



LGA response to the recommendations of the Independent Inquiry into the Financial Sustainability of Local Government

This document was endorsed by the LGA State Executive Committee at its September meeting following the LGA President's Forum conducted on 1 September 2005 (attended by about 160 Council representatives).

This document includes (relative to each recommendation) current LGA Policy, past LGA General Meeting / Executive resolutions and a proposed LGA response informed by the President's Forum. Also included are short references to work currently being undertaken by the LGA or other bodies relevant to the recommendations. These short references also include projects previously undertaken that can be "refreshed" or updated to reflect the intent of the recommendations.

The LGA is aware that there are activities being undertaken in a number of Councils that relate specifically to the Board's recommendations. Indeed the Inquiry report notes that there are many examples of good practices in a variety of areas covered by the Inquiry. It is proposed that we identify these good practices and incorporate them into a future work program.

It is noted that this represents the proposed formal policy response to the Inquiry Recommendations and that the LGA State Executive Committee will separately consider an implementation program and related issues.

Responding to FS Inquiry Recommendations

In this section, the numbers in the margin before the bracketed number indicate the relevant section and subsection in Volume 2 containing the description and analysis underlying the finding repeated here. The full number in brackets is the recommendation number.

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
A) Defining & Measuring Financial Sustainability		
<p>1.1 (1) That the SA local government sector adopts a standard definition of 'financial sustainability', including for use under the proposed amended sections 122(1)(ab) and 122(4a) of the <i>Local Government Act 1999</i>, based upon the following definition: "A council's long-term financial performance and position is sustainable where:</p> <ul style="list-style-type: none"> (i) continuation of the council's present spending and funding policies; (ii) likely developments in the council's revenue-raising capacity and in the demand for and costs of its services and infrastructure; and (iii) normal financial risks and financial shock, altogether are unlikely to necessitate substantial increases in council rates (or alternatively, disruptive service cuts)." 	<p>LGA Policy Manual – Preface – (A) "The LGA's aims and objectives are to: ... - promote the efficient and effective carrying out of local governance; ... "</p> <p>LGA Policy 1.5.3 : "Revenue sources available to Local Government should be such as to ensure autonomy, stability and predictability."</p> <p>Recommendation: SUPPORT subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>1.1 (2) That the LGA proposes that local government's preferred definition of financial sustainability be included in the <i>Local Government Act 1999</i> as the definition of "the sustainability of a council's long-term financial performance and position".</p>	<p>LGA Policy 1.5.3 : "Revenue sources available to Local Government should be such as to ensure autonomy, stability and predictability."</p> <p>Recommendation: SUPPORT subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	
<p>1.2 (1) That the local government sector adopts as one of its key objectives the achievement and maintenance of the financial sustainability of SA councils, both collectively and individually.</p>	<p>LGA Policy 1.5.3 : "Revenue sources available to Local Government should be such as to ensure autonomy, stability and predictability."</p> <p>Recommendation: SUPPORT LGA State Executive Committee to propose suitable amendments to LGA Policy Manual for March, 2006 General Meeting.</p>	
<p>1.2 (2) That the LGA considers proposing that an object along the following lines be added to the objects of the <i>Local Government Act 1999</i> (at section 3): <i>"to promote the achievement and maintenance of the sustainability of councils' long-term financial performance and position"</i></p>	<p>LGA Policy 1.5.3 : "Revenue sources available to Local Government should be such as to ensure autonomy, stability and predictability."</p> <p>Recommendation: SUPPORT subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>2.2 (1) That the local government sector adopts a standard set of key financial indicators for use in assessing a council's financial sustainability, comprising:</p> <ul style="list-style-type: none"> (i) the <i>net financial liabilities</i> measure of a council's financial position, as the key indicator of the council's indebtedness to other sectors of the economy; (ii) the <i>operating surplus/(deficit)</i> measure of a council's annual operating financial performance, as the key indicator of the intergenerational equity of the funding of the council's operations; (iii) [what the Review Board terms] the <i>net outlays on the renewal or replacement of existing assets</i> measure of a council's annual capital financial performance, as a key indicator of the intergenerational equity of the funding of the council's infrastructure renewal or replacement activities; and (iv) the <i>net borrowing/(lending)</i> measure [or what some councils term the "overall funding surplus/(deficit)" measure] of a council's overall annual fiscal performance, as the key indicator of the impact of the council's annual transactions – both operating and capital – upon the council's indebtedness to other sectors of the economy. 	<p>LGA Policy 11.1.2 Each Council shall determine its own approach to performance measurement and benchmarking having regard to a framework developed by the LGA in consultation with the Membership.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT <i>subject to Council feedback on the wording.</i></p>	<p>This matter is already being considered as part of enhancements to the LGA's Comparative Performance Measurement indicators. Consultation is occurring with the LG Financial Managers Group.</p>

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<p>2.3 (1) That the LGA adopts a statement of principles regarding the interpretation by the SA local government sector of the key financial sustainability indicators based upon the following:</p> <ul style="list-style-type: none"> (i) A council's <i>financial position</i> is sustainable if its net financial liabilities are at levels at which the associated interest payments (less interest income) can be met comfortably from a council's annual income (i.e., by current ratepayers) without the prospects of rates increases which ratepayers would find unacceptable (or disruptive service cuts). (ii) A council's net financial liabilities can be too low where they are (a) associated with current ratepayers being asked to bear an inequitable proportion of the cost of future service potential or (b) below levels that include more than enough room to absorb unexpected financial risks or financial shocks. (iii) A council's annual <i>operating financial performance</i> is sustainable if operating deficits will be avoided over the medium- to long-term, because such deficits inevitably involve services consumed by current ratepayers being paid for either (a) by borrowing and so by future ratepayers or (b) by deferring funding responsibility for the renewal or replacement of existing assets onto future ratepayers. 	<p>LGA Policy 1.5.3 : "Revenue sources available to Local Government should be such as to ensure autonomy, stability and predictability."</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT subject to Council feedback.</p>	<p>This matter is already being considered as part of enhancements to the LGA's Comparative Performance Measurement indicators. Consultation is occurring with the LG Financial Managers Group.</p>

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<p><i>Cont'd.....</i></p> <p>(iv) A council's operating surplus can be too high where it (a) is associated with current ratepayers being asked to bear an inequitable proportion of the cost of the council's future service potential or (b) is above a level that includes more than enough room to absorb unexpected financial risks or financial shocks.</p> <p>(v) A council's annual <i>capital financial performance</i> is sustainable if capital expenditure on the renewal or replacement of existing assets on average approximates the level of the council's annual depreciation expense, because any shortfall of such capital expenditure against annual depreciation expense would involve future ratepayers being left with an excessive burden when it comes to replacing or renewing the council's non-financial assets.</p> <p>(vi) A council's net borrowing can be too low where, over the planning period, it results in the council's net financial liabilities as a ratio of non-financial assets falling well below the targeted ratio.</p>		

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<p>3.2 (1) That the LGA work with auditors, with input from offices such as that of the SA Auditor-General, to establish what might be described as a 'model' specification for a council audit aimed at – in a manner consistent with Australian Accounting Standards – improving the consistency and comparability of accounting policies impacting upon the measurement of the key financial sustainability indicators, especially depreciation and other asset accounting policies.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: “endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils.”</p> <p>Recommendation: SUPPORT</p>	
<p>3.2 (2) That, where they are not currently doing so, each council revalues its non-financial assets annually by applying a price escalator such as the CPI in the annual roll forward calculation, with a more rigorous adjustment taking place at least at five-yearly intervals to reflect actual changes in market values.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	<p>The LG Financial Managers Group is developing a Local Government Cost Index. This recommendation may be able to be addressed with this work.</p>
<p>3.3 (1) That each council records and reports its annual capital expenditure distinguishing between capital expenditure on:</p> <ul style="list-style-type: none"> (i) the renewal or replacement of existing assets; and (ii) acquiring new assets or upgrading the council's existing assets. 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	
<p>3.3 (2) That each council annually quantifies its infrastructure renewal/replacement backlog, and publishes it as a note to its annual financial statements.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	

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<p>6.6 (1) That councils target the following goals for its annual financial performance:</p> <ul style="list-style-type: none"> (i) a council's operating surplus on average over the planning cycle should be a small positive; (ii) a council's capital expenditure on the renewal or replacement of existing assets on average over the planning cycle should be equal to the council's depreciation expenses; and (iii) a council's annual net borrowing, when expressed as a percentage of the council's annual net increase in non-financial assets, on average over the planning cycle should be no larger than the net financial liabilities-to-assets ratio being targeted by the council. 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT subject to Council feedback.</p>	
<p>6.6 (2) That the LGA develops and publishes a "Financial Sustainability Checklist" for the guidance of individual councils, similar in style (rather than identical in content) to the NSW Local Government Managers' Association publication entitled <i>The Local Government Financial Health Check</i>.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT subject to Council feedback.</p>	<p>A project regarding the development and conduct of a Financial Health Check proforma has been established.</p>

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<p>6.6 (3) That, in addition to their inclusion in the long-term financial plans being required by amendments to the <i>Local Government Act 1999</i>, annual performance monitoring undertaken by individual councils and by the LGA (including by its annual performance measurement project) both include reporting of:</p> <ul style="list-style-type: none"> (i) the latest value, a recent history and the three-year projections of the key financial sustainability indicators; and (ii) a comparison of actual values with targeted or benchmark values. 	<p>11.14.2 The LGA shall facilitate the collection and dissemination of State wide performance information through a consultative process with Councils.</p> <p>Recommendation: SUPPORT subject to Council feedback.</p>	<p>The LGA's Comparative Performance Measurement project is able to address this matter. Consultation is occurring with the LG Financial Managers Group.</p>
<p>6.6 (4) That the LGA tables at each annual general meeting a brief update report providing the latest values, history, projections and comparisons for the key financial sustainability indicators both (a) at the whole-of-sector level and (b) in aggregate, for those councils that recorded operating deficits in 2003-04.</p>	<p>11.14.2 The LGA shall facilitate the collection and dissemination of State wide performance information through a consultative process with Councils.</p> <p>Recommendation: SUPPORT <i>subject to an appropriately endorsed methodology being used and further consideration being given to any appropriate sub-groupings.</i></p>	<p>The LGA has initiated a project to assist with the development of a methodology, using the Inquiry's approach as a basis for consultation.</p>
<p>B) Financial Governance Improvements</p>		
<p>13.3 (1) That the LGA updates the treatment of financial governance in its 'governance checklist' and its <i>Framework for Local Government Financial Management</i> by reference to best practice principles for financial governance contained in the CPA Australia/LGMA <i>Excellence in Governance for Local Government</i> publication.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT <i>subject to the development and use of appropriate benchmarks</i></p>	<p>Initial project being conducted regarding the approach to the establishment of standards, scope for these standards etc in Local Government. In addition the LGA has a project addressing 'governance issues' relevant to setting rates.</p>

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<p>13.3 (2) That the LGA's 'governance checklist' be supplemented by a clear statement of the role and accountabilities of elected members for financial governance in general, and for the sustainability of the long-term financial performance and position of their councils in particular.</p>	<p>LGA Policy Manual – Preface – (A) “The LGA's aims and objectives are to: ... - promote the efficient and effective carrying out of local governance; ... ”</p> <p>March LGA State Executive Committee resolution in part: “endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils.”</p> <p>Recommendation: SUPPORT</p>	<p>Initial project being conducted regarding the approach to the establishment of standards, scope for these standards etc in Local Government.</p>
<p>13.3 (3) That the local government sector accepts the principle that elected members should receive specific training in support of their financial governance responsibilities.</p>	<p>11.7.1 Local Government supports the provision of training and development opportunities for elected members and officers of Councils.</p> <p>Recommendation: SUPPORT</p>	<p>A draft training policy and approach is being developed by the LGA with input from its current Governance Advisory Committee.</p> <p>The LGA's Financial Management Manual addresses the responsibilities of Council Members and staff however it would need to be refreshed.</p>
<p>13.3 (4) That the LGA provides an extensive education and training program for elected members and staff designed to keep them up-to-date with key changes to best practice financial governance in local government.</p>	<p>11.7.1 Local Government supports the provision of training and development opportunities for elected members and officers of Councils.</p> <p>Recommendation: SUPPORT</p>	

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<p>13.3 (5) That, in support of their elected members, council CEOs and senior managers accept as their duty:</p> <ul style="list-style-type: none"> (i) providing frank and fearless advice to elected members on all matters pertaining to financial governance and accountability; (ii) putting in place appropriate systems to achieve and maintain financial sustainability and accountability; and (iii) managing the organisation in ways that can achieve the goals set by elected members. 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: “endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils.”</p> <p>Recommendation: SUPPORT</p>	<p>The LGMA’s competencies project could be reviewed to ensure that it addresses this issue.</p> <p>The LGA’s Financial Management Manual addresses the responsibilities of Council Members and staff however it would need to be refreshed.</p> <p>The LG Financial Manager’s Group long term financial planning resource is likely to go some way to addressing these issues.</p>
<p>13.3 (6) That the LGA develops and publishes a statement providing guidance to elected members on the setting of quantitative target values for the key financial sustainability indicators.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: “endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils.”</p> <p>Recommendation: SUPPORT</p>	

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<p>13.3 (8) That the LGA, in consultation with the Office of Local Government (and the SA Local Government Grants Commission), develops and publishes a 'Uniform Reporting Code of Practice', aimed at achieving a degree of fiscal transparency broadly equivalent to the uniform reporting framework implemented Australia-wide at the State government level.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT</p>	<p>The joint LGA/OLG Financial Accountability Advisory Committee is undertaking a project on this matter.</p>
<p>13.3 (9) That each council undertakes all <i>internal</i> financial reporting of its planned and actual financial performance and position in a format and on a basis that is fully consistent with the <i>external</i> financial reporting standards and codes applying to the council.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT subject to Council feedback</p>	
<p>13.3 (10) That each council establishes an audit committee that has external membership and does not include the council's mayor as chair or its CEO as a member.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT subject to Council feedback particularly regarding membership of Audit Committees.</p>	<p>The LGA is finalizing a paper with Haines Norton (consultants) on a range of matters relative to auditing. The matter of audit committees is included in the paper, however the membership of audit Committees being proposed by Haines Norton is in conflict with that being proposed in this recommendation.</p> <p>A joint LGA/OLG working party is developing a paper on auditing issues for Local Government.</p>

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<p>13.3 (11) That councils adopt as one of the functions assigned to the audit committee the review of the effectiveness of: (a) the council's financial governance arrangements, and (b) the council's planning and monitoring processes in ensuring the sustainability of the council's long-term finances.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>March LGA State Executive Committee resolution in part: "endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils."</p> <p>Recommendation: SUPPORT</p>	<p>The LGA paper being prepared with Haines Norton addresses these matters.</p>
<p>13.3 (12) That country councils or smaller councils give consideration to establishing regional or joint audit committees aimed at pooling scarce resources and increasing the level of expertise available to individual councils.</p>	<p>11.10.1 Local Government recognises the potential benefits of resource sharing between Councils. Local Government aims to reduce barriers to resource sharing whether industrial, attitudinal, legal or financial.</p> <p>Recommendation: SUPPORT</p>	
<p>13.3 (13) That the LGA develops and publishes guidance for councils in the conduct of what some have termed "economy and efficiency audits", being reviews aimed at assessing the effectiveness of a range of governance and management arrangements, including a council's policies and practices relating to financial governance.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA paper being prepared with Haines Norton addresses this matter.</p>

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
Policy Framework Improvements		
<p>13.3 (7) That councils implement, throughout their financial governance and financial management frameworks, a clear distinction between the circumstances and outcomes associated with:</p> <ul style="list-style-type: none"> (i) continuation of a council’s present spending and funding policies and associated efficiency and effort levels (“no-policy-change”); and (ii) modifications or changes to the council’s present spending and funding policies (“policy change”). 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	
(a) Revenue and financing policies		
<p>10.3 (1) That each council develops and publishes a ‘revenue and financing policy statement’ regarding the funding of both operating expenses and capital expenditures, along the lines of the statements required under law of councils in New Zealand.</p>	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT</p>	
<p>10.3 (2) That each council expresses its year-on-year no-policy-change (per-property) rates policy in a CPI+X% form, where the X% factor is the percentage increase in per-property rates in addition to the annual CPI change necessary to maintain the council’s annual operating surplus target if its spending policies remain unchanged.</p>	<p>3.3.16 To provide increased accountability to the local community, Councils should inform all ratepayers of rating decisions and relevant policy positions and the reasons for these. This should include information on all rating matters on which Council has made a decision or has a policy position and is to be undertaken on an annual basis.</p> <p>Recommendation: SUPPORT in principle, subject also to Council feedback and the development of a more relevant Local Government index.</p>	

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<p>10.3 (3) That each council makes more explicit its side-constraints on the annual movement in an individual ratepayer's per-property rates bill, by expressing such a policy in CPI+S% form, where the S% factor is the maximum annual no-policy-change percentage increase in the ratepayer's rates bill including the X% factor.</p>	<p>3.3.16 To provide increased accountability to the local community, Councils should inform all ratepayers of rating decisions and relevant policy positions and the reasons for these. This should include information on all rating matters on which Council has made a decision or has a policy position and is to be undertaken on an annual basis.</p> <p>Recommendation: SUPPORT in principle, subject also to Council feedback and the development of a more relevant Local Government index.</p>	
<p>10.3 (4) That councils move toward quantifying their tax expenditures (i.e., foregone rates revenue due to rebates or concessions), and the proportion due to State government policy/regulation.</p>	<p>3.3.7 Rates concessions or rebates should be at Council discretion.</p> <p>Recommendation: SUPPORT</p>	
<p>10.3 (5) That councils move towards quantifying their community service obligations (CSOs, i.e., foregone non-rates revenue due to policy-imposed restraints on the recovery of costs), and the proportion of such CSOs due to State government policy/regulation.</p>	<p>3.3.7 Rates concessions or rebates should be at Council discretion.</p> <p>Recommendation: SUPPORT</p>	
<p>(b) Service levels and resource allocation policies</p>		
<p>11.2 (1) That, in canvassing alternative methods of delivery, councils consider further resource-sharing initiatives, especially involving the smaller councils, ranging from working together more effectively to more formalised regional groups, area integration and whole-of-sector initiatives.</p>	<p>11.10.1 Local Government recognises the potential benefits of resource sharing between Councils. Local Government aims to reduce barriers to resource sharing whether industrial, attitudinal, legal or financial.</p> <p>Recommendation: SUPPORT</p>	<p>Preliminary work has occurred regarding areas for potential resource sharing and it is proposed that the LGA initiate a further research project to consider the constraints/barriers to resource sharing.</p>

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<p>11.3 (1) That each council develops and publishes a policy framework clearly specifying its policies regarding the number and nature of services to be delivered and the methods for delivery. This framework should define service levels and quality and quantity standards for the range of services they deliver.</p>	<p>11.16.1 The LGA encourages Councils to establish processes to “test” their competitiveness in delivery of functions and services with other Councils and external providers of similar services.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA developed several years ago a Service Provision Manual that addresses these issues. It would be appropriate to refresh this manual.</p>
<p>11.3 (2) That councils subject their existing service programs to regular review, to demonstrate that:</p> <ul style="list-style-type: none"> (i) the services provided are appropriate and effective in achieving the policy outcomes sought for the community; and (ii) the expenditure involved is at levels incurred by a prudent service provider intent on achieving the lowest sustainable cost of delivering council services. 	<p>6.1.3 Councils should determine in partnership with local community organisations, their roles and responsibilities for the delivery of services at the local level. The types of service provision in which Local Government may be involved will vary according to community needs and intergovernmental relationships.</p> <p>11.16.1 The LGA encourages Councils to establish processes to “test” their competitiveness in delivery of functions and services with other Councils and external providers of similar services.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA’s Service Provision manual addresses this matter, however it could be enhanced to more fully address this issue.</p>
<p>11.3 (3) That councils subject proposals for new or additional services to review, to demonstrate that:</p> <ul style="list-style-type: none"> (i) the new or additional services will be appropriate and effective in achieving the policy outcomes sought for the community; and (ii) the method of provision will achieve the lowest sustainable cost of delivering the services involved. 	<p>6.1.3 Councils should determine in partnership with local community organisations, their roles and responsibilities for the delivery of services at the local level. The types of service provision in which Local Government may be involved will vary according to community needs and intergovernmental relationships.</p> <p>11.16.1 The LGA encourages Councils to establish processes to “test” their competitiveness in delivery of functions and services with other Councils and external providers of similar services.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA’s Service Provision Manual goes some way to addressing these issues, however it will need to be “refreshed”.</p>

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<p>11.3 (4) That the LGA develops and publishes guidance for councils to be used when a council reviews the appropriateness, effectiveness and efficiency of the council's current services or of any new or proposed additional services.</p>	<p>6.1.3 Councils should determine in partnership with local community organisations, their roles and responsibilities for the delivery of services at the local level. The types of service provision in which Local Government may be involved will vary according to community needs and intergovernmental relationships.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA's Service Provision Manual goes some way to addressing these issues but will need to be "refreshed".</p> <p>The LGA's paper under development with the support of Haines Norton provides advice on the conduct of "efficiency and economy" audits that will assist in development of guidelines etc.</p>
<p>11.3 (5) That councils, as a matter of course, publish the results of the outcomes of their service reviews and their experience with efficiency initiatives such as resource sharing, and the dollar value of savings achieved.</p>	<p>3.3.16 To provide increased accountability to the local community, Councils should inform all ratepayers of rating decisions and relevant policy positions and the reasons for these. This should include information on all rating matters on which Council has made a decision or has a policy position and is to be undertaken on an annual basis.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA's paper under development with the support of Haines Norton provides advice on the conduct of "efficiency and economy" audits that will assist in development of guidelines etc.</p>
<p>(c) Asset and liabilities management policies</p>		
<p>12.2 (1) That councils make prudent use of borrowing to finance the acquisition of new infrastructure assets and the upgrading of existing infrastructure assets and, where considered appropriate, to fund the elimination of any major backlog in the renewal or replacement of existing assets.</p>	<p>3.7.3 Councils should retain the right to make independent decisions on borrowings and investments.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA's Financial Management Manual addresses this issue but should be "refreshed".</p> <p>The LG Financial Management Groups Long Term Financial Planning model will support this recommendation.</p>

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
12.3 (1) That the local government sector in South Australia progressively adopts asset management policies and practices among councils that broadly correspond to the best practice asset management framework implemented in Queensland.	11.9.1 Local Government recognises its responsibility to manage physical assets to ensure the greatest benefit to the community. Accordingly, Councils should maintain regular asset management reviews to ensure that optimum use is being made of their assets. Recommendation: SUPPORT	The LGA is seeking funds to initiate a comprehensive project in this area. The current Step by Step program has fallen short in some of these issues.
12.3 (2) That councils progressively implement the active management of their interest rate exposures, including by use of appropriate borrowing and investing instruments and best practice treasury management policies.	11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances. Recommendation: SUPPORT	The LGA/OLG Financial Accountability Advisory Committee have prepared a paper on Treasury Management and distributed it to Councils. This paper should be reviewed in light of this recommendation.
C) <i>Inter-Governmental Relations Reforms</i>		
7.1 (1) That, in preparation for participation in the forthcoming Productivity Commission review of council revenues announced by the Commonwealth in its response to the Hawker Committee's recommendations, the LGA documents further the various revenue-raising constraints imposed by: (i) State government restraints, both legislative and political, on the revenue raising capacity of local government in the State; and (ii) the 'wealth tax' and 'single tax' nature of the sector's tax power relative to characteristics of the sector's evolving expenditure responsibilities.	3.2.1 Revenue sources should consist partly of funds which Councils themselves may raise and control (self-raised revenue) and partly of funds from the other levels of government, and there should at all times be a rational and equitable balance between these two sources. 3.3.1 Self-raised revenue should include rating in its various forms; other forms of local taxation appropriate to Local Government; and locally imposed fees and charges for works and services. Recommendation: SUPPORT	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>7.2 (1) That the LGA pursues with the State Government the progressive deregulation of council fees and charges, commencing with ensuring that regulated fees and charges are escalated annually to keep pace with council costs.</p>	<p>3.3.14 Councils should be able (either through the LGA or individually) to set their own fees and charges for the provision of services and facilities or to expiate offences.</p> <p>Recommendation: SUPPORT</p>	
<p>7.3 (1) That the LGA pursues with the State Government the development of a legislative framework under which councils have direct access to developer contributions similar to that available to councils in other States and/or utility service providers in South Australia such as ETSA Utilities and SA Water.</p>	<p>3.3.1 Self-raised revenue should include rating in its various forms; other forms of local taxation appropriate to Local Government; and locally imposed fees and charges for works and services.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA has established a working party to consider the matter of developer contributions. The working party will report shortly.</p>
<p>11.2 (2) That the LGA pursues with the State Government the identification and removal of any remaining legislative barriers (or disincentives) to functional cooperation and integration among councils.</p>	<p>11.10.1 Local Government recognises the potential benefits of resource sharing between Councils. Local Government aims to reduce barriers to resource sharing whether industrial, attitudinal, legal or financial</p> <p>Recommendation: SUPPORT</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>8.1 (1) That the LGA seeks the State Government's agreement to all future regulatory or service changes proposed by State instrumentalities that have a material direct impact upon local government being subject to rigorous and transparent cost-benefit analysis by the State before implementation.</p>	<p>1.3.1 Functional reform and transfer opportunities between State and Local Government should be under continual review and the administrative, policy development, management and evaluation mechanisms surrounding these functions should be embodied in formal agreements.</p> <p>Recommendation: SUPPORT</p>	
<p>8.1 (2) That the LGA seeks the State Government's agreement to mapping out with local government which of the targets in South Australia's Strategic Plan are dependent upon the actions of councils and how local government is to contribute to these targets being achieved.</p>	<p>6.2.1 Commonwealth and State agencies should participate in locally based planning processes to ensure integration of activities, better tailoring of services to meet local needs, avoidance of duplication, and encouragement of resource sharing between agencies, governments and the community.</p> <p>Recommendation: SUPPORT</p>	<p>The LGA is conducting a project (Making the Connections) which is identifying possible areas of joint activity on a regional basis. The Minister's LG Forum has adopted a process to provide feedback to Cabinet on the changes proposed by LG to the SA Plan and also the manner in which to progress collective/partnership activities.</p>
<p>8.1 (3) That the LGA seeks a commitment on the part of the State Government to work towards strengthening councils' financial capacities so that local government can be an effective partner in achieving State-wide objectives and outcomes, in exchange for the local government sector committing to the pursuit of agreed strategies for achieving all relevant targets in South Australia's Strategic Plan.</p>	<p>1.14.1 Where Local Government shares in the provision of services with another sphere of government, Local Government's role should be recognised. Consequently, sharing in the provision of services should automatically entitle Local Government to a proportionate share in the direction and administration of the service.</p> <p>Recommendation: SUPPORT</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>8.2 (1) That the LGA seeks the State Government's agreement to the Minister's Local Government Forum undertaking a systematic review of 'grey areas' regarding the respective service delivery roles and responsibilities of the State and local government sectors in South Australia and of any consequent overlaps and gaps in service provision.</p>	<p>1.6.1 Local, State and Commonwealth Government should respect each other's mandate and co-operate to ensure maximum benefit to the community with minimum duplication.</p> <p>Recommendation: SUPPORT</p>	
<p>8.2 (2) That, in parallel with negotiations taking place at the national level on a tripartite inter-governmental agreement (IGA) on local government relations, the LGA develop a bilateral inter-governmental agreement with the SA Government, capable of application in the State as a basis for progressing consideration of reforms in the State government's funding of local government.</p>	<p>1.12.2 Where financial or functional transfers occur between spheres of government, the objectives, amounts to be transferred, management and evaluation mechanisms should be negotiated and embodied in formal agreements, together with the broadbanding of funding.</p> <p>Recommendation: SUPPORT</p>	
<p>8.2 (3) That the LGA ask the State Government to require its CEOs to include the potential role of, and impact on, local government in pursuit of South Australia's Strategic Plan targets as part of those CEOs' presentations to the Executive Committee of Cabinet, with the Office of Local Government acting as the coordinator of prior discussions by the CEOs with the local government sector.</p>	<p>1.11.1 The State and Commonwealth Governments should establish 'whole of government' mechanisms for the co-ordination of their agencies in approaches to Local Government, especially in relation to legislation affecting Local Government.</p> <p>4.3.2 The LGA will assist Councils to work with the State Government to maximise the benefits of collaborative action including alignment of strategic plans and joint funding of bodies such as Regional Development Boards and Business Enterprise Centres. Similarly Local Government expects the SA Government to work collaboratively with Local Government on policies, plans, programs and initiatives with local economic outcomes.</p> <p>Recommendation: SUPPORT</p>	

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<p>8.2 (4) That the LGA propose that local government be represented on the Executive Committee of Cabinet by the LGA President as that Committee considers strategies for the pursuit of South Australia's Strategic Plan targets.</p>	<p>1.16.1 Local Government should be given the opportunity to be represented on all appropriate State committees, Commissions, working groups etc where the subject matter affects or is likely to affect, Local Government. 1.16.2 The State Government should be given the opportunity to be represented on all appropriate Local Government committees etc where the subject matter affects or is likely to affect State Government responsibilities. Recommendation: That further consideration be given to this recommendation in discussion with State Government.</p>	
<p>8.2 (5) That the LGA pursues with the State Government effective means of ensuring greater co-ordination and consistency in how State agencies and programs relate to local government, including by:</p> <ul style="list-style-type: none"> (i) the possible relocation of the Office of Local Government to the Department of Premier and Cabinet (without assigning the Local Government ministry to the Premier) with a clear understanding that it is to have a co-ordination role in relation to improving agency relationships with local government; (ii) improving the effectiveness of local government impact statements prepared as part of the Cabinet submission process; (iii) establishing a legislative basis for agreements between the LGA and the State Government which could assist in ensuring (a) such arrangements are able to continue appropriate key elements beyond the life of one term of Government (State or local) and (b) Parliamentary scrutiny of such arrangements; and (iv) establishing a legislative basis for high-level negotiations between the State and local government (such as the Minister's Local Government Forum). 	<p>1.2.1 Where responsibility for a function of government is shared Local Government should have a clear role in policy development and legislative reform relating to that function. 1.11.1 The State and Commonwealth Governments should establish 'whole of government' mechanisms for the co-ordination of their agencies in approaches to Local Government, especially in relation to legislation affecting Local Government.</p> <p>Recommendation: SUPPORT</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
D) First Steps		
<p>14.1 (1) That the LGA provides the necessary leadership in financial governance improvement principally through:</p> <ul style="list-style-type: none"> (i) developing and publishing appropriate statements of principle and standards/codes of practice; and (ii) actively coordinating the related activities of the various professional groupings within the State's local government sector. 	<p>LGA Policy Manual – Preface – (A) “The LGA's aims and objectives are to: ... - promote the efficient and effective carrying out of local governance; ... ” - 11.6.1 Local Government supports the development of professional association by Local Government employees as an appropriate means of promoting Local Government's ability to professionally serve all sections of the community.</p> <p>March LGA State Executive Committee resolution in part: “endorse the role of the LGA in the development of Governance Standards for Local Government in consultation with, and the support of, Councils.”</p> <p>Recommendation: SUPPORT</p>	<p>Initial work occurring via consultancy to inform the sector regarding an approach to the adoption of standards.</p>

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>14.1 (2) That the LGA considers proposing an amendment to the <i>Local Government Act 1999</i> to the effect of including, in the sections stating the principal role of councils and of members of councils, the roles of:</p> <ul style="list-style-type: none"> (i) ensuring that the council's revenues, expenses, assets, liabilities, investments and general financial dealings are managed prudently and in a manner that promotes the current and future interests of the community; and (ii) in the council's strategic management plans and in its annual business plan and budget, adequately and effectively providing for the meeting of the expenditure needs of the council identified in those plans and budgets in a way that ensures the sustainability of the council's long-term financial performance and position. 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT in principle subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	
<p>14.1 (3) That the LGA considers proposing an amendment to the <i>Local Government Act 1999</i> aimed at obliging councils to target an annual operating surplus along the following lines:</p> <ul style="list-style-type: none"> (i) A council will ensure that each year's projected income is set at least at a level sufficient to meet that year's projected expenses. (ii) Despite (i), a council may set its projected income at a level different from that required under (i) if the council resolves that it is financially prudent to do so, having regard to: <ul style="list-style-type: none"> (a) abnormal annual expenses in the year in question associated with implementing financial governance (or accountability) improvements or with addressing any backlog in programs aimed at maintaining the service capacity and integrity of a council's non-financial assets throughout their useful life; 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>Recommendation: SUPPORT in principle subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	<p>The LGA/OLG Financial Accountability Advisory Committee have undertaken some preliminary work encouraging councils to consider adoption of positive Operating Statement balances</p>

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p><i>Cont'd.....</i></p> <ul style="list-style-type: none"> (b) the impact of the business cycle or asset price cycle upon the council's revenue bases, whereby a balance between annual projected income and annual projected expenses can be expected on a moving (say, five year) average basis; and (c) the role played by income and expenses associated with the council's business (commercial) undertakings, which are subject to accountability considerations that are different from those applying to the council's tax-supported (or 'general government') activities. 		
<p>14.1 (4) That the LGA considers proposing an amendment to the <i>Local Government Act 1999</i> aimed at obliging councils to target an infrastructure renewal/replacement balance along the following lines:</p> <ul style="list-style-type: none"> (i) A council will ensure that each year's projected capital expenditure on the renewal or replacement of existing assets is set at least at a level sufficient to cover that year's projected depreciation expense. (ii) Despite (i), a council may set its projected capital expenditure on the renewal or replacement of existing assets at a level different from that required under (i) if the council resolves that it is financially prudent to do so, having regard to: <ul style="list-style-type: none"> (a) abnormal annual depreciation expense in the year in question associated with any asset revaluation; (b) spending necessary to address any backlog in the renewal or replacement of existing assets; and (c) lumpiness in the council's capital works program which may nevertheless see a balance between annual projected capital expenditure on the renewal or replacement of existing assets and projected annual depreciation expense on a moving (say, five year) average basis. 	<p>11.8.1 Local Government recognises its responsibility to be accountable to the community for the responsible and effective management of its finances.</p> <p>11.9.1 Local Government recognises its responsibility to manage physical assets to ensure the greatest benefit to the community. Accordingly, Councils should maintain regular asset management reviews to ensure that optimum use is being made of their assets.</p> <p>Recommendation: SUPPORT in principle subject to Council feedback on the wording and the LGA State Executive Committee giving detailed consideration to all recommended changes to the Act as a package.</p>	

Inquiry Recommendations	LGA Policy/Positions & LGA Response	Existing LGA Activities
<p>14.1 (5) That all councils achieve such operating and infrastructure renewal/replacement targets over their planning cycle and within a specified time frame, say five years.</p>	<p>11.1.1 Each Council has the right to determine its own policy and decisions with respect to the use of resources.</p> <p>Recommendation: SUPPORT subject to Council feedback</p>	
<p>14.2 (1) After the local government sector has formally considered all the above recommendations, that the LGA establish a process whereby it can periodically report progress in implementing the recommendations adopted by the sector.</p>	<p>11.14.2 The LGA shall facilitate the collection and dissemination of State wide performance information through a consultative process with Councils.</p> <p>Recommendation: SUPPORT subject to Council feedback</p>	
<p>14.2 (2) That, following its 12 months' review of progress and if any significant shortfalls are apparent, the LGA considers the role to be played by either:</p> <ul style="list-style-type: none"> (i) additional legislative change in support of needed financial governance improvements; and/or (ii) implementation of external monitoring of the financial sustainability of individual councils for a limited period of say three years, to be undertaken at arms' length from councils. 	<p>No clear policy position</p> <p>Recommendation: SUPPORT in principle subject to further consideration being given to the nature, timing and possible outcomes of a progress report.</p>	
<p>14.3 (1) That the LGA considers how best it might resource its own role in progressing the recommendations adopted by the sector, including by identifying to whom within – or outside – the sector it might appropriately delegate some of these roles, and on what basis.</p>	<p>No clear policy position – an issue for the LGA State Executive Committee to determine.</p> <p>Recommendation: SUPPORT</p>	

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<p>14.3 (2) That the additional upfront costs to councils of financial governance improvement initiatives be managed by:</p> <ul style="list-style-type: none"> (i) resource sharing of finance personnel and software at the regional level, on a shared services basis; and (ii) a mentoring program between councils that have already made substantial progress in this area and those which have not. 	<p>11.10.1 Local Government recognises the potential benefits of resource sharing between Councils. Local Government aims to reduce barriers to resource sharing whether industrial, attitudinal, legal or financial.</p> <p>Recommendation: SUPPORT</p>	

Note: an additional four recommendations were made by the LGA Secretariat to the President's Forum on 1 September which were all supported. These are being actioned in motions to the LGA State Executive Committee and relate to: expressing appreciation for the work of the FSRB; reviewing the legislative package; an implementation task force; and resourcing the implementation.