



Proposals for Consideration of the Sustainable Budget Commission

June 2010

Summary of Key Issues

The Local Government Association is formally recognised in legislation and a formal agreement with the Premier as the voice and representative of Local Government. The agreement requires a consultative and negotiated approach to State/Local Government Relations.

The LGA has several clear proposals it wishes to draw to the attention of the Sustainable Budget Commission. The proposals are summarised here and expanded on in this document and its attachments:

Proposal 1: The SBC should consider recommending to the Government that it establish a joint mechanism with the LGA to review functions performed by either State or Local government for possible transfer to the other government within agreed principles (including identified community benefit and neither government being worse as a result).

Proposal 2: The SBC should be wary of placing at risk the joint investment by State and Local government towards agreed objectives in a range of program areas. It should also, as a matter of principle avoid budget measures which may simply transfer costs to another government as not delivering any community benefit and inconsistent with the National IGA and the State/Local Government Relations Agreement (cost shifting).

Proposal 3: The SBC should avoid “across the board” cost cutting measures which may undermine strategic objectives of State and Local government. An example would be across agency cuts which result in processing times for planning referrals to State agencies being increased rather than reduced.

Proposal 4: The SBC should support measures which identify greater standardisation of State/Local arrangements such as the development of standard grant funding contracts to reduce duplication of effort between State agencies.

The LGA also wishes to highlight the extensive work undertaken by Councils to address financial sustainability challenges within Local Government, the ongoing disadvantage to SA Councils caused by the unfair distribution of Commonwealth Financial Assistance Grants and the low level of State funding to Councils in comparison to other States.

The LGA reiterates its ongoing commitment to working in partnership with the SA Government consistent with the State/Local Government Relations Agreement for the best outcomes for South Australians.

1. Introduction

Pursuant to the formal agreement between the Premier and the President of the LGA (refer Attachment 1), this Association wishes to support the work you are undertaking through this submission and in other ways. The LGA welcomes the role of the Commission noting that it is providing for the State a similar role to that provided for Local Government by the independent Financial Sustainability Review Board established by the Association in 2005. That body conducted a review of Councils' financial sustainability ably supported by Access Economics and which was subsequently replicated in three other States. This work by SA was then further advanced nationally via a project commissioned by the Australian Local Government Association (ALGA) and undertaken by Price Waterhouse Coopers in 2006. The President of the ALGA who is a member of the Council of Australian Governments (CoAG) subsequently briefed CoAG on the report.

The LGA is a unique membership body in that its members are governments. As such it is created by member Councils, but recognised by the Parliament of SA in Schedule 1 to the Local Government Act 1999. The Association exists to provide leadership to its member Councils and to assist in managing State and national relationships for Councils. The Parliament in the Local Government Act and 23 other Acts of Parliament, and the Government (primarily through the State/Local Government Relations Agreement) both support the intergovernmental role of the Association providing a mechanism to deal with Local Government via one entry point. This provides for efficient arrangements for State Government with most agencies preferring to work through or with the LGA.

All 68 Local Government Act Councils are members of the Association along with Anangu Pitjantjatjara. The 68 Councils look after more than \$14.6 billion in community assets and incur operating expenditure of more than \$1.4 billion a year. The Constitution Act 1934 (SA), the Local Government Act 1999 (SA), and the Local Government (Elections) Act 1999 (SA) create the primary legal framework within which Local Government operates and the four-yearly election process which underpins the representative nature of Local Government Councils.

Local Government manages almost 80% of SA's road network or more than 74,000km of local roads – the equivalent of one road stretching from Perth to Brisbane more than 17 times. In SA, Local Government is the primary funder of community sport and recreation; recycling and waste management; public libraries; and provides a major avenue of community input to many State and national policy and program frameworks.

Local Councils provide a diverse range of services both as a provider and on behalf of other spheres of Government. Services include business undertakings, community services, cultural services, economic development, environmental services, recreation, regulatory services and transport. Capital expenditure by Councils in 2007/08 was a record \$447 million, an increase of 33% in annual expenditure over five years and we believe a majority of this expenditure is focused on asset renewal.

Background - State/Local Relations

All State and Territory governments in Australia (including South Australia), the Commonwealth and the Australian Local Government Association (ALGA - a federation of State bodies) on behalf of Local Government have signed a formal agreement regarding the management of inter-governmental relations. Sometimes known as the 'cost shifting' agreement, it is formally titled "The Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters" (see Attachment 2).

The State/Local Government Relations Agreement (SLGRA) referred to above (Attachment 1) has as an explicit objective:

"6.2 Increase the efficiency, effectiveness and co-ordination of services and infrastructure of State and Local Government;"

The SLGR Agreement also has the following section:

"Financial Relations

20. The transparency of the financial relations between State and Local Government should be improved to enhance decision making;
21. Planning for any new functions or services or where significant change is proposed by Commonwealth, State or Local Government should include identification of necessary funding sources and any proposed funding changes consistent with the provisions of the national *Inter-Governmental Agreement*;
22. The use of intergovernmental agreements should be promoted to secure effective Commonwealth, State and Local Government participation in programs in which the parties have a significant statutory or financial involvement consistent with the provisions of the national *Intergovernmental Agreement*;"

The LGA works with every Minister and every State Department as required to improve outcomes for communities and to deliver more seamless and efficient relationships between them and SA Councils. On occasions an assumption is made that the Minister for State/Local Government Relations deals with all State issues for Councils. This is not the case. In legal terms, Local Government works on a daily basis with about 45 pieces of State legislation and less frequently with a further 45 Acts. Only seven of these Acts are committed to the Minister for State/Local Government Relations. In financial terms, of all Specific Purpose Payments from the State to Local Government from 2008-09 estimated results in the 2009-10 State Budget Papers – estimated to be \$94.3m – only \$70,000 is administered by the Minister for State/Local Government Relations.

In recognition of this, a Minister's State/Local Government Forum was established jointly by the Government and the LGA in 2002 to further assist in co-ordinating arrangements between the two sectors. Initially a number of Ministers attended this forum along with the LGA President and members of the LGA's State Executive Committee. The number of Ministers attending has been reduced over time as significant issues have been resolved and the last broadly-based meeting of the forum occurred in April, 2008 (note a single issue meeting of the forum occurred in February, 2010, in relation to the 30 Year Plan for Greater Adelaide).

The LGA is keen to lift the relationship to a higher level and outlined a series of strategies to achieve this in its State Election Blueprints. Of particular note is our fourth document, Strong Foundations (Attachment 3). During the election campaign the ALP made a commitment to jointly review the SLGR Agreement, to strengthen partnerships on financial matters and to review the State/Local Government Relations Forum (Attachment 4).

2. Proposals

Section 3 of this document outlines the substantial work on Financial Sustainability undertaken by the LGA and Local Government across SA, external funding issues and the success of shared services activities across all Councils. Section 4 identifies some potential areas for future reform including opportunities for functional reform.

Of greatest interest to the LGA and possibly to the SBC, are the mechanisms available, or missing, which might best enable the capacity to explore and assess potential functional reform opportunities between State and Local government (and indeed also with the Commonwealth). We believe the SBC may add significant value to the process of review of the agreement and forum and exploration of whether other arrangements could add value to South Australians.

The LGA has found that the State/Local Government Relations Agreement and its associated annual schedule of priorities and the legislative protocol have worked well overall in managing relationships between State and Local spheres of government in SA. In particular the documents have reduced the number of areas of wasteful conflict between sectors (reducing costs to both sectors). We think it has ensured a stronger relationship with more effective communication and negotiation than in any other State or Territory in Australia.

However, it has better supported specific problem-solving than it has the creative exploration of opportunities. The Government has agreed with the LGA to undertake a review of the agreement and to strengthen partnerships on financial relations.

While SA may be comparatively more advanced than other States in State/Local Government Relations, trust is both vital and fragile. If reforms are to be pushed between both governments the right building blocks must continue to be put in place to manage processes which continue to build trust between the sectors. We believe we have the relationship and tools to do this, but no appropriate “workspace” to allow the exploration of significant functional reforms in an environment where risks are managed. A framework for risk management might include negotiation of a set of principles including a requirement that in any negotiated package, neither sphere of government should be worse off and benefits to the community should be apparent.

A particular challenge is finding resources at the right level to explore and support reform in the interests of the State as a whole. Our recent experience is that the Office for State/Local Government Relations (OSLGR) has a capacity to deal with issues associated with the Local Government Act but little capacity to deal with cross agency issues or to influence other government agencies. This is notwithstanding an additional allocation made to the office during 2005 (and indexed) to deal with intergovernmental relationship issues. We have concluded that the Office is not in the right place to influence other major government agencies. In our experience it is only the Departments of Treasury and Finance, and Premier and Cabinet, which have the overview and influence to see and pursue the opportunities which cross agencies and may not necessarily advantage line agencies.

Our State Election Blueprint document proposed the establishment of a small unit within the Department of Premier and Cabinet to deal with whole of government/significant functional reform issues along with a retitled Minister Assisting the Premier with State/Local Government Relations. However we are open to alternative proposals which might include specific review/negotiation mechanisms, and will need to assess the requirements for the LGA and Local Government to adequately resource such research and negotiations.

The LGA and Councils are keen to strengthen their financial relationships with the State and to remove inefficient and costly administrative burdens currently placed on both sectors, including red tape. In addition Councils are keen to collaborate with the State in joint funding, or where appropriate, take over functions with appropriate funding arrangements (which may be phased in/out over time).

The LGA suggests the SBC consider whether functions and roles undertaken by both State and Local government are in the right place to best serve the future of the State. If it concludes functional reform offers benefits to the State we would then invite the Commission to propose to State Government the development of mechanisms to explore and negotiate functional reforms with the LGA. We suspect a substantial functional review may have merit as a mechanism to lift the focus of both sectors from the immediate to opportunities for the future.

A final proposal is to suggest that should the Commission see across the board funding reductions to agencies as one way of achieving overall targets that it be prepared to accommodate exceptions to ensure:

- 1) the potential for effective partnerships with Local Government (placing at risk matching funding from Local Government to achieving joint objectives) is not placed at risk; and
- 2) that agencies involved in providing referrals and concurrences under the Development Act retain appropriate resources to improve the speed of such referrals/concurrences given their significance in the planning system.

It is our experience that the application of across the board cuts to agencies can sometimes result in individual agency decisions being at odds with whole of government priorities such as State/Local Government Relations and Planning Reforms. The SBC should also, as a matter of principle, avoid budget measures which may simply transfer costs to another government as not delivering any community benefit, and as inconsistent with the National IGA and the State/Local Government Relations Agreement (attachments 1 and 2).

Such cost shifting to smaller government units facing their own financial sustainability challenges (identified in the next section), heavy competition in the only local tax area (property taxation), and inequitable and unfair funding from Federal and State governments would simply not make sense.

3. Financial Sustainability in Local Government

In 2005, following a period of uneven valuations and community concerns about Council rates, the LGA established an Independent Inquiry into the Financial Sustainability of Local Government. Supported by Access Economics, the inquiry was led by a Board comprising Mr Bill Cossey (chair), Mr Wayne Jackson and Ms Juliet Brown. The inquiry recognised that Councils' sustainability was impacted by an unfair share of Federal funding and below average per capita support from State Government – but argued that there were also significant issues in Council financial management which were within Local Government's control. Notably we believe this was the first time in Australia's history that an independent inquiry was commissioned by Local Government at the State level.

In early 2006 Local Government adopted a definition of financial sustainability:

“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.”

This combines the four elements of the SBC definition of sustainability. The LGA subsequently adopted a set of common indicators of the financial performance and position of Councils. In addition, the LGA helped Councils to establish target ranges for each indicator:

- 1 Operating Surplus
- 2 Operating Surplus Ratio
- 3 Net Financial Liabilities
- 4 Net Financial Liabilities Ratio
- 5 Interest Cover Ratio
- 6 Asset Sustainability Ratio
- 7 Asset Consumption Ratio

Again, these essentially cover the same definitions as proposed by the SBC in its first report. Indicators 6 and 7 are more important for Local Government given the relatively larger role of long-term infrastructure for Councils.

The Productivity Commission has estimated the total written down replacement value of non-financial assets held by Local Government in Australia to be \$183 billion. Local Government's non-financial assets represent around 20% of all assets held by the non-financial public sector in Australia. This compares with the Local Government's share of operating spending (GFS expenses) in the non-financial public sector in Australia of around 5%. Depreciation costs as a percentage of total operating costs for each government are: Federal 2%; SA State 5%; SA Local Government 23%. In short, we "punch" well above our weight when it comes to infrastructure responsibilities.

The LGA has invested approximately \$1.4m in a substantial financial sustainability program since the 2005 inquiry, which has been backed by the SA Government through supportive changes to the Local Government Act, the secondment of a Treasury officer (on a contracted basis) to the LGA, and in other ways. This has been primarily resourced through the Local Government Research & Development Scheme (funded via tax equivalents paid by the Local Government Finance Authority pursuant to legislation).

The LGA now provides an annual financial sustainability overview report to its Annual General Meeting (refer 2009 report – Attachment 5) and is supporting increasing publication of consistent data including uniform financial summary information and on the above financial indicators. More information regarding the LGA's Financial Sustainability Program can be found at www.lga.sa.gov.au/qoto/fsp.

As a part of joint arrangements and consistent with the SLGR Agreement clause 20 cited above, the SA Budget Papers have included a level of financial information regarding State/Local transfers which exceeds that of any other State or Territory. The LGA works closely with the Treasury to maintain and improve this transparency. The 2009-10 State Budget papers note that in 2007/08 Local Government in aggregate recorded a small surplus (one indicator that, in aggregate, the financial sustainability of the sector is improving). This is however within a historical context of the average SA Council having relatively narrower roles than the perceived national average for Local Government.

As confirmed by the LGA's Independent Inquiry into the Financial Sustainability of Local Government in 2005, Councils in SA continue to be challenged in relation to external government funding:

- Commonwealth Financial Assistance Grants (general purpose) which comprise about 8% of Local Government revenue in SA, are still distributed between States on a per capita basis, unlike GST revenue which is allocated to State Governments based on needs. The LGA believes this approach disadvantages SA Councils substantially compared to other States.

On top of this, and unlike GST funding to the States, the total pool of funding is inadequate to achieve fiscal equalisation for Councils across Australia even if it were to be distributed fairly.

- Local Government in SA also receives the lowest per capita State funding of any state or territory in Australia based on the latest unpublished ABS data (2008-09). A six-year average of this figure to 2008/09 shows SA Councils received \$56.48 per capita from the SA Government compared to a national average of \$104.60 per capita.

This disparity is not explained by differences in functions performed by Councils in different States, with a highly comparable State to SA in relation to Local Government roles (Western Australia) receiving double the SA per capita allocation at \$113.40 (Refer attachment 6).

The LGA has taken the view of the 2005 Inquiry that Councils should address their own issues first and they will then present as a more sound investment for other governments and be in a stronger position to seek greater equity. The LGA believes Local Government's financial management is now at the level required to offer greater partnership opportunities to Government.

Local Government is of course limited to one tax: Council rates; and the property taxation area has increasingly been targeted by State Government through growth in land tax and via new taxes/levies such as the Natural Resources Management Levy, the Emergency Services Levy and the Save the River Murray Levy.

The SA Government overtook Local Government as the primary property taxer in around 2000 and due to differences between land tax and Council rates, the State's share has grown rapidly over the past decade. The LGA believes there is capacity for property taxation to become "over crowded" and notes the references in the report of the review chaired by Dr Ken Henry: "Australia's Future Tax System" - specifically Recommendation 121 which proposes, over time, a greater integration between State and Local Government over land tax and Council rates.

In this area it is worth noting that the LGA has been particularly active in the area of joint provision of services to Councils – sometimes referred to as "shared services" within the State. It is not widely understood that Local Government currently undertakes the following functions through the LGA, or entities it has created, often with State support:

- Workers Compensation through the LGA Workers Compensation Scheme;
- Borrowing and investment through the Local Government Finance Authority;
- Superannuation through Local Super;
- Electricity purchasing through Local Government Corporate Services;
- Public liability cover and risk management through the LGA Mutual Liability Scheme;
- A range of governance support services via the LGA;
- Property Insurance through Local Government Asset Mutual;
- Library materials purchases and inter-library loans through a jointly supported State agency, Public Library Services;
- Online services including a common web content management system through the LGA;
- Online tenders access through a joint agreement between the LGA and Tenders SA;
- Other contracted services (including after hours call centre services) through Local Government Corporate Services.

Such arrangements deliver savings to Councils, and ultimately Council ratepayers, more professional and tailored services, and better leadership capacity across Councils. The LGA is currently working to identify further such opportunities and to support Council approaches to joint and regional service delivery options.

As an example the financial savings delivered to Councils/ratepayers via only three key shared service activities have been in excess of \$250 million since their inception in the 1980s (Local Government Finance Authority; LGA Mutual Liability Scheme; and the LGA Workers Compensation Scheme).

Notably these schemes have ensured full-funding to cover future liabilities and each organisation has substantial prudential reserves. This approach protects both ratepayers and the SA Government. They also demonstrate the strong risk management approach embedded in the operations of Councils which now form part of their culture.

Several of these activities have also delivered direct benefits to the bottom line of the State Government via guarantee fees and/or similar commercial interactions advantageous to both spheres of government. Sound and conservative management in SA Local Government presents a very low level of risk – and it should be noted that Councils suffered no direct exposure to CDOs or the Lehman Brothers collapse, unlike some interstate counterparts.

The low debt burden, sound budgetary performance and strong liquidity of the Local Government sector currently makes a positive contribution to the credit rating of the State Government. Further the close working relationship between the LGA, its insurance related entities and the SAFA insurance arm (SAICORP) generally ensures speedy resolution of issues which impact on both governments rather than using costly litigation to determine boundaries.

It has further provided strategic support to issues facing the State, such as the tourism challenge posed by dramatic increases in insurance costs faced by a number of community-based heritage rail operations across the State. This challenge was met as a result of work undertaken by the management of the LGA Mutual Liability Scheme to support a joint association of the heritage rail bodies to contract lower cost insurance and to support active risk management approaches in each body.

4. Areas for further State/Local Reform

The joint/negotiated approach to State/Local Government Relations has delivered demonstrable benefits for South Australia and a small competitive advantage over other States and Territories.

The LGA believes there are many areas where State and Local government can work smarter together to the benefit of South Australia. In some areas efforts can be better co-ordinated to deliver better outcomes – in others, reform may result in lower costs to either or both governments. Further the LGA is committed to a strong State-Local partnership attracting Commonwealth investment to SA. This relationship has proved useful in a variety of program areas. The LGA's State Election Blueprint identified a series of funding opportunities for the consideration of political parties and electors but each was based on a concept of partnership in which Local Government was and is prepared to play its part.

In the mid-1990s the LGA advocated for a joint approach to reform which would involve:

- Functional reform (involving a comprehensive review of the roles and responsibilities of State and Local governments);
- Legislative reform (involving a comprehensive review of the 1934 Local Government Act); and,

- Structural reform (involving a comprehensive review of Council boundaries and shared service arrangements).

The government of the day chose in 1995 to reverse the order of this proposed approach and Local Government implemented a series of voluntary amalgamations with State support, reducing the number of Councils from 118 to 68 over a two-year period. A jointly managed legislative review program delivered a modernised Local Government legislative framework in 1999. Throughout this period however there has never been a comprehensive review of whether the functional roles of each government are appropriate and whether scope exists for more efficient delivery of services in different ways between State and Local government.

While the concept of “cost shifting” has never been adequately defined, we remain opposed to the imposition of tasks by one government to another without consultation and compensation. The State/Local Government Relations Agreement and the national IGA have ended the most overt cases of such “cost shifting” in SA. However the practice remains of concern to Local Government. Where it occurs it continues to undermine trust in the ability of State and Local government to negotiate useful reforms. The LGA and State government have demonstrated a capacity to negotiate reforms for the benefit of South Australia which avoid unproductive shifting of costs between governments which undermine trust and make communities cynical and shy for reform.

There have been a number of examples of joint approaches to reform between the LGA and State Government which demonstrate best practice. An example of this is the significant reforms related to provision of sewerage systems in country and some outer metropolitan areas of SA. While the State takes responsibility for sewerage systems in Adelaide and major urban centres through SA Water, it does not do so in the majority of Council areas across SA. Local Government meets this responsibility for the State Government in these areas with some initial State support through innovative common waste water schemes. Councils levy a rate on properties served by the schemes which is generally capped at the maximum rates chargeable by SA Water for country properties.

A significant reform program led by the LGA and supported by the State Government from 2003 to 2008 has seen:

- An audit of all 172 existing schemes in SA;
- Adoption of full lifecycle costings and sustainable pricing regimes;
- Adoption of appropriate asset management plans;
- A joint approach to the Commonwealth securing \$20m to upgrade existing schemes to appropriate health and environmental standards and to enable water reuse, reducing the demand on potable water supplies;
- A formalisation of future funding conditions and 9-year commitment to funding new schemes to allow for better planning;
- Ongoing review of management arrangements.

Attachment 7 provides more detail on this case study. The outcome for the State has been renewed confidence in Local Government’s ability to continue to fill this area of responsibility, confidence in the investment of future State resources in new CWMS projects and protection of the State from calls for funding to support existing/old systems.

Opportunities to undertake such reform in a narrow functional area are however relatively limited and in some instances both State and Local government remain frustrated at a lack of progress. An example of this is the failure to find effective mechanisms for certain Environment Protection Authority and public health and safety roles to be taken over by Councils.

The LGA is concerned that the capacity for reform around specific existing joint activities is limiting opportunities. The LGA believes that to push the opportunity for further reforms, a higher level of review and analysis is required than is currently provided – one which is able to operate at a whole of government level. Such a mechanism could begin to consider:

- Reforms which could extend across all government agencies – such as giving consideration to contracting community information functions to Local Government (generally or to libraries in particular) and/or exploring the capacity for State transactions, such as car registrations, to be delivered through Council offices (which are located across all settled parts of the State);
- The possibility of swapping functions/funding arrangements between two or more portfolio areas which might see the State take over delivery of a function from Local Government in exchange for Local Government taking over delivery of a State function;
- Possible piloting of innovative arrangements where a Council might undertake a range of State functions such as proposed in a recent study on Kangaroo Island;
- Innovative approaches to attracting Commonwealth funding such as joint work in relation to the Housing Affordability Fund; Electronic Development Assessment; Community Wastewater Management System upgrades and Stormwater harvesting projects;
- Standardising contractual arrangements between State and Local government where grant programs require these. Currently there is no uniform approach to these arrangements resulting in the State seeking Crown Law advice and individual Councils (or the LGA in their behalf) seeking legal advice. These advices are costly, time consuming and an administrative burden particularly when some programs offer very small sums of money. The LGA believes a better approach to overarching contractual arrangements with schedules to deal with unique differences in programs is a much smarter and efficient arrangement and is worthy of exploration, particularly keeping in mind that all Councils work within the same legislative framework for governance and financial accountability;
- There are a myriad of small grant funding programs that are announced, generally without consultation with the LGA or Councils, and often require matching funds by Councils and an application process. There is generally no alignment or consideration given by the State Government to Local Government's legislative budget cycles and requirements for consultation or individual or regionally strategic directions. Consequently, Councils are not able to plan for opportunities that emerge or do not participate in programs/activities that may ultimately benefit their communities. In addition many of these programs provide short-term funding resulting in community expectations of continued service delivery without State contributions. Many of the lessons from such programs are lost or locked into one State agency or activity area – and are not available to other agencies;
- Fees and charges applicable to Council regulatory functions (usually with primarily private benefit) are not reviewed in the same way as that afforded to State Government services. Consequently, the fees applicable to a number of Council functions have not kept pace with the increasing administrative and other costs to Councils. A standard or rolling program of review and enabling increases, similar to that adopted by the State, would provide an avenue to ensure public resources (derived from rates) are not being used to subsidise private benefits. This would

assist Local Government in delivering other services, including those involving State Government funding/support;

- Red tape reduction is a key issue for State/Local government in its interaction with communities and there are potential red tape reduction measures that could be addressed by Local Government. The LGA has recently initiated a project in collaboration with the Department of Trade and Economic Development, however it currently is not dealing with the “red tape” issues *between* both our spheres of government. Aside from the call on public resources, some of these areas produce a negative impact on the community/business.

In addition to the above across government initiatives, areas which could be the subject of substantial reform may include:

- Infrastructure;
- Recycling and Waste Management;
- Climate Change and Water;
- Flood Mitigation and Stormwater Management;
- Planning and Development;
- Renewable Energy;
- Open Space Management;
- Recreation and Sport;
- Public Health/Immunisation and Supported Accommodation;
- Local Environment Protection Agency (EPA) functions;
- Natural Resources Management;
- Library Management Systems (particularly the relationship between local and central support arrangements);
- Community Recreation and Sport (particularly preparing for possible new Commonwealth approaches in the wake of the ‘Crawford’ Report).

5. Summary

The LGA proposals below invite the SBC to consider the importance of strengthening mechanisms for managing relationships between State and Local Government and in particular to consider functional reform opportunities. The LGA believes that the State-Local relationship in SA is as strong as in any other State or Territory in Australia and that this should allow us to consider reforms currently beyond other jurisdictions. The LGA is willing to enter negotiations on a mechanism to explore such reforms and, within available resources, to invest to ensure Local Government can be part of such a mechanism.

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Proposal 2: The SBC should be wary of placing at risk the joint investment by State and Local government towards agreed objectives in a range of program areas. It should also, as a matter of principle avoid budget measures which may simply transfer costs to another government as not delivering any community benefit, and inconsistent with the National IGA and the State/Local Government Relations Agreement (cost shifting).

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Proposal 4: The SBC should support measures which identify greater standardisation of State/Local arrangements such as the development of standard grant funding contracts to reduce duplication of effort between State agencies.

The LGA also wishes to highlight the extensive work undertaken by Councils to address financial sustainability challenges within Local Government and the ongoing disadvantage to SA Councils caused by the unfair distribution of Commonwealth Financial Assistance Grants and by the low level of State funding to Councils in comparison to other States.

The LGA reiterates its ongoing commitment to working in partnership with the SA Government consistent with the State/Local Government Relations Agreement for the best outcomes for South Australians.

Attachment 1

The State/Local Government Relations Agreement/Annual Schedule of Priorities, and the Legislative Protocol

Attachment 2

The Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters

Attachment 3

Strong Foundations – Our Part of SA, March, 2010 LGA State Election Blueprint.

Attachment 4

ALP commitments in response to LGA questions during the March 2010 State Election

Labor	
1) Forge Stronger Partnerships – Will you commit to:	
<ul style="list-style-type: none"> a new State/Local Government Relations Agreement by December 2010; 	A re-elected Rann Government will review the State/Local Government Relations Agreement with Local Government and the LGA to look at ways to strengthen our partnership.
<ul style="list-style-type: none"> establishing a Financial Reform agreement by December 2011; 	A re-elected Rann Government will also strengthen our partnership with the LGA in relation to financial matters.
<ul style="list-style-type: none"> reforming a high level State-Local Relations Forum; and 	A re-elected Rann Government will review the State/Local Government Relations Forum with the Local Government and the LGA to look at ways to strengthen our partnership.
<ul style="list-style-type: none"> appointing a Minister Assisting the Premier in State/Local Government Relations with a more focused State/Local Government Relations Unit in the Department of Premier and Cabinet; 	The Rann Government remains committed to progressing Local Government matters through a dedicated portfolio of Minister for State/Local Government Relations, supported by the Department for Planning and Local Government. The Government if re-elected is willing to discuss other mechanisms for coordinating State and Local Government matters.
<ul style="list-style-type: none"> explore innovative service and information provision opportunities through Council offices/libraries? 	If re-elected, a Rann Labor government will explore the potential feasibility of Council offices and libraries providing access to State services.
2) Sport and Recreation – Will you commit to:	
<ul style="list-style-type: none"> Support an integrated planning approach to local/regional recreation and sport facilities; and 	<p>Labor is committed to an integrated planning approach to local/regional recreation and sport facilities. That is why we have commenced a Business Case into the development of Community Based Sport Hubs that will ensure the long-term sustainability of grassroots sports in South Australia.</p> <p>The Business Case will determine the feasibility, cost, location and a development and management model for a series of Sporting Hubs in urban and regional areas. Co-locating facilities has the benefit of promoting and increasing access to a broader range of sport, recreation, health, education and community services.</p>
<ul style="list-style-type: none"> Doubling the current community facilities grant program to \$3m a year from 2010? 	Since 2002 the Labor Government has provided over \$95 Million in sport and recreation grants through our various grant programs. In addition we have introduced two new grant programs, <i>'Move It!'</i> and <i>'Inclusive Recreation Inclusive Sport'</i> , which have provided \$6 million for disabled and inactive people to participate in physical activity. Labor is committed to continuing existing funding levels of all recreation and sport grant programs.
3) Infrastructure SA' – Will you commit to	
<ul style="list-style-type: none"> establish a commission or committee jointly with Local Government and with private sector input by July 2011, to develop a joint investment strategy, engage the Commonwealth, gather data, plan and prioritise funding of infrastructure? 	<p>There is record infrastructure investment in South Australia by both the public and private sector and there is merit in State and Local Government working together to capitalise on this investment by identifying South Australia's future priorities.</p> <p>The Major Projects Directory released by the State Government late last year demonstrated this massive record investment in South Australia with \$71.5 billion of major developments currently underway or in the pipeline and the 2009/10 State Budget delivered a record infrastructure spend of \$11.4 billion over four years.</p> <p>\$2 billion is also committed to revitalising Adelaide's public transport and this was accelerated with an extra \$646 million allocated by the Federal Government as part of the Building Australia Fund.</p> <p>Other projects have included</p>

	<ul style="list-style-type: none"> - Northern Expressway Project – \$564 million - 4-lane Gallipoli Underpass at Anzac Highway - \$118 million - South Road Glenelg Tram Overpass project - \$32 million - South Road Superway - \$812 million <p>This strong relationship between the two spheres of Government has already been demonstrated by South Australia’s first Strategic Infrastructure Plan that provided a comprehensive strategy for the planning and delivery of infrastructure.</p> <p>The Regional Overview of the plan also provided infrastructure priorities located throughout the state with close consultation with Regional Development Boards and Local Government Associations.</p> <p>An update to the plan is being progressed.</p> <p>A re-elected Rann Labor Government would look for opportunities to further strengthen the working relationship with Local Government and private sector including exploring the concept of an Infrastructure SA scenario.</p>
4) Integrated Water Security Plans – Will you commit to:	
<ul style="list-style-type: none"> • develop and action integrated water security plans for Greater Adelaide and regional SA by July 2010; 	<p>In June 2009, the Rann Government released the <i>Water for Good</i> Plan with 94 actions to help diversify our water supplies, reduce our reliance on the River Murray and guarantee South Australia’s future water security to 2050 and beyond.</p> <p>Across regional South Australia, local communities (including Local Government) will play a key role in developing water supply and demand plans that account for future growth and local supply issues.</p>
<ul style="list-style-type: none"> • support each Council area having a water security action plan by July 2014; 	<p><i>Water for Good</i> was developed with consultation with stakeholders, including the LGA, and was informed by a report produced by the LGA relating to the role of local government with respect to water security.</p> <p>Local Government is recognised as an important stakeholder in relation to many of the 94 actions in <i>Water for Good</i> and is being engaged in the implementation of many of the actions - particularly those relating stormwater where local government has a very significant role.</p>
<ul style="list-style-type: none"> • develop a strategy to secure ongoing Federal funding for stormwater harvesting by July 2010; and 	<p><i>Water for Good</i> contains a target to harvest up to 60 billion litres per annum of stormwater in Adelaide, and up to 15 billion litres per annum in regional South Australia, by 2050. This will be achieved in partnership with other governments and the private sector, where verifiable geological data has identified suitable locations, and where cost effective projects can be undertaken.</p> <p>The Rann Government has worked closely with Local Government to successfully bid for stormwater funding from the Commonwealth Government. The Government in partnership with the Commonwealth, Local Governments and private partners has invested \$145 million in new stormwater projects. This collaborative investment in stormwater reuse demonstrates the willingness of the Rann Government, the Commonwealth and local councils to work together towards a national solution to take the pressure off the River Murray.</p> <p>We will more than triple the amount of stormwater currently captured by 2013 - from the current 6 billion litres to more than 20 billion litres.</p> <p><i>Water for Good</i> commits to working with Local Government, the Stormwater Management Authority and other stakeholders (including the Commonwealth Government and private enterprise) to identify and develop new stormwater recycling projects in the Adelaide region, in line with the findings of the <i>Urban Stormwater Harvesting Options Study</i>.</p> <p>A review of governance of the Stormwater Management Authority has also commenced and is being conducted jointly with the LGA. WFG provides that this review will lead into a more full review of the state-local government agreement relating to stormwater management which is expected to be completed by 2012.</p>
<ul style="list-style-type: none"> • invest \$1m per annum in a five-year community water conservation and 	<p>The Rann Government is currently working in partnership with Local Government on community water conservation. A new <i>WaterWise Communities</i> initiative was launched</p>

<p>management program?</p>	<p>in December 2009 in partnership with the LGA and SA Water.</p> <p><i>The initiative followed on from the success of the WaterWise Communities Swap and Save showerhead exchange program.</i></p> <p><i>Households, businesses and community groups are encouraged to join the WaterWise Communities initiative and receive a free kit to help them use water wisely from their participating council. Joining WaterWise Communities is by way of online registration via the Water for Good website. This enables a further means of communication via Water for Good News and e-news distribution.</i></p> <p><i>The Water for Good website also promotes other water initiatives being undertaken by the various participating councils further strengthening partnerships with local government.</i></p>
<p>5) The Renewable Energy Hub of Australia – Will you commit to:</p>	
<ul style="list-style-type: none"> support a program of pilot renewable energy projects jointly with a range of SA Councils by June 2011; and 	<p>The State Government is committed to meeting South Australia’s renewable energy target—to generate 33% of the State’s electricity through renewable energy by 2020 and to maintain its momentum as a renewable energy generation hub of Australia.</p> <p>The State Government is also committed to building partnerships in tackling climate change. One way in which partnerships are being forged is through Sector Agreements. These Agreements are a significant component of South Australia’s <i>Climate Change and Greenhouse Emissions Reduction Act 2007</i>.</p> <p>The State Government and the LGA signed a Sector Agreement in June 2008, with a focus that included climate change awareness and community education initiatives; as well as the development of climate change plans for individual councils. We have recently concluded a Sector Agreement with the Eyre Peninsula—the first of an expected series of regional agreements that will be concluded across the State. The Eyre Peninsula Regional Sector Agreement provides a governance framework for regional stakeholders and the State Government for adaptation assessments and identifying economic development opportunities in areas such as renewable energy and bio-sequestration projects.</p>
<ul style="list-style-type: none"> ensure all regions can participate in renewable energy development by ensuring adequate transmission capacity? 	<p>Transmission infrastructure presents constraints to our ability to fully tap in to South Australia’s significant renewable energy resources. In August last year we invested \$1 million to commission a “Green Grid” feasibility study to explore how to increase South Australia’s electricity transmission capacity. That study is being conducted by a consortium including Macquarie Capital, WorleyParsons and Baker & McKenzie.</p> <p>It will examine the market, regulatory and physical conditions needed to unlock wind resources on the Eyre Peninsula. We will next consider further development of business cases for the expansion of electrical infrastructure to increase interconnection into other States and strengthen existing infrastructure to open up new remote renewable sites. The initial study will be completed in April 2010. The information generated will be used to draw investment to the State and to feed into the analytical work being carried out by Australian Energy Market Operator (AEMO) and ElectraNet on transmission investment.</p>
<p>6) Recycling and Waste Management Reform – Will you commit to:</p>	
<ul style="list-style-type: none"> accelerate State funding including support for e-waste collections by January 2011; 	<p>The Labor Party’s Waste and Recycling Policy was released on 7 March 2010. This policy included a commitment of \$160,000 a year for local councils to assist in the collection of televisions and computers and to support the national take-back scheme for old TVs and computers.</p> <p>A re-elected Labor Government will work closely with local councils to implement this policy.</p>
<ul style="list-style-type: none"> provide State funding of \$12 million over five years to accelerate closure of non-sustainable landfill sites; 	<p>The Environment Protection Authority (EPA) has been working with landfill operators, both prior to, and since the release of the EPA’s landfill guidelines in 2007.</p> <p>The EPA will continue to conduct site visits and provide advice to operators to develop and review closure plans and waste management strategies.</p>

<ul style="list-style-type: none"> provide State funding of \$6 million over five years to upgrade regional landfill sites; and, 	<p>Since 2004, Zero Waste SA has provided over \$3 million in grants through its Regional Implementation Program to local councils to assist them with; meeting their obligations in accordance with the EPA's landfill guidelines, regional waste management plans and devising new waste management strategies.</p>
<ul style="list-style-type: none"> review expenditure levels from the Solid Waste Levy to better support waste initiatives? 	<p>A re-elected Labor Government will continue to support the work of Zero Waste SA in devising new waste initiatives with local councils and the broader community.</p> <p>Labor has committed over \$16 million over the next four years for recycling initiatives in food waste, hazardous waste, computers and televisions and fluorescent globes. The majority of the funds for these projects will be directed towards Councils.</p>
<p>7) Explore 'Royalties for Regions' – Will you commit to</p>	
<ul style="list-style-type: none"> explore the potential for a program to better support regional infrastructure based on mining growth but ensure it is not at the expense of existing programs and does not result in centrally controlled programs undermining community input and decision-making? 	<p>The first issue with royalties is securing them. When we came to office there were only 4 operating mines in South Australia.</p> <p>Our royalty share was modest.</p> <p>Our policies have seen a substantial boom in mining, so that we'll have 16 mines operating by the end of the year leading to a significant increase in those royalties for the benefit of all South Australians.</p> <p>The Rann Government spends over \$600m a year on Country Health services, nearly \$300m on schools, \$115m on country police and nearly \$300m on industry projects in the regions.</p> <p>Current forward estimates predict royalty revenues of approximately \$150m - \$200m per annum, significantly less than that which is currently spent in the regions.</p> <p>A re-elected Rann Government would be happy to consult with the LGA regarding local priorities for infrastructure investment in regional South Australia.</p>
<p>8) Greater Adelaide Plan – Will you commit to:</p>	
<ul style="list-style-type: none"> a partnership agreement with the LGA on implementation and governance arrangements for the Greater Adelaide Plan; and a similar agreement to work with Local Government on regional plans? 	<p>Yes. The 30 Year Plan for Greater Adelaide proposes to establish Local Government Regional Partnership Forums for the implementation of the Plan. The forums will contribute to the preparation of Regional Implementation Strategies and the coordination of implementing the 30 Year Plan for Greater Adelaide at a regional level. The State Labor Government will commit to having the LGA involved at this stage of the implementation for the Plan for Greater Adelaide. Such an agreement could be formalised through an addendum or schedule to the existing Memorandum of Agreement (MOU) between the State Government and the LGA.</p> <p>A Rann Labor Government would be prepared to expand such an MOU (as above) to include the implementation of plans for regional South Australia outside the Greater Adelaide Area.</p> <p>Furthermore, the State Government will involve the relevant Local Council at the structure planning stage of State Significant Areas through the Government Planning and Coordination Committee (GPCC). The Committee will be led by the Department of Planning and Local Government and will include Chief Executives from most State Government Agencies.</p>
<p>9) Library Funding – Will you commit to:</p>	
<ul style="list-style-type: none"> a five year funding agreement for public libraries with a per capita real terms growth guarantee; and underwriting the development of a common Library Management System to deliver one library card useable anywhere in SA and other benefits – without loss of existing funding to Councils? 	<p>State and local government share a commitment to address the information needs of the people of South Australia through an effective and responsive library network. Since 1992 the State Government has formally addressed this commitment in four previous agreements and through Arts SA, is currently negotiating the future public libraries funding agreement for July 2011 to June 2016.</p> <p>The Government is committed to exploring support for additional items proposed by the LGA, including the common library management system through the 2010-11 State budget process.</p>

10) Community Education – Will your commit to:

- establish a State policy on community engagement;
Work has already started on developing a model for community engagement to be used across Government. The model will take into account the different circumstances in which community engagement occurs, and the different nature of the engagement appropriate to those circumstances – from information sharing to structured consultation and right through to collaboration and partnership.

We will introduce this new model for consultation in our next term, if re-elected.
- compulsory civics and citizenship education in primary schools;
The Rann Labor Government recognises the importance of young South Australians developing the skills and values required to be responsible citizens. Civics and Citizenship is taught as part of the South Australian school curriculum. Our reform of the South Australian Certificate of Education gives students more opportunity to learn within their local communities and participate in community service activities.

Civics and Citizenship will also be part of the national curriculum. The national curriculum draft of history was released for consultation on March 1 and includes civics and citizenship topics for primary schools.
- greater public education in relation to complaints mechanisms (Ombudsman/Anti-Corruption); and,
South Australia already has several bodies charged with dealing with complaints and corruption allegations including – the Police Anti-Corruption Branch, the Police Complaints Authority, an Ombudsman with the powers of a Royal Commissioner and an Auditor-General's Office. They can investigate any Government agency, including local government, as well as the Police internal investigations branch.

We also have whistleblower-protection laws, the Government Investigations Unit, an independent judiciary of great integrity and a long history of governing to the letter and the spirit of the rule of law. We are also part of a working federation in which authority is dispersed and checked, and we apply the separation of powers.

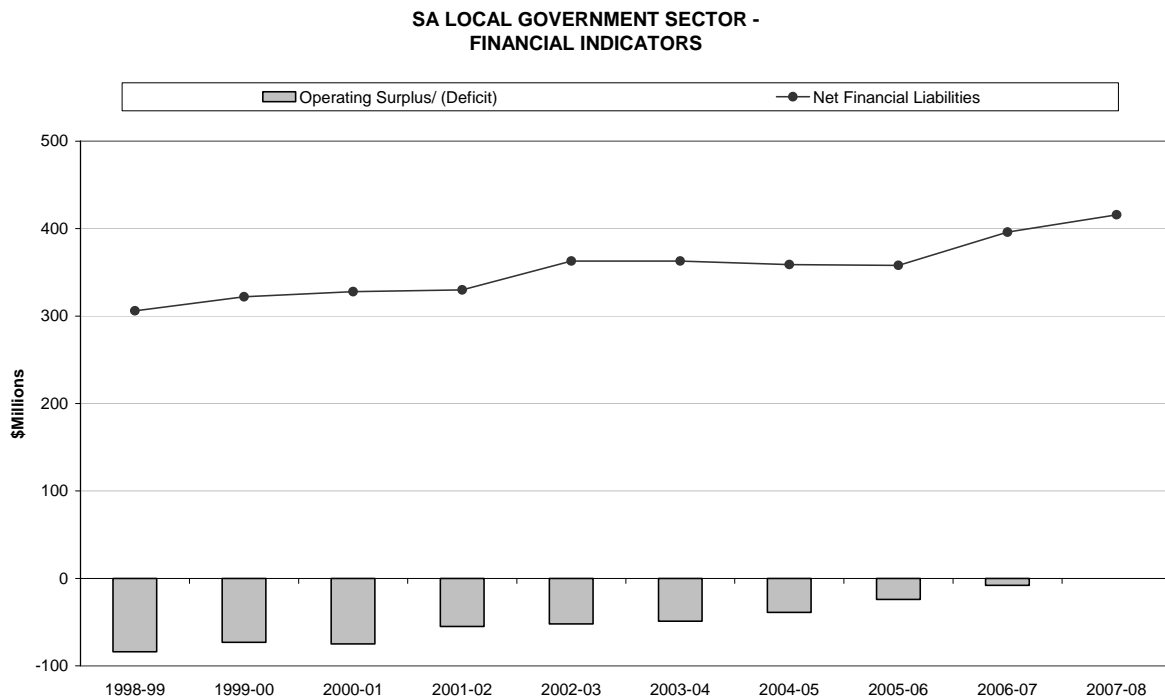
The Government believes South Australia is adequately served by a raft of organisations primed to root out corruption wherever it may be. We agree that there is always a need for ongoing education about the existing law and complaints mechanisms. A re-elected Rann Government would examine this need with a view to improving the information available to the public about complaints mechanisms.
- increase funding for independent community mediation services in metropolitan and country SA?
If re-elected the State Government will consult with the local government on how to improve independent community mediation services.

SA Local Government Sector Financial Indicators Report 2009

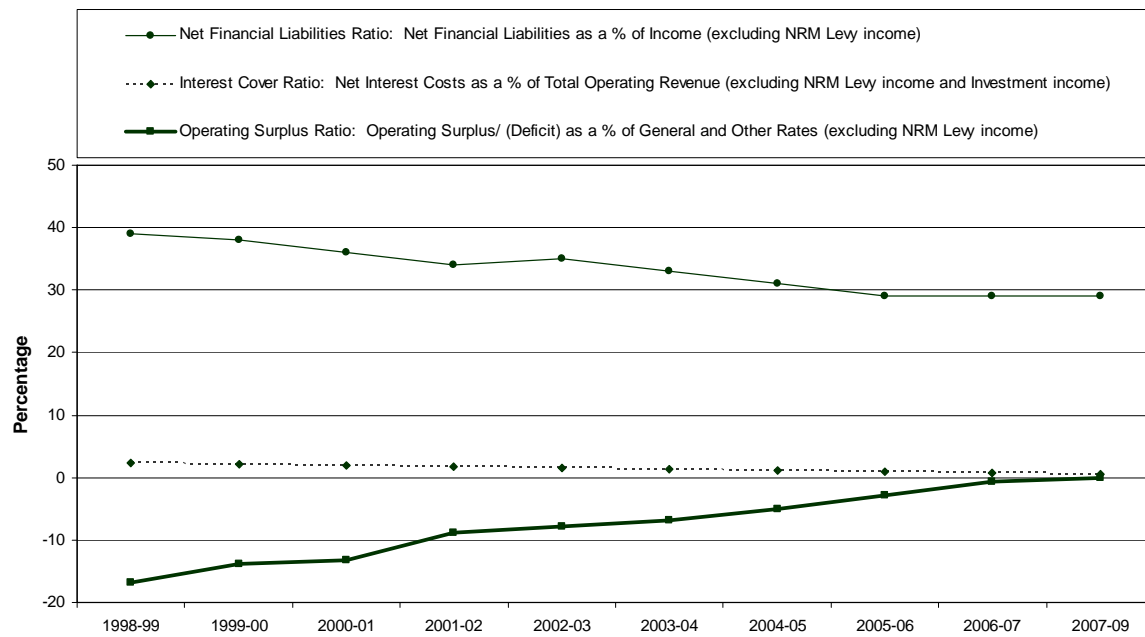


The LGA's *Financial Sustainability Information Paper 9 'Local Government Financial Indicators'* describes a set of seven standard indicators of the financial sustainability of a Council's performance and position. The indicators were developed by the SA Local Government Financial Management Group consistent with a recommendation of the Financial Sustainability Inquiry. The indicators were endorsed by the Financial Sustainability Advisory Committee and adopted by the sector at the April 2007 LGA General Meeting.

The following two graphs provide aggregate data for the sector from 1998-99 until 2007-08 covering five of these indicators. The assistance of the SA Local Government Grants Commission in providing data to help compile these graphs is appreciated. Data on the two indicators covering asset management is not included at this stage. Until all Councils finalise their Infrastructure and Asset Management Plans, reliable data for the sector is unavailable.



SA LOCAL GOVERNMENT SECTOR - FINANCIAL INDICATORS



Operating Surplus / (Deficit)

The operating surplus / (deficit) indicator in the first graph measures the difference between day-to-day income and expenses for a financial year and is considered to be the most critical indicator of Local Government financial performance. The aggregate level of Local Government's annual operating deficit has reduced steadily since 1998-99 and was eliminated in 2007-08. 32 Councils recorded operating deficits in 2007-08 compared with 53 Councils in 1998-99.

As shown in the first graph, the break-even operating result for the sector in 2007-08 compares with an operating deficit of \$84 million in 1998-99. As shown in the second graph (i.e. operating surplus ratio) the \$84 million deficit represented 16.8 per cent of rate revenue in 1998-99.

Net Financial Liabilities

The net financial liabilities indicator in the first graph measures the amount of money owed by Councils to others less money held, invested or owed to Councils. The level of net financial liabilities at 30 June 2008 was \$416 million which is very low when put in the context of Local Government infrastructure and other assets valued at roundly \$14 billion.

As shown in the second graph (i.e. net financial liabilities ratio), the \$416 million of net financial liabilities is equivalent to 29 per cent of income in 2007-08. At 30 June 1999, net financial liabilities were \$306 million, equivalent to 39 per cent of income in 1998-99.

Net Interest Costs

The Financial Sustainability Inquiry suggested that a Council's financial position is sustainable if its net financial liabilities are at levels at which associated net interest costs can be met comfortably from a Council's income (without the prospect of either rate

increases which ratepayers would find unacceptable or service cuts which would be disruptive). As shown in the second graph (i.e. interest cover ratio), for the sector as a whole, net interest costs represented only 0.5 per cent of income in 2007-08. In 1998-99 the figure was 2.4 per cent.

Provided operating deficits are avoided, there appears to be considerable scope for many Councils to increase their level of borrowings (or liquidate some of their large stock of financial assets, which is equivalent to borrowing) to finance capital expenditure, including for any infrastructure renewal backlog purposes. Of course, where a Council is not achieving an operating surplus, any capital expenditure on upgrading or expanding infrastructure needs to be modest and targeted as it normally will lead to additional maintenance and depreciation costs.

Capital Investment Expenditure

Although reliable information on asset management indicators is not sufficiently developed in many Councils at this stage, a significant matter emerges from an analysis of the overall available data.

The findings of the Financial Sustainability Inquiry were based on actual data up until 2003-04. The Inquiry highlighted that capital investment expenditure on renewal and replacement of existing assets was significantly less than that needed to minimise whole-of-life-cycle costs of assets. Overall, capital expenditure in 2007-08 was a record \$447 million and represented a 33.0 per cent increase on capital spending in 2003-04. Importantly, a significant component of the increase is explained by additional expenditure on renewing and replacing existing assets (estimated at approximately \$250 million in 2007-08). This compares with an annual figure of \$55 million calculated about eight years ago by consultants to the Local Government Metropolitan CEO's Group (as part of the 'Wealth of Opportunities' report).

Differing Financial Performance of Councils

While the above report demonstrates significant improvement over the last nine years (and particularly since 2003-04) in the financial performance and position of the sector as a whole, it needs to be emphasised that the current financial condition of individual Councils varies substantially. The overall sound and improving financial performance and position of the sector disguises the financially unsustainable performance of some Councils under their current revenue and expenditure policy settings. In addition, in the absence at this stage of reliable data covering asset management in many Councils, it is not possible for those Councils to quantify the extent of any annual shortfalls against the optimal level of capital expenditure on renewal and replacement of existing assets. The Financial Sustainability Inquiry asserted that the shortfalls in some Councils have been large and persistent and will need to be addressed to avoid excessive rate increases and/or drastic reductions in services in the future.

Attachment 6

Table: Grants from States to Local Government (\$m)

		NSW	Vic (c)	Qld	WA	SA	Tas	NT	Total	Source
2003/04	net state grants	230	322	341	165	47	12	42	1159	(a)
2003/04	net state grants per capita	34.28	65.24	88.54	83.92	31.03	25.29	20.99	58.94	(a)
2004/05	net state grants	561	625	425	246	93	50	132	2132	(a)
2004/05	net state grants per capita	83.12	125.18	108.25	123.37	60.53	103.35	657.23	107.23	(a)
2005/06	net state grants	648	680	492	279	111	63	163	2437	(a)
2005/06	net state grants per capita	95.46	133.67	121.63	136.98	71.17	128.97	781.82	122.57	(a)
2006/07	net state grants	429	665	560	173	70	19	58	1975	(a)
2006/07	net state grants per capita	62.58	128.74	135.53	83.13	44.42	38.64	272.88	96.82	(a)
2007/08	net state grants	454	701	515	211	86	17	61	2058	(b)
2007/08	net state grants per capita	66.19	135.57	124.41	101.21	54.55	34.57	287.28	100.22	(b)
2008/09	net state grants	665	1000	741	325	108	39	74	2966	(b)
2008/09	net state grants per capita	95.62	189.80	174.47	151.79	77.18	78.71	340.27	141.79	(b)
6-year avge net state grants per capita		72.87	129.70	125.47	113.40	56.48	68.25	393.41	104.60	

a *Local Government National Report, Department of Infrastructure, Transport, Regional Development and Local Government (for the financial year following the data year)*

Note: this is sourced from unpublished ABS data

b *Unpublished ABS data*, Department of Infrastructure, Transport, Regional Development and Local Government (assembled by LGA of SA)*

**ABS Local Government Finance data is sourced from state/territory Local Government Grants Commissions, or equivalent*

c *Data for Victoria includes Commonwealth grants as the Victorian Grants Commission source data does not permit a split between Commonwealth and State government grants revenue.*

Case Study summary of CWMS Reforms

Community Wastewater Management Systems (CWMS) provide communal wastewater treatment systems in areas of the State not covered by SA Water sewerage services. Sewer services in most of the Adelaide metropolitan area and provincial cities are provided by SA Water and funded through a combination of State Government revenues and user charges. The provision of equivalent sewer services (CWMS) in country towns is managed by Local Government, traditionally funded by a combination of State Government up-front capital subsidies, user charges and other Council revenues.

From 1972 to early 1995 the State Government managed the program under an agreement between the State Government and the Local Government Association (LGA). From early 1995 the LGA has undertaken the delivery of the CWMS Program and the State Government has continued to provide a grant for capital purposes which has been used to assist Councils with funding new CWMS.

In 2002 the LGA and the State Government concluded a review of the CWMS program including quantifying the need for new CWMS in townships not yet serviced and the funding and management of the program. The report concluded that a program of construction of new schemes was required and that the existing method of funding created an unacceptably long 'waiting list'. Furthermore the report concluded that the **existing CWMS** were generally in a poor state of repair and were not being managed sustainably, creating a significant potential future liability for Councils (as 'owners' of the schemes) and the State Government as part-funders.

Armed with this information, the LGA initiated an extensive CWMS reform program from 2003 to 2005 which resulted in almost every existing CWMS in the State receiving a subsidised audit of the condition of each asset and recommendations for the sustainable management of the scheme, including sustainable pricing. Councils were encouraged to develop asset management programs to deal with the issues raised and to increase their regime of user charges over time to fund this process.

This Statewide reform process initiated by the LGA in cooperation with Councils created an outstanding intergovernmental reform opportunity between Local, State and Commonwealth government comprised of the following elements:

- The establishment of the CWMS Management Committee by the LGA, comprised of State and Local Government representatives to manage the reform program and to secure and allocate funding received (see below)
- The negotiation of a new nine year term funding agreement (over \$30 million in total) with State Government to support the establishment of new Schemes; the length of this agreement, with a guaranteed level of annual funding (indexed for inflation) has provided certainty of planning for these capital intensive projects

- Leveraging off the State and Local funding for new Schemes to attract \$20 million of Commonwealth Government Funding to upgrade existing CWMS schemes to deliver wastewater recycling objectives. The funds were provided to the LGA as an 'umbrella funding grant' used to uprgde 60 CWMS across the State and administered through the CWMS Management Committee.

The result has been attraction of Commonwealth funding for upgrade of existing schemes (reducing risks for SA Councils and the SA Government); implementation of sustainable pricing and management practices; a State-wide focus on best practice; more effective targeting of funding for new schemes and a reduction of risks to communities and to the SA Government (which would otherwise face pressure for SA Water to provide sewer systems).