Inquiry into a New Regional Development Funding Program

The Local Government Association of South Australia is the voice of Local Government in SA. All 68 Local Government Act Councils and Anangu Pitjantjatjara Yankunytjatjara are members. The LGA is also formally recognised by the SA Parliament under the Local Government Act and by the SA Government in the form of the State/Local Government Relations Agreement. The LGA is a member of the Australian Local Government Association (ALGA) and a Local Government body recognised for consultation under the Commonwealth Local Government (Financial Assistance) Act.

Introduction

The LGA welcomes the inquiry into the new Regional Development Funding Program. In particular the LGA supports the Australian Government's proposal for Regional Development Australia to work more closely with Local Government.

The LGA believes an opportunity exists for the Federal Government through Regional Development Australia to work more closely with Local Government. The LGA and Local Government have a long history of working effectively to deliver Federal Programs on the ground from Prime Minister Keating's Local Capital Works Program (LCWP) of 1992/93 to Prime Minister Howard's Roads to Recovery program from 2001. These two programs delivered substantial funding to local capital projects with extremely low administrative costs.

Notably LCWP delivered $345m in 12 months to Local Government across Australia relying on State Local Government Associations for administration. Former Deputy Prime Minister Mark Vaile acknowledged it in 1995 as the Commonwealth Specific Purpose Program with the lowest administrative cost on record: "The most efficient SPP was the local capital works program at the end of 1992. The administration costs of that SPP to the money outlaid by the Commonwealth was about 0.6 per cent, which makes it the most efficient and effective SPP that we have seen." (Hon Mark Vaile, Public Accounts Committee Reports 29/11/95)

Under the Roads to Recovery program $1.2 Billion was allocated to local roads from 2001-2005 and a further $1.23 Billion was allocated over 4 years from 2005. Significantly some of this funding is allocated based on a formula approach to individual Councils – in SA another portion is allocated by Local Government to regional priorities set by regional organisations of Councils.

Local Government has also worked effectively with the Area Consultative Committee system originally established by Minister Simon Crean in 1993 through several changes in roles and changes in program arrangements. Many Councillors and some Local Government staff have served on the boards of ACCs. Importantly programs which ACCs have advised on have included areas outside the direct control of Local Government. In some instances Local Government projects have been in competition with community or privately sponsored projects.

It should also be noted that many projects advised on by ACCs have funded community organisations for works on Council-owned land to upgrade or develop new Council assets. Such funding is always welcomed at the local level but may not represent the best strategic infrastructure asset management decisions. In short, where community organisations are seeking funding it is politically extremely difficult for Councils to discourage, oppose or even re-direct such ambitions. This can create problems, most notably where Councils do not have adequate resources to maintain such infrastructure.

In SA Councils have supported the need for long-term infrastructure and asset management plans as one way of tackling this issue. The SA Parliament supported a request from the LGA arising from the LGA's 2005 Independent Inquiry into the Financial Sustainability of Local Government to require all Councils to have a long-term infrastructure and asset management plan as a part of its strategic planning documents. The LGA has provided training and model documents to support Councils to implement this requirement by November, 2008.

We noted the comments by the Hon Simon Crean in releasing the ALP election policy on regional development on 20 November, 2007 in Ballarat: *"But where locally developed solutions do stack up they should be backed. And just to make it clear, I am not just talking about what the current government sees as regional services and regional development. I am also talking about giving local communities a say in how such mainstream services as health, education and infrastructure are delivered to regional communication. We will never end the blame game until we really embrace locally developed solutions to local problems. "*

We would endorse these sentiments.

The remaining two sections in this document identify opportunities available to create stronger linkages between RDA and Local Government; and outline the various structures Local (and State) Government use within SA to deal with such issues and to organise business at a regional and State level.

Opportunities

The creation of Regional Development Australia presents a significant opportunity to improve linkages between the Commonwealth and Local Government. This could be done by:

1. Better matching geographic boundaries between Commonwealth processes and those used by State and Local Government;
2. Improving strategic linkages – through planning and consultation processes;
3. Improving Local Government representation on relevant committees;
4. Improving linkages between relevant Commonwealth agencies and Local Government at the State and National levels;
5. Applying more effective conditions to funding to ensure grants do not detract from financial sustainability of Local Government; and.
6. Provision of funding support where appropriate to support Councils in development of more detailed plans at the local or regional level to clarify priorities.

Further information regarding these options is provided below. The LGA's approach in this submission is not to make a single proposal, rather to outline how Local Government organises itself in SA and to present options. Consistent with this, the LGA is prepared to convene formalised consultation through our SA Regional Organisations of Councils Committee and our Metropolitan Local Government Group.

We also believe that for a variety of reasons the ACC structure has not engaged effectively with State Government and State agencies and opportunities exist to strengthen relationships between such bodies and relevant State Government bodies.

In addition, the LGA would be interested in piloting some arrangements with the Commonwealth if that was seen as a useful way to test options. We would certainly be prepared to apply staff time to support pilots and to engage regional LGA Executive Officers in providing such support. In addition the LGA manages a Local Government Research and Development Scheme and if useful we would be prepared to consider applying joint resources to supporting or evaluating options.

1. Better matching geographic boundaries between Commonwealth processes and those used by State and Local Government

Additional information on Local Government organisation structures can be found in the next section however in overview, Local Government has six geographic regions – sometimes called Regional Organisations of Councils, in country SA (and additionally a provincial cities association) plus a single Metropolitan Local Government Group. These groups meet regularly, all employ Executive Officers and all are allocated funding by the LGA from the Local Government Research and Development Scheme. In addition each of these groupings of Councils return representation to the LGA State Executive Committee which, along with LGA attendance at their meetings, ensures strong communication links. Further the country-based regional organisations are represented in a formal LGA Committee - the SA Regional Organisations of Councils (SAROC) committee which meets bi-monthly and alongside the LGA Metropolitan Local Government Group provides advice to the LGA Executive Committee. It is these six regional organisations and the LGA Metropolitan Group which identify and prioritise local roads of regional significance for Commonwealth funding under the Identified Local Road Funding (under FAGs legislation) and Roads to Recovery program.

The SA Government has recently decided to rationalise State agency regional boundaries to a common set of boundaries and after consultation with the LGA and Local Government determined a set of boundaries which in almost all circumstances co-incide with the above Local Government Regional Boundaries. In particular the LGA sought to ensure that individual Councils were not divided by State boundaries and wherever possible that smaller State regions fitted within Local Government regions.

The third key linkages for us are SA's Regional Development Boards which are separately incorporated bodies jointly funded by the SA Government and by Councils within each board region through contracts negotiated between the SA Government and the LGA. There are 13 such regional boards in country SA with a strategic focus on facilitating employment growth and investment. Again further information is provided on the RDB structure below.

It should also be noted that there are a series of Business Enterprise Centres supported by State and Local government within Metropolitan Adelaide. These bodies have a more specific service delivery focus when compared with Regional Development Boards but should be considered in relation to some roles which RDA local committees might be given.

The LGA believes that new RDA local committee boundaries could be better matched to the above boundaries whether or not the number of such bodies in SA is increased from the ACC models.

Depending on the role determined for RDA local committees the above mechanisms also present alternative approaches for providing input, prioritising funding applications or for service delivery.

2. Improving strategic linkages – through planning and consultation processes

Under the SA Local Government Act, every Council *"must, in the performance of its roles and functions—*

…

(c) participate with other councils, and with State and national governments, in setting public policy and achieving regional, State and national objectives;

(d) give due weight, in all its plans, policies and activities, to regional, State and national objectives and strategies concerning the economic, social, physical and environmental development and management of the community;

…"

Depending on the nature of the roles envisaged for local RDA committees we believe it would be appropriate to place similar requirements around the local committees (i.e. to require them to develop strategic plans and in preparing them to ensure the have assessed and "given due weight" to the plans of Councils, Local Government regions, Regional Development Boards and of State Government).

In addition, we have sought to apply a clear framework to Local Government's community engagement practices through application of the International Association of Public Participation's (IAP2's) "Spectrum of Public Participation". (Refer "Community Engagement Handbook" LGA, March, 2008). Consideration should be given to how communities can be engaged in issues being considered by local RDA committees and whether in some instances Local Government might be engaged to consult with communities on their behalf or similar principles applied to how local RDA committees engage communities.

3. Improving Local Government representation on relevant committees

We understand that under the old ACC structures ACC boards were encouraged to have Local Government representation and we understand every ACC board in SA has such a representative. However these representatives were not selected and nominated by Local Government and as a result there is no formal mechanism for them to report back to the Councils within their boundaries. Depending on the roles determined for RDA local committees, the LGA would propose a substantial increase in Local Government representation and a requirement for Local Government at the regional level to nominate such representatives and to support a mechanism for reporting back. Where regions do not easily match, it would be appropriate for the LGA to make such nominations through its SAROC committee after consultation with regions. If necessary an election process could be run across all Councils within an RDA local committee area.

Again, depending on the roles determined for RDA local committees, we think it may be appropriate to allow for representation at RDA local committees in observer capacity: appropriately selected Local Government officers, Local Government Regional Organisation executive officers, RDB executive officers, and appropriate State Government representatives.

4. Improving linkages between relevant Commonwealth agencies and Local Government at the State and National levels

   Local Government invests substantially in funding, skills and experience in its representative structures at the State and national levels. Often we think regional approaches by the Commonwealth have by-passed these structures leading to less than optimal results. It is our estimation that Local Government invests of the order of $100m a year and employs about 250 staff in the Associations network (ALGA and State Associations). The bulk of these resources are at the State level.

   The LGA and ALGA will always defer to individual Councils or regional structures on local and regional preferences and issues but do hold significant intelligence in relation to systems and linkaged between program areas. For example the LGA of SA operates Local Government's Workers Compensation Scheme in SA and provides asset cover and public and professional indemnity cover for all Councils. It supports a single superannuation scheme and a single finance authority which borrows and invests in bulk for SA Councils. It also works very closely with a series of State agencies which have close relationships with Councils.

   An example of the connections which can be made is the work the LGA is undertaking with the Commonwealth to ensure Councils contracted to undertake work on State Aboriginal Land Trust lands do so with appropriate permission to enter such lands and with contract protections in relation to liability matters. This connection would not have been made were it not for the LGA's relationship with the five Councils concerned, with its Mutual Liability Scheme and its relationship with the State Aboriginal Affairs and Reconciliation Division.
   The LGA would not seek representation on local committees but believes a semi-formal liaison with relevant Commonwealth agencies at the State level which may also involve key State agencies would be of value. Similarly if ALGA is linked with key Commonwealth agencies at the national level in relation to key issues and developments it is better able to represent Local Government to the Commonwealth and via its membership of the Council of Australian Governments (CoAG).

5. Applying more effective conditions to funding to ensure grants do not detract from financial sustainability of Local Government

   Local Government is more vulnerable than other governments to the impact of investment in new infrastructure either when it is donated or results from provision of a grant. Most frequently other governments make capital grants to establish new infrastructure but do not make ongoing contributions to the maintenance of such infrastructure. This problem has contributed to the national position of Local Government in which a significant number of Councils are grappling with significant infrastructure backlogs without adequate revenue.

   It is important to note in this context that Local Government is estimated to manage 20p.c. of Australia's publicly owned infrastructure (Access Economics, March, 2008) and based on 2005/06 published financial statements for each sphere of government the total value of Local Government infrastructure assets is 8.9 times operating income, compared to 1.9 for the SA Government and 0.4 for the Commonwealth Government. Another indicator of the asset intensive nature of Local Government is that depreciation as a percentage of its expenditure is 23% compared with 5% for the SA Government and 2% for the Commonwealth.

These and other challenges to Local Government led the LGA to commission in 2005 and independent Inquiry into the Financial Sustainability of Local Government. This was subsequently given an National Local Government Award by the Commonwealth. This report highlighted some issues impacting on Councils resulting from the decisions of other governments but largely focused on actions Councils could take to support their own financial sustainability. The LGA instituted a $1.2m, three-year, Financial Sustainability Program to implement the recommendations of the inquiry which is gaining momentum and starting to show some signs of success. The inquiry model has subsequently been picked up in three other States and this work was effectively summarised in the ALGA's National Financial Sustainability Study of Local Government (Price Waterhouse Coopers, November, 2006) which recommended establishment by the Commonwealth of a new "Local Community Infrastructure Renewals Fund".

The LGA would suggest that consideration be given to applying conditions to any new fund which might invest in Local Government infrastructure: to apply a bias to infrastructure renewal; to restrict funding for new infrastructure to Councils without long-term infrastructure and asset management plans and/or to require a Council to demonstrate it is able to maintain any new infrastructure into the future before it can receive such funding. Careful consideration should be given to the construction of such conditions – including consultation with LGAs and Local Government to ensure they are not unnecessarily restrictive. We would note for example that each of the financial sustainability studies has indicated that a number of rural and remote Councils are unlikely ever to be financially sustainable without substantial external Government grants.

This latter point was reinforced by the Productivity Commission in its recent report "Assessing Local Government Revenue Raising Capacity" 17/04/08: "*However, a significant number of councils, particularly in rural (87 per cent) and remote (95 per cent) areas would remain dependent on grants from other spheres of government to meet their current expenditure. Some councils would remain highly dependent on grants." (Finding 5.5)*

The LGA would note in support of ALGA that the total pool of Commonwealth Financial Assistance Grants is not adequate to ensure every Council can deliver services at an average national standard (unlike untied funding to State Governments). Further the LGA of SA would reiterate the point that these funds are not distributed between States base on relative need but on population – further undermining the objective of the FAGs legislation of fiscal equalisation. We would highlight another finding of the Productivity Commission in the report cited above: *"Given the differences in the scope to raise additional revenue classes of councils, there is a case to review the provision Government general purpose grants to local governments." (Finding 5.6)*

The LGA would be keen to encourage the Commonwealth to discuss these issues further with the ALGA and State Local Government Associations to ensure the benefit of State LGA programs in relation to financial sustainability can be taken into account.

6. Provision of funding support where appropriate to support Councils in development of more detailed plans at the local or regional level to clarify priorities

The LGA has long been a supporter of the integration of planning between governments. We provided substantial support to the ALGA in its evidenced base work with the Hawke Government in 1990 which led to the publication of "Better Services for Local Communities" (ALGA 1990) and subsequently "Integrated Local Area Planning" (1993) which was taken up by former Minister Brian Howe in a program of the same name.

We would suggest that local RDA committees could become a mechanism and resource to enable more effective integrated local area planning in partnership with Local Government – and State Government. The ILAP approach recognises that:

- local areas and communities differ, and more emphasis should be placed on devising appropriate responses to distinctive local circumstances and needs;
- we should take a holistic view of local areas, linking related physical, environmental, economic, social and cultural issues, rather than treating them separately;
- we need a shared understanding of key issues amongst all those concerned with the well-being of local communities, and, as far as is possible, a shared vision of desired futures;
- related activities of different departments, organisations and spheres of government should be co-ordinated in order to address key issues and achieve desired futures;
- more efficient and effective use of available resources is essential, and unnecessary gaps or duplication between government programs should be eliminated;
- community involvement in planning and management processes should be increased; and,
- Local Government has a mandate to play a leading role in implementing these principles.

These principles remain valid today. The concept of ILAP also recognises that integration may be required between:

- departments or programs within a single Council;
- councils within a region;
- agencies or programs within State or Commonwealth Governments;
- spheres of government;
- government and the community or private sectors;

The LGA would propose more detailed discussions between the Commonwealth and the ALGA and State LGAs to identify how these objectives can better be supported by local RDA committees.

Local Government Structures within SA

Local Government

There are 68 Councils in South Australia, 49 of which deliver vital services to, and represent the interests of regional, rural and remote communities throughout South Australia and 19 of which are located in Metropolitan Adelaide. All 68 Councils in the State are members of the LGA, which is a voluntary membership organisation in which Councils agree to work together for the common good of the sector. In addition to the 49 regional Councils the Anangu Pitjantjatjara Yankunytjatjara is a member of the LGA.

While Councils are bound by the *Local Government Act 1999* they have a high level of autonomy over their operations. Recent re-writing of the Local Government Act has sought to minimise the role of Minister of the day and to maximise Council accountability to communities and to independent bodies such as the Ombudsman. The relationship between State and Local government has been set within a formal agreement between the Premier and the President of the LGA, underpinned by an annual schedule of priorities also signed off by the Premier and President and through a joint Minister's State/Local Government Forum.

The relationship between Councils and the LGA is a strong one underpinned by a representational structure reflecting the regional organisations in country SA and the Metropolitan Local Government Group. The six country regional organisations are independent but form the basis of zones which are used to elect representatives to the LGA State Executive Committee. These organisations each have an executive officer and receive funding from both their member Councils and the LGA's Local Government Research and Development Scheme (approximately $32,000 in 2008/09). The chairpersons and executive officers of the regional bodies also form a formal SA Regional Organisations of Councils (SAROC) committee which meets bi-monthly as a part of the LGA structure.

Similarly the LGA's Metropolitan Local Government Group comprises metropolitan Mayors and has a standing committee of Metropolitan Council Chief Executive Officers. It is supported by the LGA and also receives an allocation from the LGR&DS (approximately $32,000 in 2008/09).

These arrangements are shown diagrammatically in attachment 1.

Further information about each of the regional bodies and the LGA can be provided and can be found on www.lga.sa.gov.au – including a copy of the State/Local Government Relations Agreement and maps of regions and Local Government areas. Note that maps of Council boundaries, regions and ACC regions have been provided in the Commonwealth Minister for Local Government's "National Report" to Parliament under the Local Government (Financial Assistance) Act and can be found on http://www.infrastructure.gov.au/local/publications/.

State Regional Boundaries

Information about the State Government's approach to regional boundaries can be found here: http://www.planning.sa.gov.au/go/maps/-land-and-population-data/sa-government-regions.

Regional Development Boards

There are 13 Regional Development Boards across the state funded jointly under a bilateral agreement between Local and State governments, these are an important mechanism used to drive the economic development agenda for Local Government in regional South Australia. In the late 1980's Councils agreed that a framework was needed to ensure a united approach to the challenge of economic development in regional South Australia. A bipartisan agreement was then established between State and Local government for the delivery of economic development services in regional South Australia. This resulted in the establishment of 13 Regional Development Boards across the state, responsible for facilitation of regional economic development. Over the past 15 years these Regional Development Boards have operated with minimal change to their original structure. Please refer to attachment 2 to see Local Government's investment in the Regional Development Board Framework.

Regional Development Boards were established to provide a more regional focus on economic development opportunities, in which Councils could play a lead role in partnership with State Government and industry to achieve the common objective of enhanced investment and job creation. The framework was designed to put in place a more strategic and streamlined system for dealing with Government on economic development issues and to provide greater collaboration at a regional level.

Regional Development Boards are an important mechanism for delivering Local and State Government economic development programs and play a key role in the facilitation of economic development through regional investment and job creation

Regional Development Boards focus on both economic and business development within their region and play a clear leadership role by engaging in a wide range of economic development activities, with priorities determined through their individual strategic planning processes. To achieve this Regional Development Boards endeavour to foster collaboration between industries, all levels of government and the community to build partnerships for sustainable development. Regional Development Boards have developed partnerships with organisations such as:

- TAFE;
- Area Consultative Committees;
- industry groups;
- business associations;
- job networks; and
- other service providers.

As part of the program and service delivery capability, several of the Regional Development Boards also deliver programs for the Australian Government such as:

- TradeStart;
- AusIndustry;
- Australian Taxation Office; and
- Indigenous Business Australia.

Many of these partnership arrangements have been in place for over a decade.

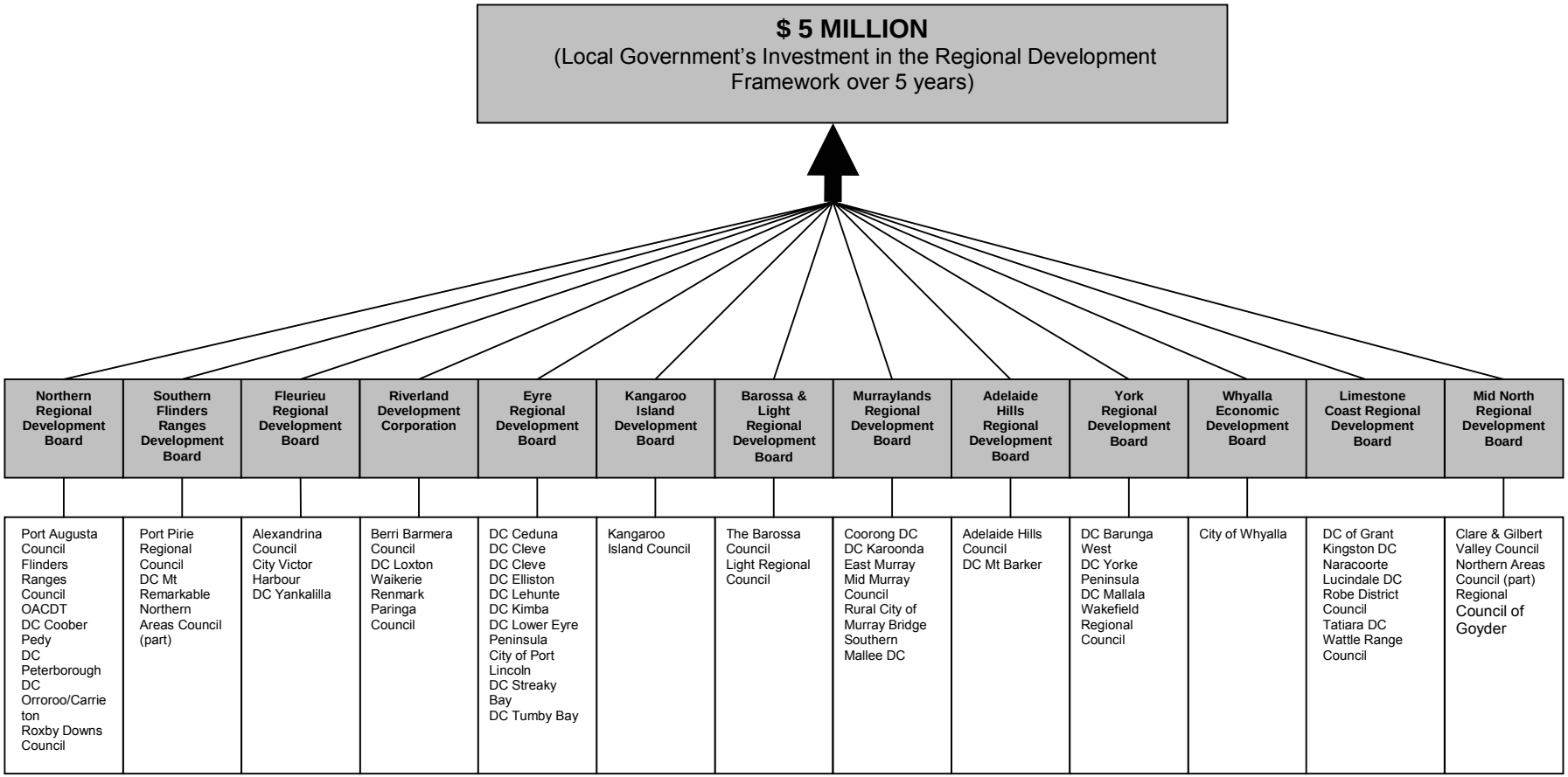
The Regional Development Boards are well established and known within their regions for economic development facilitation. They have administration staff, project officers, business advisors and administration systems and capabilities which can accommodate further service delivery. The Regional Development Board Framework can be used by the Australian Government and is an opportunity to avoid duplication by maximising available resources.

The Regional Development Board Framework has extensive links to both Local and State Government agencies with an interest in servicing regions with employment and training programs, primary production and value adding businesses and natural resource management. The Australian Government can tap into this extensive regional network and its close links to Local Government.

Regional Development Boards have established links with the ACCs, particularly through the development of projects under the Regional Partnerships Program. The strong role played in community development through the ACC network could be enhanced in focus by a new and creative partnership with the Regional Development Boards and Local Government structure.

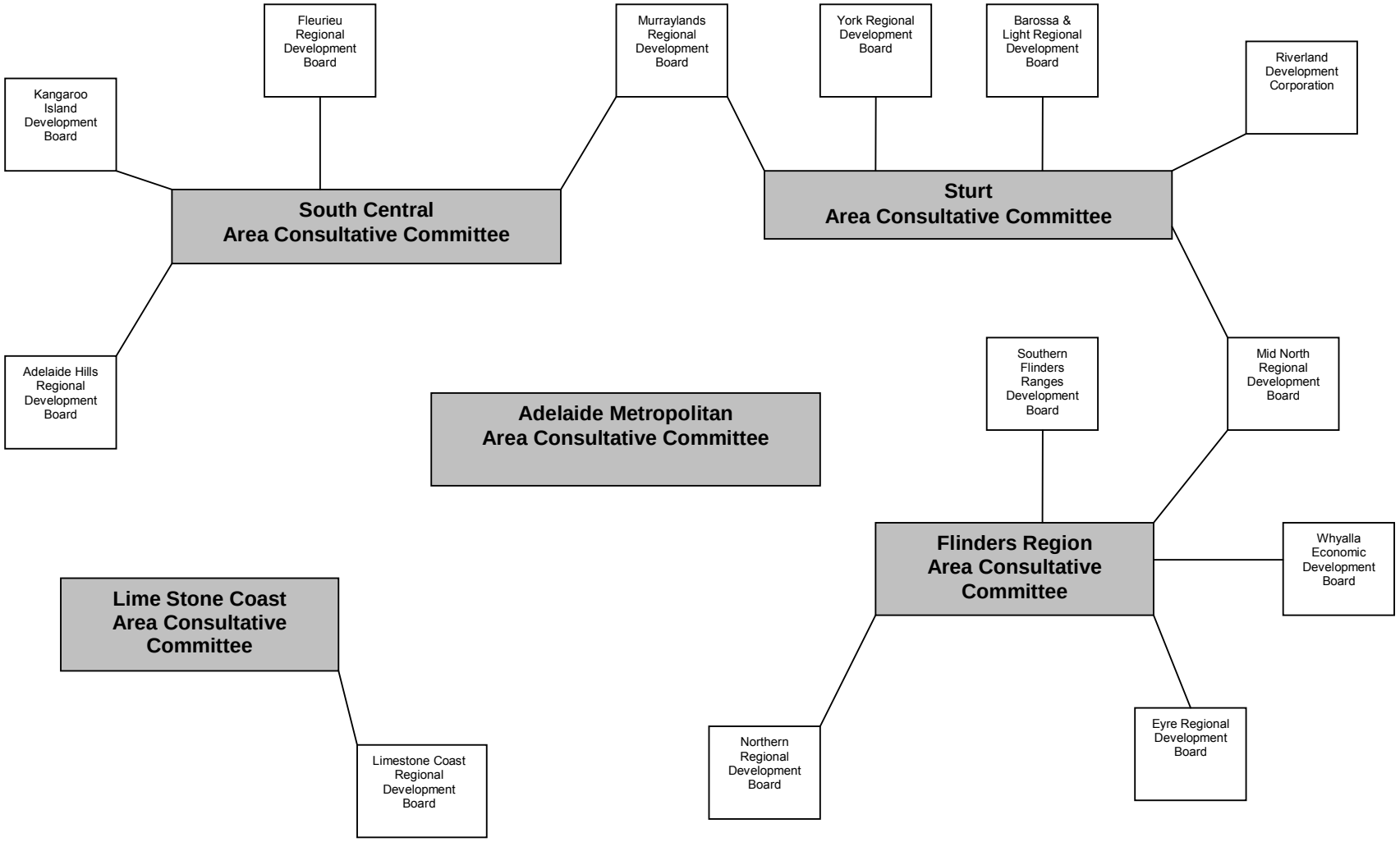
Attachment 3 seeks to show in diagramatic form the relationships between ACCs in SA and the Regional Development Boards.

Attachment #1



Attachment # 2

Relationship between Regional Development Boards and Area Consultative Committees



Attachment # 3

LGA Decision Making Chart

Submission – Inquiry into a New Regional Development Funding Program – June 2008

Councils

LGASA Annual General Meeting & General Meeting
Councils have voting rights based on population

Senior Executive Committee
(LGA President, Immediate Past President, 4 Vice Presidents and LGASA Executive Director)

LGASA State Executive Committee
(Elected Members of Councils representing the 7 Local Government zones)

South Australian Regional Organisation of Councils (SAROC)
(Regional Association Chairman & CEOs)

LGASA Secretariat

Metropolitan Local Government Group (MLGG)
(Elected Members of Councils and CEOs)

South East Local Government Association

Eyre Peninsula Local Government Association

Central Local Government Association

Murray Mallee Local Government Association

Spencer Gulf Cities Association

Southern & Hills Local Government Association

South East Zone
(1 Councillor on State Executive Committee and 1 proxy member)

- City of Mt Gambier[1]
- District Council of Grant
- Kingston District Council
- Naracoorte Lucindale Council
- District Council of Robe
- District Council of Tatiara
- Wattle Range Council

Eyre Peninsula Zone
(1 Councillor on State Executive Committee and 1 proxy member)

- District Council of Lower Eyre Peninsula
-
- District Council of Tumby Bay
- District Council of Franklin Harbour
- District Council of Streaky Bay
- District Council of Wudinna District
- Council of Ceduna
- District Council of Elliston
- District Council of Cleve
- District Council of Kimba
- Corporation of the City of Whyalla[1] (Dual membership – official affiliated with Spencer Gulf Zone)
- City of Port Lincoln[1] Dual membership – official affiliated with Spencer Gulf Zone)

Central Zone
(2 Councillors on State Executive Committee and 1 proxy member)

- The Barossa Council
- District Council of Barunga West
- Clare and Gilbert Valleys Council
- District Council of Coober Pedy
- District Council of the Copper Coast
- The Flinders Ranges Council
- Regional Council of Goyder
- District Council of Light
- District Council of Mallala
- District Council of Mount Remarkable
- Northern Areas Council
- District Council of Orroroo/Carrieton
- District Council of Peterborough
- Port Pirie Regional Council[1]
- Wakefield Regional Council
- District Council of Yorke Peninsula
- City of Port Augusta[1](Dual membership – official affiliated with Spencer Gulf Cities Zone)

River Murray Zone
(2 Councillors on State Executive Committee and 1 proxy member)

- Berri Barmera Council
- Coorong District Council
- District Council of Karoonda East Murray
- District Council of Loxton Waikerie
- Mid Murray Council
- Rural City of Murray Bridge [1]
- District Council of Renmark Paringa
- Southern Mallee District Council

Spencer Gulf Cities Zone
(1 Councillor on State Executive Committee and 1 proxy member)

- City of Port Augusta[1]
- City of Port Lincoln[1]
- Municipality of Roxby Downs
- City of Whyalla[1]

Southern & Hills Zone
(1 Councillor on State Executive Committee and 1 proxy member)

- Adelaide Hills Council
- Alexandrina Council
- The Barossa Council
- Kangaroo Island Council
- District Council of Mt Barker
- City of Victor Harbor[1]
- District Council of Yankalilla
- Rural City of Murray Bridge[1] (Dual membership – officially affiliated with River Murray Zone)

Metropolitan Adelaide
(8 Councillors on State Executive Committee and 4 proxy members)

- City of Adelaide
- Adelaide Hills Council
- City of Burnside
- City of Campbelltown
- City of Charles Sturt
- Town of Gawler
- City of Holdfast Bay
- City of Marion
- City of Mitcham
- City of Onkaparinga
- City of Playford
- City of Port Adelaide Enfield
- City of Prospect
- City of Salisbury
- City of Tea Tree Gully
- City of Unley
- Town of Walkerville
- City of West Torrens
- City of Norwood, Payneham & St Peters

[1] Members of Provincial Cities Association of SA