs is based, to a large extent, on the quality (and robustness) of the data and assumptions that flow into and from the IAMP(s).
- (22) The financial projections in a LTFP adopted by a council **must be consistent** with those in the I&AMP(s) plan adopted by the council<sup>19</sup>.
- (23) If capital expenditure on renewing or replacing existing assets is consistent with that proposed in a soundly prepared I&AMP(s), then it is likely that a council is optimising timing of asset renewal.
- (24) Any significant underspending on renewal or replacement, over the medium term, is likely to result in either a need for 'catch up' expenditure in the future or have an adverse impact on affordable service levels, which could potentially progressively undermine a council's financial sustainability.
- (25) If funding is not approved (or deferred) for the actions and priorities that have been identified in the adopted I&AMP(s), the consequences must be considered and resolved. The decision to 'not fund' or 'defer' is a trade-off decision in terms of safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environmental acceptability, cost, and availability.

## Timing

### What is the timeframe?

- (26) The I&AMP(s) **must** be for a minimum timeframe of 10 years.

### How often must it be reviewed?

- (27) The I&AMP(s) *should* be reviewed and updated annually as part of the process of reviewing the LTFP and developing the Annual Business Plan and Budget. This annual review should consider and amend as necessary projected timing and cost estimates and any resultant impact on the LTFP (and by extension council's financial sustainability).

Like any long-term plan, projections in years one to three should be fairly tangible and reliable whilst later years may be more abstract and speculative.

- (28) In any event, the I&AMP(s) **must** undergo a **comprehensive review** within 2 years after each general election of the council.

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<sup>19</sup> *Local Government Act 1999* (SA), s. 122(1b).





## Questions to consider

- a) Does your I&AMP(s) cover (at a minimum) your most ‘material’ assets (i.e., those assets that cost you the most, are most valued by your community or that are critical in providing key council services)? Generally, roads are the most ‘material’ asset (particularly for regional councils). **If not, what are the gaps and what is the plan to address the gaps?**
- b) Are all the asset and infrastructure impacts from all other endorsed plans and strategies appropriately captured within the relevant I&AMP?
- c) Do the financial projections in your I&AMP(s) align with the LTFP?
- d) Do you know what the current level of service is that is being provided by your assets? If not, consider defining existing levels of service for key assets/asset classes.
- e) What are the gaps (with desired level of service) and what are the trade-off decisions that need to be made?
- f) What risks or factors is your council facing that might affect your ability to deliver on the plan? How ‘sensitive’ is council to these risks?

## Other information and resources

### Templates

- In 2016/17, the LGA funded (via the Local Government Research and Development Scheme (LGR&DS) grants program) IPWEA to develop an asset management template suitable for any size council, including small regional councils. The resultant ‘Concise Asset Management Plan Template’ can be used even in the absence of an asset register. It can also be integrated, if desired, with the existing IPWEA website and NAMS.PLUS system.
- Councils may also make use of the ‘I&AMP Summary Template’ (funded via the LGR&DS grants program and developed by IPWEA) available on the LGA website.

### Guidance and/or Information Papers

- Infrastructure and Asset Management (FS Info Paper 06)
- Financial Indicators (FS Info Paper 09)
- There is also a series of Asset Management Information Papers currently under development.

Please refer to **[Appendix 1 - Other information and resources](#)** for consolidated list with links.

## Legislative references

This is not an exhaustive list but includes the main relevant sections:

### *Local Government Act*

Chapter 4, Part 5—Public consultation policies (and/or Community engagement)

Section 122—Strategic management plans

Section 270—Procedures for review of decisions and requests for services

Schedule 4—Material to be included in the annual report of a council

## 5. Annual Planning

**Annual planning** identifies the programs, activities, or actions that council needs to carry out to deliver against the SMPs in the coming financial year, as outlined within the **Annual Business Plan and Budget (ABP&B)**.

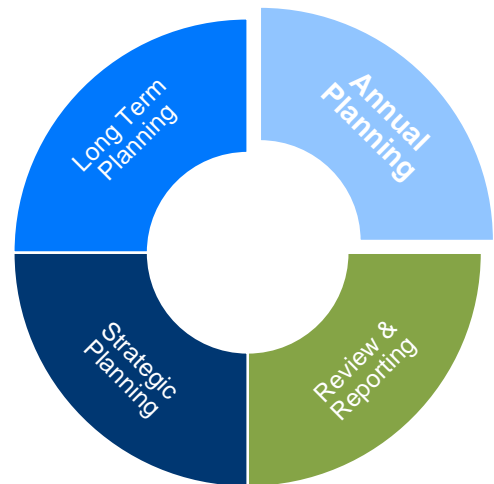
A lot of annual actions and priorities will be pre-determined by adopted plans (i.e., by pulling out the required actions in the relevant year from all multi-year plans but especially the I&AMPs).

Subsequently, if funding is **not approved (or deferred)** for the actions and priorities that have been identified in adopted/endorsed plans, then the consequences need to be considered.

The decision to ‘not fund’ or ‘defer’ something does not affect just the budget (it is not just a financial decision), that decision will have other consequences including on service levels, asset useful life and consumption rates, risk profile (i.e., likelihood of an asset failing or non-compliance with a legislative requirement) and community satisfaction (council would have consulted on plans, if these aren’t then funded there may be a sense of disappointment and confusion in the community).

In reality, the decision to ‘not fund’ or ‘defer’ is actually a trade-off decision in terms of safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environmental acceptability, cost, and availability.

This reinforces the importance of having all plans reflected in the I&AMP(s) and associated costs modelled in the LTFP and the importance of reviewing and updating the I&AMP(s) annually to ensure it reflects the current circumstances and priorities. If they are not, then discussions about the trade-off decisions and potential consequences are likely to be based on flawed assumptions.



### a. Annual Business Plan & Budget

#### Purpose

The ABP&B is council’s annual statement of intended programs, activities and outcomes for the year and links the SCP and council’s annual budget and allocation of resources for the year.

It links the council’s longer-term planning for its area, as set out in its SMPs, with the allocation of resources in its budget. The ABP&B also establishes the basis for review of the council’s performance over the year included in its annual report.

The document comprises a physical description of activities and resource allocations to finance operations for that financial year. The ABP&B must take into account, and be consistent with, both the LTFP and I&AMP(s) of council.

## Key considerations

### What should be considered?

- (1) The ABP&B must include a summary of council's long-term objectives (as per the SCP) and objectives for the financial year along with a statement of council's intended activities for the financial year to achieve those objectives and the measures that council will use to assess its performance against those objectives.
- (2) Each budget of a council must be considered in conjunction with the council's Annual Business Plan (ABP) (and must be consistent with that plan, as adopted); and be adopted by the council after the council has adopted its ABP.
- (3) A budget of a council may authorise the entry into borrowings and other forms of financial accommodation for a financial year of up to an amount specified in the budget.

### How should it be structured?

- (4) It is recommended that the ABP&B and Annual Report are designed in a way which not only drives the achievement of the SCP but also allows for reporting in the format of the SCP (in preference to the 'departmental emphasis' on activity which can be prevalent in these documents).
- (5) There is no regulated ABP&B 'template' however the ABP&B must include the elements outlined in section 123(2) of the Local Government Act. The Local Government (Financial Management) Regulations 2011 also sets out information to be included in the ABP&B<sup>20</sup> including (but not limited to):
  - A summary of the council's long-term objectives (as per the SCP);
  - An outline of council's objectives for the financial year, the activities that the council intends to undertake to achieve those objectives; and the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives for the financial year;
  - An assessment of the financial requirements of the council for the financial year and related summary of proposed operating expenditure, capital expenditure and sources of revenue; and
  - Set out the rates structure and policies for the financial year including an assessment of the impact of the rates structure and policies on the community.

The ABP&B must also take into account the council's LTFP and relevant issues relating to the management and development of infrastructure and major assets by the council.

- (6) Council must ensure that any advice provided by ESCOSA under the Strategic Management Plan Advice Scheme, and any response of the council to that advice, is published in its ABP (both the draft and adopted ABP) in the relevant financial year and each subsequent financial year (until the next relevant financial year for that council)<sup>21</sup>.

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<sup>20</sup> *Local Government (Financial Management) Regulations 2011 (SA)*, r. 6 and 7.

<sup>21</sup> *Local Government Act 1999 (SA)*, s. 122(1h).

### *Amendments to draft ABP following consultation*

- (6) Section 123(6a) contains a requirement that, if a council proposes to adopt an ABP with amendments (i.e., different from the draft on which they undertook public consultation), the council must include a statement in the adopted ABP which outlines any significant amendments from the draft and the reasons for those amendments.

In the absence of any specific regulation providing further guidance on this section, it would be reasonable to assume that a 'significant amendment' would be where:

- a program or service that was proposed in the draft ABP was subsequently not adopted;
- where a new program or service that was not included in the draft ABP was subsequently adopted; and/or
- where a change would have a 'material' effect on council finances and/or on the financial contribution required by ratepayers (for example to the proposed funding level for a program or service).

For the latter point, it would be fitting to apply the concept of 'materiality' as per the Model Financial Statements. An example of where this requirement may have applied historically is when the Solid Waste Levy increased; this required councils to increase rates above those initially planned.

### *Financial Indicators*

- (7) The *Local Government (Financial Management) Regulations 2011* require a council to use three specific indicators (an operating surplus ratio; a net financial liabilities ratio; and an asset renewal funding ratio)<sup>22</sup> in the council's LTFP; annual budget; mid-year review of the annual budget and report on annual financial results.

For more information on the three indicators, please refer to **Appendix 1 - Other information and resources.**

### **How should the community be engaged?**

- (8) Public consultation<sup>23</sup> (i.e., community engagement) as per Chapter 4, Part 5 of the Local Government Act is required.
- (9) Council must undertake community engagement (i.e., public consultation) in accordance with their adopted public consultation and/or community engagement charter and/or policy<sup>24</sup> on the draft ABP&B.
- (10) When engaging with community, the narrative that sits around the more 'financial' or 'technical' information in the document is particularly important. It should facilitate community understanding and engagement on the likely changes to be made in service delivery (i.e., what

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<sup>22</sup> *Local Government (Financial Management) Regulations 2011 (SA)*, r. 7(d).

<sup>23</sup> *Local Government Act 1999 (SA)*, s. 123(3)(b).

<sup>24</sup> At the time of publication, section 50A of the Local Government Act had not commenced. Councils will be required by section 50A of the Local Government Act to have a Community Engagement Policy. The Community Engagement Policy must be consistent with and comply with any requirements specified by the Community Engagement Charter which may be published by the Minister from time to time. Until such time as section 50A commences, councils must follow their existing adopted Public Consultation Policies and/or procedures.

council can **and** can't do), infrastructure spending and imposition of rates, to provide for or maintain financial sustainability in the longer term.

### What reporting must councils do?

- (11) A council must prepare a summary of its ABP to be sent out with the first rates notice for the financial year<sup>25</sup>. The summary must include 'an assessment of the extent to which the council's objectives for the previous financial year have been attained (taking into account the provisions of the annual business plan for that financial year)'.
- (12) The council's performance against its ABP for the relevant financial year must be reported on in the annual report<sup>26</sup>.

## Links to other plans

### How should it be integrated?

- (13) All councils are required to have an LTFP and an I&AMP(s) as a part of their suite of SMPs. These plans are inextricably linked to the council's ABP&B because changes to one **must affect the other**.

## Timing

### What is the timeframe?

- (14) The ABP&B must be adopted after 31 May, and before 15 August, for the financial year.<sup>27</sup>

### How often should it be reviewed?

- (15) A council must, as required by the regulations, and may at any time, reconsider its ABP or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.
- (16) Councils must prepare and consider at least three budget review reports in accordance with regulation 9 of the Local Government (Financial Management) Regulations 2011.
- (17) The legislative framework of budget performance information consists of three types of reports; a Budget Update (at least twice per year), a Mid-year Budget Review (once per year); and a report on Financial Results (one report after completion and audit of annual financial statements for the previous financial year)<sup>28</sup>. The three reports collectively are intended to provide a transparent and comprehensive reporting regime that would, among other things, allow a council to track performance against the financial targets it established in its annual budget.

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<sup>25</sup> Local Government Act 1999 (SA), s. 123(9a).

<sup>26</sup> Local Government Act 1999 (SA), Schedule 4(2)(ab).

<sup>27</sup> Local Government Act 1999 (SA), s. 123(8).

<sup>28</sup> Local Government (Financial Management) Regulations 2011 (SA), r. 9 and 10.



## Questions to consider

- a) What does council need to deliver in the coming year to achieve the long-term objectives outlined in the SCP, LTFP and/or I&AMP(s)?
- b) What measures will council use to assess its performance against those objectives?
- c) If funding is not approved (or deferred) for the actions and priorities that have been identified in adopted plans, have the consequences been considered and resolved?
- d) Does council have the appropriate people and systems needed to deliver the ABP&B?

## Other information and resources

### Templates

- 'Statement on Expected Rate Revenue' template to assist in consistent reporting of rating matters.

### Guidance and/or Information Papers

- Monitoring Council Budget Performance (FS Info Paper 25)
- Financial Indicators (FS Info Paper 09)
- Model Financial Statements

Please refer to [\*\*Appendix 1 - Other information and resources\*\*](#) for consolidated list with links.

## Legislative references

This is not an exhaustive list but includes the main relevant sections:

### ***Local Government Act***

Chapter 4, Part 5—Public consultation policies (and/or Community engagement)

Section 122—Strategic management plans

Section 123—Annual business plans and budgets

Section 270—Procedures for review of decisions and requests for services

Schedule 4—Material to be included in the annual report of a council

### ***Local Government (Financial Management) Regulations 2011***

Regulation 6—Annual business plans

Regulation 7—Budgets

Regulation 9—Review of budgets

Regulation 10—Report on financial results

## 6. Satisfaction Monitoring

### A note about satisfaction monitoring

These guidelines are primarily focused on the documents that are required by legislation. There is no legislated 'document' relating to satisfaction monitoring however it is an essential mechanism by which a council will receive and collect feedback on their performance.

#### a. Customer Service Requests

Customer Service Requests are one of the key mechanisms in performance measurement (i.e., number of customer complaints used as a performance target). You may consider whether you need a process for tracking trends within the requests.

#### b. Contractor Monitoring

Contracts should reflect the identified performance measures. For example, *Council has identified a performance measure relating to community satisfaction with council public amenities. This will be measured by the number of complaints about the condition of the public toilets and a target of complaints being addressed within 4 business days.* If council outsources the cleaning of toilets to a contractor, this target should be reflected in the performance measures of the contract. Regular monitoring of the contractor should be undertaken to ensure delivery against agreed quality and quantity of service.

#### c. Community Surveys

Many councils undertake regular (four-yearly) community surveys. The community surveys will often provide high level feedback on the general satisfaction with key council services and programs. The benefit of undertaking these surveys on a regular basis is the ability to see trends and patterns emerging however care needs to be taken to ensure the survey is collecting information which is providing value to the overall process.



#### Questions to consider



- a) Do you monitor for trends in your customer service requests?
- b) What contracts does council have? Do the contracts reflect the identified performance measures?
- c) Does your council undertake a regular community survey? If so, are the questions appropriate (are they collecting data which aligns to your identified performance measures)? If not, would this additional mechanism be of value?



#### Tips or Examples

Feedback from these mechanisms (particularly Customer Service Requests and Community Surveys) may also inform areas where either a Service Review or Improvement Program may be needed, for example, if you are receiving a lot of community complaints about a particular service and/or your Community Survey shows dissatisfaction with a particular service or program.



## 7. Review & Reporting

Review & Reporting, is achieved via the:

- **ESCOSA Strategic Management Plan (SMP) Advice Scheme**
- **Annual Report.**

Councils demonstrate accountability to their community (and other key stakeholders) via periodic submissions to the Essential Services Commission of SA (ESCOSA) and Annual Reports.

These two mechanisms provide a valuable opportunity to check in on council's longer-term trajectory via the ESCOSA SMP Advice Scheme and on shorter-term goal delivery via the Annual Report.



### a. ESCOSA Strategic Management Plan Advice

#### Purpose

Section 122(1c) to (1k) of the Local Government Act sets out the ESCOSA SMP Advice Scheme that requires councils, on a rotating schedule, to provide information relating to their LTFP and I&AMP(s) to ESCOSA.

The SMP Advice Scheme requires ESCOSA to undertake a review of these key documents and provide:

- high-level advice to councils which highlights where material amendments made (or proposed to be made) may affect a council's long-term financial sustainability (with reference to the already identified and industry-recognised financial indicator target ranges) and/or may affect a council's ability to maintain and implement their LTFP and I&AMP(s); and
- high-level advice to councils on the appropriateness of the council's proposed approach to funding services and infrastructure as outlined in the funding plan within the LTFP and the I&AMP(s) whilst having regard to the intended sources of total revenue and whether council has considered the appropriateness of the financial contributions proposed to be made by ratepayers.

#### Key considerations

##### What should be considered?

- 1) At a high level, the SMP Advice Scheme could be considered as broadly similar to an audit and councils are essentially seeking to provide enough information to assure ESCOSA that:
  - Council understands the long-term financial impact of their endorsed programs, strategies and plans;

- Council is appropriately accounting for the ongoing renewal, maintenance and operation of the broad scope of infrastructure that council holds (and/or is seeking to acquire);
- Council has a plan to either maintain their financial performance (if they are operating within reasonable financial indicator target ranges) or to improve their financial performance (if they are operating outside reasonable financial indicator target ranges); and
- Council has considered and is managing, as much as possible, risks that might impact on council's ability to deliver on the long-term vision.

### What information must be provided?

- 2) On or before 30 September in the relevant financial year, councils must provide ESCOSA with information regarding the following matters (the 'relevant matters')<sup>29</sup>:
  - material amendments made or proposed to be made to the council's LTFP and IAMP(s);
  - revenue sources outlined in the council's funding plan (which will become a mandatory component of the LTFP<sup>30</sup>); and
  - other matters prescribed by Regulations (at the time of publication, no such regulations are currently in place or proposed).
- 3) ESCOSA may determine the manner and form in which information is to be provided<sup>31</sup>. The 'guideline' for information provision is available on [ESCOSA's website](#).
- 4) ESCOSA will communicate requirements to councils in each round (or tranche).
- 5) ESCOSA may also issue a notice under section 122(j) requiring the provision of information, within a time and in a manner stated in the notice (which must be reasonable), in the council's possession that the Commission reasonable requires for the performance of its functions.

### What reporting must councils do?

- 6) The ESCOSA 'advice', along with any response from the council, must be published in both the draft and adopted ABP in the relevant year and each subsequent year until the time of the council's next review by ESCOSA<sup>32</sup>.
- 7) It is hoped that ESCOSA will be taking a longer-term view on councils' financial sustainability and the 'advice' will be constructive, enabling councils reasonable timeframes to implement any of the recommendations.
- 8) Councils may choose to not implement the recommendations of ESCOSA, but this should be made transparent, with reasoning, in the council's response to its advice.

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<sup>29</sup> *Local Government Act 1999* (SA), s. 122(1e).

<sup>30</sup> At the time of publication, the changes to section 122(1a) of the *Local Government Act* had not commenced. Until the commencement of this section (currently anticipated to commence in June 2023) there are Transitional Regulations which provide that a council will be taken to have satisfied the requirements relating to a 'funding plan' if they provide ESCOSA with relevant information on the intended sources of the council's projected total revenue for the period to which its LTFP relates (such as revenue from rates, grants and other fees and charges).

<sup>31</sup> *Local Government Act 1999* (SA), s. 122(1e).

<sup>32</sup> *Local Government Act 1999* (SA), s. 122(1h).

## Timing

- 9) A council must provide the information to ESCOSA once in every prescribed period (which must be not less than a period of three years)<sup>33</sup>. The regulations currently prescribe a four year period<sup>34</sup>.
- 10) Councils will provide information to ESCOSA on or before 30 September in the relevant financial year, ESCOSA will then provide their 'advice' back to the council on or before 28 February in the relevant financial year.



### Questions to consider

- a) Does your council have the minimum required plans (SCP, I&AMP(s) and LTFP)?
- b) Are they up to date?
- c) Do your I&AMP(s) cover (at a minimum) your major (i.e., material) and/or critical assets?
- d) Are your plans based on reasonable assumptions?
- e) Are your plans integrated?
- f) Do the financial projects in your LTFP align with your I&AMPs?
- g) Are the plans affordable? If not, what are the trade-off decisions that are being considered to achieve long-term financial sustainability?
- h) Do you undertake appropriate consultation with your community to confirm that:
  - the range and levels of service being provided aligns with their desired levels of service?
  - the provision of services, facilities and programs is balanced with the financial impact on ratepayers?
- i) Do the community and Elected Members understand what the trade-off would be to adjust the range and levels of service?
- j) What are your financial indicator results suggesting about the long-term financial sustainability of council? What is the plan to maintain or improve this result?

<sup>33</sup> *Local Government Act 1999 (SA)*, s. 122(1c).

<sup>34</sup> *Local Government (Financial Management) Regulations 2011 (SA)*, r. 5(4).

## Other information and resources

### Guidance and/or Information Papers

- Refer to ESCOSA website: <https://www.escosa.sa.gov.au/advice/advice-to-local-government>

### LGA SMP Advice Self-Assessment Tool

- In order to assist councils to prepare for their involvement in an upcoming tranche, the LGA has prepared a Self-Assessment Tool which asks some relevant questions to identify any improvement gaps in existing documents and/or processes. The tool also provides for the creation of a Continuous Improvement Plan which can be used to document the steps that a council plans to take to address any improvement gaps. The tool is intended as an internal preparation resource, it is not intended that it will be submitted to ESCOSA.

Please refer to **Appendix 1 - Other information and resources** for consolidated list.

## Legislative references

This is not an exhaustive list but includes the main relevant sections:

### ***Local Government Act***

Section 122—Strategic management plans

### ***Local Government (Financial Management) Regulations 2011***

Regulation 5—Long-term financial plans

## b. Annual Report

### Purpose

The Annual Report is the scorecard for achievement of the ABP&B (and, by extension, the SCP).

### Key considerations

#### What should be considered?

- (1) The Annual Report is a key mechanism of accountability and transparency back to the community and key stakeholders.

#### How should it be structured?

- (2) There is no regulated 'template'. However, Annual Reports must, at a minimum, contain the content prescribed within the legislation<sup>35</sup>. It is recommended that the Annual Report is designed in a way which not only demonstrates the achievement of the SCP but also allows for reporting in the format of the SCP (in preference to the 'departmental emphasis' on activity which can be prevalent in these documents).

### Links to other plans

#### How should it be integrated?

- (3) While many councils have tended to report on a 'departmental basis' in the Annual Report it is preferable to follow the structure and outcomes proposed in the SCP. If the SCP has a well-crafted set of goals/objectives and strategies, statutory and departmental reporting can be interspersed in the report.

### Timing

#### What is the timeframe?

- (4) A council must, on or before 30 November in each year, prepare and adopt an Annual Report relating to the operations of the council for the financial year ending on the preceding 30 June.<sup>36</sup>



#### Questions to consider

- a) Did council do what it said it would do over the last 12 months?
- b) What progress has been made towards achieving the objectives of the SCP?
- c) Does the Annual Report include all the matters required by the Act and Regulations?

<sup>35</sup> *Local Government Act 1999* (SA), s. 131 and Schedule 4, *Local Government (General) Regulations 2011* (SA), r. 10 and 35.

<sup>36</sup> *Local Government Act 1999* (SA), s. 131(1).

## Other information and resources

### Guidance and/or Information Papers

- LGA's Annual Report Guidelines.

Please refer to **Appendix 1 - Other information and resources** for consolidated list with links.

### Legislative references

This is not an exhaustive list but includes the main relevant sections:

#### ***Local Government Act***

Section 131—Annual report to be prepared and adopted

Schedule 4—Material to be included in annual report of council

#### ***Local Government (General) Regulations 2013***

Regulation 10—Annual reports

Regulation 35—Schedule 4—Annual reports

## c. **Service Reviews & Continuous Improvement Programs**

### **A note about Service Reviews and Continuous Improvement Programs**

These guidelines are primarily focussed on the *documents* that are required by legislation. There is no legislated 'document' relating to service reviews and continuous improvement programs, however it is an important mechanism by which a council can consider and address issues or concerns on their performance.

### **Service Reviews and Continuous Improvement Programs**

Feedback received from mechanisms such as Customer Service Requests and Community Surveys may inform the areas where either a Service Review or Continuous Improvement Program may be needed. For example, if you are receiving a lot of community complaints about a particular service and/or your Community Survey shows dissatisfaction with a particular service or program.

This feedback can inform whether changes are needed to the range and service level provided by your assets and infrastructure and identified services and programs. At a higher level it can also inform whether the community is satisfied with the longer-term vision for the council (as identified in the SCP).

#### **Questions to consider**



- a) **What are your 'satisfaction monitoring' processes telling your council?**
- b) **What are the gaps or areas where improvement is needed?**
- c) **Does this require or justify a Service Review or Continuous Improvement Program?**
- d) **Is this feedback being considered in the review of the Strategic Community Plan?**

## 8. Summary

Essentially, councils are making decisions as perpetual organisations for current and future generations. Councils generally have discretion regarding the services that will be provided (apart from some mandatory requirements). For each service that is provided (or that council chooses to provide), a decision needs to be made about the level to which it will be provided.

The scope and nature of services varies significantly across councils and is primarily determined by the direction provided in a council's strategic management plans and associated annual business plan, and in response to the needs of a council's community.

### **Changes made to one plan will, more than likely, affect another.**

Collectively, Council Members are accountable for the financial sustainability of their council. The following definition of financial sustainability has been adopted by SA councils:

*A council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.*

Whether it is obvious or not, the majority of a council's business, financial and management decisions revolve around community infrastructure.

Many councils have significant infrastructure backlog issues which may demand greater rates contributions and/or borrowings and possible reductions in 'lower priority' service areas if councils are to manage them effectively and this may mean councils need to say 'no' in response to demands for involvement in issues beyond current resources.

Integrated strategic management planning is the process by which councils can forecast infrastructure investment needs and costs to ensure that future funding is being allocated in a manner that supports service and program delivery and the effective management of council assets (and associated risks and opportunities) into the future.

When engaging with the community, the narrative that sits around the more 'financial' or 'technical' information in these documents is particularly important. It should facilitate community understanding on the likely changes to be made in service delivery, infrastructure spending and imposition of rates, to provide for or maintain financial sustainability in the longer term (i.e., the trade-off).

It is particularly important to consider trend data, both historic and that projected from a council's strategic management plans in decision-making and in reviewing financial performance. Looking at one year's data (or even a couple of years) in isolation could lead to misleading conclusions.

**Virtually every decision is a trade-off**, if funding is not approved (or deferred) for the actions and priorities that have been identified in adopted plans, then the consequences need to be considered, understood, and resolved.



## Appendix 1 - Other information and resources

The information in this guidance paper should be considered in conjunction with other information which is available on the members section of the LGA website (generally under [Governance](#) or [Financial Sustainability](#)) and which provides more in-depth information and/or guidance.

### Strategy Community Plan

LGA '[Guide to preparing a Strategic Management Plan](#)'.

### Long-Term Financial Plan

There is no regulated LTFP 'template' however there are elements that must be included and the [Local Government \(Financial Management\) Regulations 2011](#) require councils to present certain information on a uniform and consistent basis.

Much of the information must be presented in a manner consistent with the relevant notes (namely Note 15 and 16) of the [Model Financial Statements](#)<sup>37</sup>.

### Financial Indicators (also refer FS Info Paper 09 - Financial Indicators)

Local government in South Australia has adopted three key indicators:

#### 1. Operating surplus ratio

The operating surplus ratio is calculated as the percentage by which the annual operating surplus or deficit varies from total operating income.

*Suggested target range - on average over time, between zero and 10 per cent.*

#### 2. Net financial liabilities ratio

The net financial liabilities ratio is a measure of the significance of the net amount owed at the end of a financial year compared with income for the year.

*Suggested target range - on average over time, between zero and 100 per cent.*

#### 3. Asset renewal funding ratio

The asset renewal funding ratio represents the level of capital expenditure on renewal and replacement of assets relative to the level of such expenditure identified as warranted in a council's infrastructure and asset management plan.

*Suggested target range - on average over time, between 90 and 110 per cent.*

### Infrastructure and Asset Management Plan

Councils may make use of the '[Concise Asset Management Plan Template](#)' (developed by IPWEA) available on the LGA website.

<sup>37</sup> The Model Financial Statements are reviewed annually, the latest version can be found on the Member Services section of the LGA's website.

## Infrastructure and Asset Management Plan Summary

Many councils find it useful to prepare an IAMP for each asset class and this is not discouraged. Where this approach is adopted, a council must still nevertheless prepare an overall I&AMP providing summarised information and clearly setting out outlay forecasts aggregated for all classes of assets.

Councils may make use of the '**IAMP Summary Template**' (developed by IPWEA) available on the LGA website.

## Annual Business Plan and Budget

There is no regulated 'template' for the Annual Business Plan and Budget however the *Local Government (Financial Management) Regulations 2011* require councils to consistently report particular rating matters in Annual Business Plans.

The LGA has prepared a '**Statement on Expected Rate Revenue**' template to assist in meeting these requirements.

## ESCOSA Strategic Management Plan Advice Scheme

ESCOSA framework and guidelines: <https://www.escosa.sa.gov.au/advice/advice-to-local-government>

The LGA's **SMP Ready Self-Assessment Tool** is an internal planning resource which councils can use to assist in preparing for participation in the ESCOSA SMP Advice Scheme (it is not intended that this would be submitted to ESCOSA as part of the Scheme).

## Annual Report

The **LGA's Annual Report Guidelines** provides further information.

## Financial Sustainability Information Papers

The **Financial Sustainability Information Papers** were developed by the LGA, with the assistance of various consultants and/or the SA Local Government Financial Managers Group (SALGFMG).

The Papers were initially issued in 2006 but have been reviewed and, if necessary, updated every three to four years to take account of legislative changes, emerging improvements in good financial governance and other development.

- FS Info Paper 01 - Financial Sustainability
- FS Info Paper 02 - Overview of Audit Mechanisms
- FS Info Paper 03 - Audit Committees
- FS Info Paper 04 - Specifications for External Audit
- FS Info Paper 05 - Efficiency and Economy Examinations

- FS Info Paper 06 - Infrastructure and Asset Management
- FS Info Paper 07 - Service Delivery Framework and the Role of Shared Services
- FS Info Paper 08 - Long-Term Financial Plans
- FS Info Paper 09 - Financial Indicators
- FS Info Paper 10 - Debt
- FS Info Paper 13 - Annual Business Plan
- FS Info Paper 15 - Treasury Management
- FS Info Paper 17 - Depreciation and Related Issues
- FS Info Paper 18 - Financial Policies and Procedures
- FS Info Paper 20 - Rating and Other Funding Policy Options
- FS Info Paper 21 - Internal Financial Controls
- FS Info Paper 22 - Understanding Risk Management
- FS Info Paper 23 - Financial Governance
- FS Info Paper 25 - Monitoring Council Budget Performance
- FS Info Paper 26 - Service Range and Levels
- FS Info Paper 27 - Prudential Management (with Model Policy)

## Asset Management Information Papers

The **Asset Management Information Papers** are currently being developed by the LGA, with the assistance of IPWEA and a working group of member councils.

The following list outlines the proposed focus areas, papers will be loaded to the members section of the LGA website as they are finalised:

- AM Info Paper 01 - Governance Arrangements
- AM Info Paper 02 - Asset Management System (Policy, Strategy and Plan)
- AM Info Paper 03 - Data Requirements
- AM Info Paper 04 - Levels of service
- AM Info Paper 05 - Forecasting Future Demand
- AM Info Paper 06 - Lifecycle Management
- AM Info Paper 07 - Managing risk and resilience
- AM Info Paper 08 - Financial Projections for Long-Term Financial Plans (LTFP)
- AM Info Paper 09 - Community Engagement
- AM Info Paper 10 - Assessing and updating Useful Life
- AM Info Paper 11 - Accounting for infrastructure
- AM Info Paper 12 - Financial Strategy and Performance Reporting
- AM Info Paper 13 - Continuous Improvement

## Appendix 2 - Consolidated questions to consider

### Section 3. Strategic Planning

- a) What is the long-term vision for your council?
- b) What assets and/or services or programs are needed to deliver on the vision?
- c) What service level do they need to meet?
- d) Are you aware of all the endorsed plans that your council has?
- e) Are they integrated into your LTFP and/or I&AMP(s)?

#### Section 3a. Strategic Community Plan (SCP)

- a) Where is council now (what is the current state)?
- b) What is council's vision (what is the future state)?
- c) How will council get there (what is the gap)?
- d) How will council track progress (what are the performance measures)?
- e) Does your council have the underlying organisational structure/resources and subsidiary plans to deliver on the SCP?
- f) What contracts does council have? Do the contracts reflect the identified performance measures? (i.e., *Council has identified a performance measure relating to community satisfaction with council public amenities. This will be measured by the number of complaints about the condition of the public toilets and a target of complaints being addressed within 4 business days. As council outsources the cleaning of toilets to a contractor, this target should be reflected in the performance measures of the contract.*)

### Section 4. Long Term Planning

- a) What risks or factors is your council facing that might affect your ability to deliver on the SCP vision? How 'sensitive' is council to these risks?
- b) Are the LTFP and IAMP(s) affordable? If not, what are the trade-off decisions that need to be considered? What is the impact to ratepayers?

#### Section 4a. Long-Term Financial Plan (LTFP)

- a) What are the assumptions that have been used to develop the LTFP? Are they reasonable? These assumptions should be clearly explained in the LTFP.
- b) What risks or factors is your council facing that might affect the projections in the plan? How 'sensitive' is council to these risks?
- c) Are the financial impacts from all other endorsed plans and strategies considered within the LTFP?
- d) Are the plans affordable? If not, what are the trade-off decisions that need to be made or considered?

- e) Do the financial projections in your LTFP align with the I&AMPs?
- f) Can council continue the sort of revenue and expenditure patterns of recent years while maintaining the levels of service expected by the community?

#### **Section 4b. Infrastructure and Asset Management Plan(s) (I&AMPs)**

- a) Does your I&AMP(s) cover (at a minimum) your most 'material' assets (i.e., those assets that cost you the most, are most valued by your community or that are critical in providing key council services)? Generally, roads are the most 'material' asset (particularly for regional councils). If not, what are the gaps and what is the plan to address the gaps?
- b) Are all the asset and infrastructure impacts from all other endorsed plans and strategies appropriately captured within the relevant I&AMP?
- c) Do the financial projections in your I&AMP(s) align with the LTFP?
- d) Do you know what the current level of service is that is being provided by your assets? If not, consider defining existing levels of service for key assets/asset classes.
- e) What are the gaps (with desired level of service) and what are the trade-off decisions that need to be made?
- f) What risks or factors is your council facing that might affect your ability to deliver on the plan? How 'sensitive' is council to these risks?

### **Section 5. Annual Planning**

#### **Section 5a. Annual Business Plan and Budget (ABP)**

- a) What does council need to deliver in the coming year to achieve the long-term objectives outlined in the SCP, LTFP and/or I&AMP(s)?
- b) What measures will council use to assess its performance against those objectives?
- c) If funding is not approved (or deferred) for the actions and priorities that have been identified in adopted plans, have the consequences been considered and resolved?
- d) Does council have the appropriate people and systems needed to deliver the ABP&B?

### **Section 6. Satisfaction Monitoring**

- a) Do you monitor for trends in your customer service requests?
- b) What contracts does council have? Do the contracts reflect the identified performance measures?
- c) Does your council undertake a regular community survey? If so, are the questions appropriate (are they collecting data which aligns to your identified performance measures)? If not, would this additional mechanism be of value?

## Section 7. Review and Reporting

### Section 7a. ESCOSA Strategic Management Plan Advice Scheme

- a) Does your council have the minimum required plans (SCP, I&AMP(s) and LTFP)?
- b) Are they up to date?
- c) Do your I&AMP(s) cover (at a minimum) your major (i.e., material) and/or critical assets?
- d) Are your plans based on reasonable assumptions?
- e) Are your plans integrated?
- f) Do the financial projects in your LTFP align with your I&AMPs?
- g) Are the plans affordable? If not, what are the trade-off decisions that are being considered to achieve long-term financial sustainability?
- h) Do you undertake appropriate consultation with your community to confirm that:
  - the range and levels of service being provided aligns with desired levels of service?
  - the provision of services, facilities and programs is balanced with the financial impact on ratepayers?
- i) Do the community and Elected Members understand what the trade-off would be to adjust the range and levels of service?
- j) What are your financial indicator results suggesting about the long-term financial sustainability of council? What is the plan to maintain or improve this result?

### Section 7b. Annual Report

- a) Did council do what it said it would do over the last 12 months?
- b) What progress has been made towards achieving the objectives of the SCP?
- c) Does the Annual Report include all the matters required by the Act and Regulations?

### Section 7c. Service Reviews & Continuous Improvement Programs

- a) What are your 'satisfaction monitoring' processes telling your council?
- b) What are the gaps or areas where improvement is needed?
- c) Does this require or justify a Service Review or Continuous Improvement Program?
- d) Is this feedback being considered in the review of the Strategic Community Plan?



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