

## LGSA Positions on the Recommendations of the Local Government Inquiry – 5 July 2007

Positions and actions outlined below on all 49 recommendations of the Independent Inquiry into the Financial Sustainability of NSW Local Government (Local Government Inquiry) were endorsed by the Local Government and Shires Associations of NSW (LGSA) on 5 July 2007.

The positions and actions have mainly been developed by the Strengthening Local Government Task Force (SLG Task Force) and its expert working groups. The development was guided by principles including:

- The positions and actions should be sectoral ones including all key Local Government stakeholders;
- Stakeholders should work together in partnership;
- Existing initiatives should be recognised and actively promoted in order to not duplicate efforts; and
- Deliberations should be consensus based, open and transparent.

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p><b>1 Constitutional Recognition</b></p> <p>The LGSA seek recognition of Local Government as a separate independent tier of government in the Australian constitution through a national campaign by ALGA and the state members aimed at obtaining the signed pledge of a majority of ratepayers in a majority of states to supporting such a course of action if a constitutional referendum were held.</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that the House of Representatives and the Senate in 2006 passed an historic resolution recognising Local Government as an important step towards bipartisan support of constitutional recognition;</li> <li>• The LGSA noted that ALGA has primary carriage of the recognition of the Local Government under the Australian Constitution; and</li> <li>• The LGSA referred the inquiry recommendation to the ALGA Board and recommends that ALGA and other state associations continue to advocate that the role of Local Government should be recognised under the Australian Constitution.</li> </ul>	<ul style="list-style-type: none"> <li>• On 17 October and 7 September 2006 respectively, the House of Representatives and the Senate passed a resolution recognising local government.</li> </ul>

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<p><b>2 Intergovernmental Agreement</b></p> <p>The State Government and the NSW Local Government and Shires Associations enter into an intergovernmental agreement (IGA) that draws on both the Memorandum of Understanding in South Australian and the Local Government Policy of the New Zealand Government.</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA noted that the NSW Opposition has entered into an MOU which included a commitment that a Coalition Government will enter into the IGA;</li> <li>• The LGSA noted that constructive discussions are currently taking place with the NSW Government and that a suitable clause regarding the issue of industrial relations legislation is being developed;</li> <li>• The LGSA will continue to advise councils and stakeholders of these developments and encourage them to call on the NSW Government to enter into an IGA; and</li> <li>• The LGSA will only agree to sign the proposed agreement if both the NSW Premier and the NSW Minister for Local Government sign it for the NSW Government.</li> </ul>	<ul style="list-style-type: none"> <li>• MoU with NSW Opposition.</li> <li>• NSW Cabinet endorsed IGA in December 2006 subject to an additional clause advocating that the IGA promote the use of the NSW industrial relations system.</li> </ul>
<p><b>3 Cost Shifting</b></p> <p>The LGSA build on the work of the Inquiry and undertake an annual survey of all councils to establish the total cost to Local Government of the main regulatory and policy responsibilities imposed by other tiers of government and any changes thereto over the previous year.</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA will undertake an annual survey on cost shifting based on a representative sample of councils (including the councils that participated in the Inquiry's cost shifting survey) using the methodology of the Allan Report;</li> <li>• The LGSA will widely promote the survey to all NSW councils.</li> <li>• The LGSA will ensure that this year's survey commence in July 2007 and report by October 2007;</li> <li>• The LGSA will develop a process for councils to identify and/or provide feedback on new examples of cost shifting;</li> <li>• The LGSA will prepare a regular report card on the survey promoting the results among councils, the community, State and Commonwealth Government and other stakeholders;</li> <li>• The LGSA will establish a communication campaign to ensure that councils do not enter into self-inflicted cost shifting. In this respect, the LGSA noted that Local Government is often the "last resort" provider of services when other levels of government withdraw from their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• LGSA is in the process of developing and undertaking an annual cost shifting survey. This year's survey is expected to report in October.</li> </ul>

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		<p>(e.g. medical service provision in rural areas), but emphasise that Local Government should say “No” and advise the community that provision of those services is the responsibility of other levels of government; and</p> <ul style="list-style-type: none"> <li>The LGSA will encourage councils to implement processes to deal with cost shifting (e.g. regular cost shifting item in council business papers, regular report to local members of State and Commonwealth Parliament).</li> <li>The LGSA will ensure that the definition of cost shifting in the survey is consistent with the national <i>Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations on Local Government Matters</i>, (2006).</li> </ul>	
<p><b>4 Red Tape</b></p> <p>The State Government undertake a review of the Commonwealth and state red tape applying to Local Government with a view to eliminating unnecessary requirements.</p>	Supported.	<ul style="list-style-type: none"> <li>The LGSA noted the State Government’s election commitment to undertake a red tape review<sup>1</sup> of the <i>Local Government Act (NSW) 1993</i>;</li> <li>The LGSA noted that the Department of Local Government (DLG) Integrated Planning and Reporting initiative includes an examination of the statutory planning and reporting requirements imposed upon councils under the Local Government Act;</li> <li>The LGSA noted that the DLG intends to establish a joint working party to consider the responses to the Integrated Planning and Reporting paper; and</li> <li>The LGSA call on the Minister for Local Government to establish the joint working party to conduct a review of red tape affecting Local Government and a subsequent review of the Local Government Act (report by December 2007) for consideration by the Minister and the Presidents of the Associations.</li> </ul>	<ul style="list-style-type: none"> <li>LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> </ul>
<p><b>5 Revised Role</b></p> <p>All councils with an infrastructure renewal gap and backlog voluntarily agree to</p>	Not supported.  The role of Local Government needs to be clarified through	<ul style="list-style-type: none"> <li>The LGSA noted the release of the DLG Integrated Planning and Reporting Options Paper and the DLG position paper on asset management and financial planning, jointly developed with IPWEA, LGSA and LGMA, on 16 May 2007;</li> <li>The LGSA will continue to actively promote the papers for feedback by councils; and</li> </ul>	<ul style="list-style-type: none"> <li>Policy workshop has taken place and LGSA has prepared a comprehensive submission</li> </ul>

<sup>1</sup> Iemma M, NSW Election 2007, Working with Local Government, pages 1 and 3.

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<p>restrain operating expenditure by adopting an 'optimalist' approach to new recurrent services until their physical assets are restored to a satisfactory condition.</p>	<p>an adequate framework of strategic planning, asset management and financial planning developed and accepted by the sector.</p>	<ul style="list-style-type: none"> <li>The LGSA noted that a Policy Workshop/Roundtable with Executive Members has been conducted in February 2007 and a comprehensive submission based on the workshop outcomes provided to the Minister for Local Government on 17 May 2007.</li> </ul>	<p>based on the workshop outcomes.</p> <ul style="list-style-type: none"> <li>LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> <li>DLG has released its position paper on asset management and financial planning, jointly developed with IPWEA, LGSA and LGMA, on 16 May 2007.</li> </ul>
<p><b>6 Infrastructure Management</b></p> <p>The State Government provide financial incentives and technical assistance to enable all councils within three years to adopt a total asset management</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>The LGSA noted that the recommendation had been referred to the NSW Infrastructure Task Force;</li> <li>The LGSA noted that the introduction of adequate asset management systems and practices is being considered as part of the review of the DLG position paper on asset management and financial planning entitled Asset Management Planning for NSW Local Government (responses due 13 July 2007); and</li> <li>The LGSA noted that they and other peak bodies have jointly called for \$3m funding from the NSW Government for implementing an asset management capacity building program.</li> </ul>	<ul style="list-style-type: none"> <li>DLG has released its position paper on asset management and financial planning on 16 May 2007.</li> <li>Joint press</li> </ul>

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(TAM) system with consistent asset accounting practices.			<p>release issued by LGSA, LGMA, IPWEA, The Water Directorate and The Local Government Auditors Association on 17 May 2007 calling for \$3m funding for implementing an asset management capacity building program.</p> <ul style="list-style-type: none"> <li>• Staged introduction of fair value valuation and NAMS IFMG<sup>2</sup></li> </ul>

<sup>2</sup> The National Asset Management Strategy (NAMS) Committee is in the process of finalising the first national infrastructure financial management guidelines (IFMG).

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<p><b>7 Infrastructure Funding</b></p> <p>To overcome the infrastructure crisis, increase council funding by the order of \$900 million per annum through a combination of increased Commonwealth and state grants (\$200 million), council expenditure savings (\$200 million) and higher rates, fees and charges (\$500 million).</p>	<p>Supported in principle.</p> <p>Infrastructure funding needs to be increased by at least \$900 million per annum through a combination of the funding sources mentioned.</p> <p>However, the recommended general composition of the funding sources is rejected, because the actual funding mix will vary from council to council dependent on their particular circumstances.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that: the issue of advocacy for increased grants been responded to under recommendations 27 to 29 and 45;</li> <li>• The LGSA noted that the issue of higher rates, fees and charges has been responded to under recommendations 21 to 24, 26 and 40;</li> <li>• The LGSA noted that the issue of expenditure savings has been responded to under recommendations 12 to 14, 25 and 37;</li> <li>• The LGSA agreed that the identified backlog of \$1.0 billion in water and sewerage infrastructure, which had been excluded from the calculation of the \$900 million per annum<sup>3</sup>, needs to be included because it cannot be funded from water and sewerage charges;</li> <li>• The LGSA rejects the recommended composition of the funding sources because the actual funding mix will vary from council to council dependent on their particular circumstances;</li> <li>• The LGSA agreed that each council needs to assess their infrastructure funding needs and funding options through an adequate asset management and financial planning process;</li> <li>• The LGSA noted that only the consolidation of the individually identified funding needs of councils will make it possible to identify the total funding shortfall for NSW Local Government; and</li> <li>• The LGSA agreed that the joint initiative of the NSW Infrastructure Task Force and the DLG position paper on asset management and financial planning represent a preliminary step to enabling councils to identify their individual infrastructure needs and funding options through proper asset management and financial planning.</li> </ul>	<ul style="list-style-type: none"> <li>• ALGA/PwC report calling for a Local Government Community Infrastructure Renewal Fund.</li> <li>• ALGA election campaign calling for increased FAGs, under development.</li> <li>• LGSA State election campaign securing improved funding for timber bridges and country town water supply and sewerage</li> </ul>

<sup>3</sup> The calculation is based on an infrastructure backlog of \$5.3billion. The identified backlog of \$1.0billion for water and sewerage was excluded because then DEUS claimed that this backlog has been planned for in sound council 30 year strategic business and financial plans for local water utilities and all projected capital and operating expenditures for delivering its sewerage services can be met by typical water charges (see Inquiry page 120).

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<p><b>8 Depreciation Funding</b></p> <p>Each council aim to fully cash-fund its asset depreciation within three to five years and dedicate such funds exclusively for asset renewals.</p>	<p>Not concluded.</p> <p>The issue of depreciation funding is still being considered as part of the review of the DLG position paper Asset Management Planning for NSW Local Government.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that the recommendation has been referred to the NSW Infrastructure Task Force which has jointly with DLG developed the position paper on asset management and financial planning.</li> <li>• The LGSA noted that the issue of depreciation funding is still being considered as part of the review of the DLG position paper Asset Management Planning for NSW Local Government.</li> </ul>	<ul style="list-style-type: none"> <li>• DLG has released its position paper on asset management and financial planning on 16 May 2007 for feedback by 13 July 2007.</li> <li>• Introduction of fair value valuation and NAMS IFMG</li> </ul>
<p><b>9 Regional Roads</b></p> <p>The NSW Government assume responsibility for all regional roads in rural shires since such councils do not have the financial capacity and asset management systems to maintain and renew them.</p>	<p>Supported in principle as option if adequate funding is not provided, but there is a need to investigate the situation affecting all councils.</p> <p>Any transfer of responsibility should not be limited to “regional roads in rural shires” but apply to all regional roads.</p>	<ul style="list-style-type: none"> <li>• The LGSA agreed that this recommendation is a “last resort option’ and should only be considered after other funding options for regional roads are exhausted and extensive consultation with affected councils have taken place;</li> <li>• The LGSA will ensure that the response to the recommendation is not limited to “regional roads in rural shires” (wording of the recommendation) but apply to regional roads in all councils (noting that according to roads classification administered by the RTA a regional road is a local road of regional significance and that the RTA can reclassify roads as it thinks fit);</li> <li>• The LGSA agreed that the term “responsibility” as used in the recommendation refers to the actual operation of regional roads and funding of life cycle cost. The LGSA noted that inadequacy of RTA funding and other funding sources and lack of capacity on the part of councils to contribute are the main shortcomings with present arrangements;</li> <li>• The LGSA noted that, as effective asset management systems are introduced as part of the NSW Infrastructure Task Force, the sustainability or otherwise of present arrangements will be established and Local Government will then be able to present a compelling argument (supported by essential data) to the NSW Government and the Commonwealth Government for additional road funding;</li> </ul>	<ul style="list-style-type: none"> <li>• DLG has released its position paper on asset management and financial planning on 16 May 2007 for feedback by 13 July 2007.</li> </ul>

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		<ul style="list-style-type: none"> <li>• The LGSA referred to the LGSA Roads and Transport Standing Committee the following matters, inter alia, with the aim of developing options for a report/submission:               <ul style="list-style-type: none"> <li>○ Development of a strategy calling on the NSW Government to support an inquiry into the funding of regional roads in NSW;</li> <li>○ Identification of any funding shortfall for regional roads following this inquiry and the introduction of effective asset management systems and taking account of potential liability issues arising out of funding shortfalls; and</li> <li>○ Evaluation of legal options for and legal implications of handing back of or refusing to take on responsibility for regional roads due to a lack of funding.</li> </ul> </li> </ul>	
<p><b>10 Opinion Survey</b></p> <p>Each council periodically (at least at the start of its four year term) conduct an opinion survey of its residents to find out how they rate the importance of each of its major services and how they rate their satisfaction with each service.</p>	Supported.	[The LGSA considered recommendation 10 within recommendation 34. See recommendation 34.]	
<p><b>11 Future Needs</b></p> <p>All councils should develop and adopt a long-term services plan that takes into account demographic, political, economic, environmental, social</p>	Supported.	[The LGSA considered recommendation 11 within recommendation 34. See recommendation 34.]	

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<p>and technological trends as well as existing community's priorities based on opinion surveys and community consultations that disclose the costs and benefits of alternative scenarios.</p>			
<p><b>12 Procurement Practices</b></p> <p>The DLG permit the LGSA to undertake joint purchasing arrangements on behalf of Local Government, perhaps using a council network of commodity action teams, to identify where savings could best be made. In addition, the LGSA should develop best practice procurement guidelines to assist councils to better align and integrate their service plans and policies with their procurement processes and practices.</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that permission to undertake joint purchasing arrangements has been granted and that LGSA has established Local Government Procurement (LGP) to provide a fully integrated procurement service to councils and associated organisations in NSW;</li> <li>• The LGSA noted that LGMA NSW has developed and made public as part of their Good Practice Toolkit a module on procurement; and</li> <li>• The LGSA will continue to promote LGP and the maintenance of the procurement module of the LGMA Good Practice Toolkit.</li> </ul>	<ul style="list-style-type: none"> <li>• Local Government Procurement (LGP) established</li> <li>• LGMA Good Practice Toolkit – module on procurement</li> </ul>

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<p><b>13 Innovative Solutions</b></p> <p>Local Government pursue innovative solutions to expenditure saving and revenue enhancement to help boost its infrastructure funding capacity under Recommendation 7.</p>	Supported.	[The LGSA considered recommendations 13 and 37 together. See recommendation 37.]	<ul style="list-style-type: none"> <li>• Strategic Alliance Network Conference scheduled for 27 August 2007.</li> </ul>
<p><b>14 Commercialise Businesses</b></p> <p>Councils further commercialise their business operations (especially category 2 business) so that they set their prices to fully recover economic costs, including the cost of capital, and pay dividends like a normal business. Any community service obligations imposed on such a business activity by a council or another tier of government should be fully subsidised from taxpayer funds rather than commercial income.</p>	Supported.	[The LGSA considered recommendations 14 and 25 together. See recommendation 25.]	

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<p><b>15 Planning Documentation</b></p> <p>The State Government introduce a single planning document to apply to whatever land-use control format is adopted (e.g. land zones, land parcels or localities).</p>	<p>Supported partially.</p> <p>The land use planning instrument needs to be integrated with and informed by the community strategic plan as proposed by the DLG Integrated Planning and Reporting Initiative.</p>	<ul style="list-style-type: none"> <li>• The LGSA agreed that the new framework for Local Environment Plans (LEPs) represents a significant step forward to introducing a single land use planning instrument;</li> <li>• The LGSA will continue to advocate that the LEP needs to be integrated with and informed by the community strategic plan as proposed by the DLG Integrated Planning and Reporting Initiative and that generally land use planning does not override community strategic planning; and</li> <li>• The LGSA will continue to advocate that any single planning instrument needs to be flexible enough to enable consideration of the needs of individual communities.</li> </ul> <p>[see recommendation 34]</p>	<ul style="list-style-type: none"> <li>• LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> <li>• LGSA submission, evaluation of the LEP Review Panel (April 2007).</li> <li>• LGSA submission to the draft standard LEP (November 2005).</li> </ul>
<p><b>16 Future Needs</b></p> <p>All councils develop and adopt a long-term land usage plan that takes into account demographic, political, economic, environmental, social and technological trends as well as existing community's</p>	<p>Supported.</p>	<p>[The LGSA considered recommendation 16 within recommendation 34. See recommendation 34.]</p>	

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<p>priorities based on opinion surveys and community consultations that disclose the costs and benefits of alternative scenarios.</p>			
<p><b>17 Council Delegations</b></p> <p>Increase the number of development decisions that can be delegated by councils to certified planners or architects so as to enable faster processing times of the remaining DAs.</p>	<p>Not concluded.</p> <p>LGSA policy position is still being developed.</p>	<p>[Actions cover recommendations 17, 18, 19 and 20]</p> <ul style="list-style-type: none"> <li>• The LGSA deferred the response to these recommendations until such time as there is further analysis available of the use of panels, delegation of decisions, and other procedural issues in the area of development application assessment including developments in other jurisdictions including South Australia; and</li> <li>• The LGSA are currently undertaking a survey of NSW councils on planning panels and that a report is expected to be completed July 2007 to inform policy debate in NSW.</li> </ul>	<ul style="list-style-type: none"> <li>• LGSA survey on planning panels is expected to be completed July 2007 to inform policy debate in NSW.</li> <li>• Minister for Planning, Frank Sartor has been examining use of panels in other states.</li> </ul>
<p><b>18 Advisory Panels</b></p> <p>Establish independent advisory panels to consider and advise councils on disputed DAs and to consider appeals from third parties.</p>	<p>Not concluded.</p> <p>LGSA policy position is still being developed.</p>	<p>[The LGSA considered recommendation 18 together with recommendations 17, 19 and 20. For actions see recommendation 17.]</p>	<ul style="list-style-type: none"> <li>• See above.</li> </ul>

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<p><b>19 Voting Record</b></p> <p>All councils introduce a system for recording how individual councillors vote on planning policy matters and individual development applications as well as any explanations they offer for their actions. Where a council departs from a recommendation by an independent advisory panel its collective reasons for doing so should also be recorded.</p>	<p>Not concluded.</p> <p>LGSA policy position is still being developed.</p>	<p>[The LGSA considered recommendation 19 together with recommendations 17, 18 and 20. For actions see recommendation 17.]</p>	
<p><b>20 Planning Commission</b></p> <p>The State Government establish an independent State Planning Commission to make recommendations on major projects removed from council control by the Minister for Planning with the State Cabinet deciding the outcome of such DAs if the Minister rejects the commission's advice.</p>	<p>Not concluded.</p> <p>LGSA policy position is still being developed.</p>	<p>[The LGSA considered recommendation 20 together with recommendations 17, 18 and 19. For actions see recommendation 17.]</p>	

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<p><b>21 Rate Pegging (1)</b></p> <p>The State Government free councils to determine their own income by removing statutory limitations on their rates (i.e. rate pegging) and certain fees (e.g. development application processing fees) in return for councils adopting longer-term strategic and financial planning with outcome targets.</p>	<p>Supported.</p>	<p>[Actions cover recommendations 21 and 22]</p> <ul style="list-style-type: none"> <li>• The LGSA will continue to lobby for the removal of rate pegging as a long term objective;</li> <li>• The LGSA will renew their efforts to have the NSW Government adopt a Local Government Cost Index (e.g. the model developed by the LGSA Rate Pegging Task Force) as the basis of the rate pegging determination of the rate pegging limit; and</li> <li>• The LGSA will publish an annual Local Government Cost Index.</li> </ul>	<ul style="list-style-type: none"> <li>• LGSA 2007 State Election Policy Platform (October 2006) called for the abolition or relaxation of rate pegging.</li> <li>• LGSA submission on the DLG Integrated Planning and Reporting Paper on 17 May 2007 calls for the abolition of rate pegging.</li> <li>• Productivity Commission study into Local Government revenue raising capacity including impacts of state regulatory limits.</li> </ul>

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<p><b>22 Rate Pegging (2)</b></p> <p>If recommendation 21 is not acceptable, the State Government instead (a) permit councils whose rates were relatively low when rate pegging started or whose past rate rises have not kept pace with peg rises to bring them into line with those councils whose rates are in the top quartile; and (b) tie rate pegging to a published price or cost index such as the Sydney CPI, NSW GDP deflator index or a specifically designed Local Government cost index.</p>	<p>Supported as default option.</p> <p>The recommendation is only supported as long as recommendation 21 cannot be implemented.</p>	<p>[The LGSA considered recommendation 22 together with recommendation 21. For actions see recommendation 21.]</p>	
<p><b>23 Rate Exemptions</b></p> <p>The State Government should review and remove rate exemptions for all land use for commercial or residential purposes regardless of ownership.</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA will undertake research to identify, review and quantify all rate exemptions;</li> <li>• The LGSA will prepare a submission to NSW and Commonwealth Governments (including Productivity Commission) recommending amendment of relevant acts to remove nominated concessions; and/or</li> <li>• The LGSA call on NSW Government to conduct a review of rate exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity Commission study into Local Government revenue raising capacity including impacts of state regulatory limits.</li> </ul>

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<p><b>24 Pensioner Concessions</b></p> <p>The NSW Government, like all other state governments, fully rebate councils for its policy of pensioner rate concessions, otherwise councils be given permission to introduce rate deferrals for the unfunded component of such concessions. Deferred rates and accrued interest thereon would be charged against a pensioner's estate.</p>	<p>Supported.</p> <p>The introduction of rate deferrals is supported as optional for councils.</p>	<ul style="list-style-type: none"> <li>• The LGSA will identify, review and update research on pensioner rate rebates;</li> <li>• The LGSA reaffirms standing policy that mandatory pensioner rate rebates be fully financed by state and federal government;</li> <li>• The LGSA will advocate policy for gradual phasing out of voluntary (over and above) rebates by councils; and</li> <li>• The LGSA will survey the extent of voluntary pensioner rate rebates.</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity Commission study into Local Government revenue raising capacity including impacts of state regulatory limits.</li> </ul>
<p><b>25 Pricing Guidelines</b></p> <p>The Department of Local Government issue best-practice guidelines on the pricing principles and key cost concepts necessary for pricing council services, especially of a commercial nature.</p>	<p>Supported.</p>	<p>[Actions cover recommendations 14 and 25]</p> <ul style="list-style-type: none"> <li>• The LGSA advocate that DLG, in partnership with LGSA and LGMA conduct a joint review and prepare (in consultation with the local government accounting and financial planning professionals) best practice pricing guidelines; and</li> <li>• The LGSA agreed that any guidelines should: <ul style="list-style-type: none"> <li>○ Recognise that councils must be free to determine the level and pricing of services in consultation with their communities;</li> <li>○ Not promote reduced community services;</li> <li>○ Recognise the capacity of communities to pay for services;</li> <li>○ Recognise the tension between competitive business services and community services;</li> <li>○ Consider the extent to which the State Government funds (or should fund) the provision of services;</li> <li>○ Consider the standardisation of service provision arrangements between State and Local Government (e.g.: grants, service level agreements and other contractual arrangements) taking into account councils long term strategic plans and pricing structures.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Guideline principles developed by working group Resource Optimising and Capacity Building</li> <li>• Productivity Commission study into Local Government revenue raising capacity incl. impacts of state regulatory limits.</li> </ul>

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<p><b>26 Developer Contributions</b></p> <p>Local councils be more accountable to property owners for the use of developer contributions derived from the development of their properties.</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA will coordinate research into the level of contributions, the application of contributions and the affects of recent amendments involving s94A;</li> <li>• The LGSA will review how s94 contributions are incorporated into reporting guidelines;</li> <li>• The LGSA will investigate better ways to improve public understanding of the purpose and application of development contributions; and</li> <li>• The LGSA will produce a public fact sheet on the purpose and use of s94 contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity Commission study into Local Government revenue raising capacity including impacts of state regulatory limits.</li> </ul>
<p><b>27 Financial Assistance Grants (1)</b></p> <p>The Commonwealth Government set its financial assistance grant (FAG) to Local Government at a fixed percentage of gross domestic product (GDP) so that it is tied to the growth of the Australian economy as most Commonwealth taxes are. In addition the level of such assistance be lifted from 0.18 per cent (2003/04) to 0.22 per cent of GDP.</p>	<p>Supported in principle.</p> <p>LGSA prefer linking FAGs to total Commonwealth taxation revenue (see alternative recommendation 28).</p>	<p>[The LGSA considered recommendations 27, 28 and 29 together. For actions see recommendation 28.]</p>	

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<p><b>28 Financial Assistance Grants (2)</b></p> <p>Alternatively, Local Government FAGs be set at 0.86 per cent of all taxes (including GST) collected by the Commonwealth or 1.27 per cent of total income taxes, which would be equivalent to 0.22 per cent of GDP initially.</p>	<p>Supported in principle.</p> <p>The link should be set as 1% of total Commonwealth taxation revenue (excluding GST) consistent with the ALGA campaign for increased FAGs.</p>	<p>[Actions cover recommendations 27, 28 and 29]</p> <ul style="list-style-type: none"> <li>• The LGSA agreed that the purpose of intergovernmental transfers, particularly FAGs, is not to support disadvantaged councils but to provide a fair share of national taxation revenue to Local Government to address the existing vertical fiscal imbalance;</li> <li>• The LGSA will continue to campaign for increased FAGs, based on a fixed share of at least 1% of total Commonwealth taxation revenue (excluding GST); and</li> <li>• The LGSA support the ALGA campaign for increased FAGs and the establishment of a Local Community Infrastructure Renewals Fund.</li> </ul>	<ul style="list-style-type: none"> <li>• ALGA/PwC report calling for a Local Government Community Infrastructure Renewal Fund.</li> <li>• ALGA election campaign calling for increased FAGs under development.</li> </ul>
<p><b>29 Financial Assistance Grants (3)</b></p> <p>If FAGs were not increased as envisaged in recommendations 27 and 28, then the method of allocating them be changed to increase the relative assistance given to the most infrastructure-disadvantaged councils given that these are the least financially sustainable units of Local Government.</p>	<p>Not supported.</p> <p>The purpose of intergovernmental transfers, called FAGs, is not exclusively to support disadvantaged councils but to provide a fair share of national taxation revenue to Local Government.</p>	<p>[The LGSA considered recommendations 27, 28 and 29 together. For actions see recommendation 28.]</p>	

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p><b>30 Disability Data</b></p> <p>The NSW Local Government Grants Commission publicly disclose its calculations of disability of each council.</p>	Supported.	<ul style="list-style-type: none"> <li>The LGSA call on the NSW Government and the NSW Local Government Grants Commission seeking explanation of why disability calculations for all councils are not published.</li> </ul>	
<p><b>31 State Grants</b></p> <p>The NSW Government publicly document its total assistance to NSW Local Government and show its breakdown by major categories of assistance.</p>	Supported.	<ul style="list-style-type: none"> <li>The LGSA call on the NSW Government seeking increased levels of financial assistance;</li> <li>The LGSA will recommence discussions with NSW Treasury about including report on funding to Local Government in budget papers; and</li> <li>The LGSA will explore potential advantages of further direct Commonwealth funding.</li> </ul>	
<p><b>32 Governance Structure</b></p> <p>The State Government amend the LG Act to provide for a choice of governance structures as outlined below.</p> <p>(a) Corporate Board structure</p> <p>(b) Parliamentary/Executive structure</p>	<p>Not supported.</p> <p>The task force supported a governance framework which articulates the principles of good governance and the governance structure proposed by the working group Promoting Local Government Leadership.</p>	<p>[Actions include recommendation 33]</p> <ul style="list-style-type: none"> <li>The LGSA agreed that any governance framework and structure for NSW Local Government needs to be interlinked with and underpin the integrated strategic planning and reporting framework proposed for NSW Local Government by the DLG (see recommendation 34);</li> <li>The LGSA support the development of a corporate governance framework articulating the <i>principles</i> of good governance for NSW Local Government which encapsulate and reinforce universal principles relating to leadership, financial accountability and transparency, community engagement and ethical behaviour. The final framework should be the “umbrella” for the other core initiatives including the DLG Integrated Planning and Reporting Project, the NSW Infrastructure Task Force’s asset management and financial planning paper and the actions/responses prepared by SLG Task Force and endorsed by LGSA. The principles of good governance should include: <ul style="list-style-type: none"> <li>Setting strategic directions and desired outcomes;</li> <li>Services and business planning;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> </ul>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
	<p>The framework and structure need to underpin the integrated strategic planning and reporting framework.</p>	<ul style="list-style-type: none"> <li>○ Regular reviews of council capacity to respond to community needs, priorities and service delivery issues;</li> <li>○ Establishing appropriate internal control and risk management processes (in line with relevant Australian Standards);</li> <li>○ Setting performance targets (Key Performance Indicators) for council linked to strategic directions and desired outcomes; and</li> <li>○ Monitoring performance and outcomes against them and preparation of council performance improvement plans;</li> </ul> <ul style="list-style-type: none"> <li>● The LGSA support the plain English governance framework and structure including definition of leadership suggested in the <i>Strategic Leadership Report</i> prepared by the SLG working group Promoting Local Government with a view to advocating that the NSW Government adopt a similar approach in amending the NSW Local Government Act; and</li> <li>● The LGSA refer the <i>Strategic Leadership Report</i> prepared by the SLG working group Promoting Local Government Leadership to the working group to be established by DLG on integrated strategic planning and reporting, financial management and asset management.</li> </ul> <p>[See also recommendation 34, 41 and 42]</p>	
<p><b>33 Councillor Remuneration</b></p> <p>The State Government raise the maximum permissible remuneration level for councillors.</p>	<p>Supported.</p> <p>Remuneration needs to be associated with their role and responsibilities under the proposed governance and strategic planning framework and adequately recognise the time and effort and the</p>	<p>[The LGSA considered recommendation 33 mainly within recommendation 32. For the main actions see recommendation 32.]</p> <ul style="list-style-type: none"> <li>● The LGSA noted that councillor remuneration needs to be associated with their role and responsibilities under the proposed governance and strategic planning framework and adequately recognise the time and effort and the expertise that councillors bring to the good governance of their local areas.</li> </ul>	<ul style="list-style-type: none"> <li>● LGSA submission to the Local Government Remuneration Tribunal of 1 February 2007.</li> </ul>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
	expertise that councillors bring to the good governance of their local areas.		
<p><b>34 Long-term plan</b></p> <p>All councils develop and adopt a long-term strategic and financial plan in close consultation with their communities that would be subject to annual external compliance audits and updated in the first year of each council's term.</p>	Supported.	<p>[Actions include recommendations 10, 11 and 16]</p> <ul style="list-style-type: none"> <li>• The LGSA noted the release of the DLG Integrated Planning and Reporting Options Paper and the DLG position paper on asset management and financial planning, jointly developed with IPWEA, LGSA and LGMA, on 16 May 2007;</li> <li>• The LGSA will actively promote the papers for feedback by councils;</li> <li>• The LGSA support mandatory strategic community planning and council-term delivery programs to advance that strategy, underpinned by mandatory long term financial and strategic asset management planning as a principal function of councils;</li> <li>• The LGSA agreed that long term strategic and financial planning needs to be supported by an adequate governance model addressing roles and responsibilities, and framing roles and associated obligations of elected members and senior management (See recommendation 32); and</li> <li>• The LGSA remind the NSW Government that, under current circumstances, many councils, particularly in regional and rural areas, need financial and technical support to implement long term strategic and financial planning and that frameworks need to be provided and a capacity building program be established along the lines of what is envisaged by the NSW Infrastructure Task Force in relation to asset management.</li> </ul> <p>[See also recommendations 32 and 35]</p>	<ul style="list-style-type: none"> <li>• Policy workshop has taken place and LGSA has prepared a comprehensive submission based on the workshop outcomes.</li> <li>• DLG options paper on integrated planning and reporting released in November 2006.</li> <li>• LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> </ul>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p><b>35 Performance measures</b></p> <p>The DLG in conjunction with the LGSA and a representative cross section of councils devise new key performance indicators (KPIs) for NSW Local Government using logics analysis to derive an outcomes hierarchy showing the causal link between core council goals, desired results, intermediate results and services.</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA noted that an outcomes-focussed performance measurement framework would assist to lift the performance standards of councils across NSW;</li> <li>• The LGSA agreed that an outcomes-focussed performance measurement framework needs to be interlinked with and underpin the integrated strategic planning and reporting framework proposed for NSW Local Government by the DLG (see recommendation 34);</li> <li>• The LGSA support the development of an outcomes-focussed performance measurement framework for NSW Local Government. The outcomes-focussed framework and its associated suite of performance indicators should be built on quadruple bottom line (QBL) considerations incorporating the social, environmental, economic and governance capabilities of councils. The final framework should: <ul style="list-style-type: none"> <li>○ Assist councils to measure and improve their performance;</li> <li>○ Provide a platform for comparative analysis;</li> <li>○ Highlight synergies with other government agencies and facilitate intergovernmental relations; and</li> <li>○ Aggregate data to provide evidence for industry-wide advocacy re: role, scope, effectiveness and financing of Local Government; and</li> </ul> </li> <li>• The LGSA agreed that the lead agencies for the project be the LGSA, DLG and LGMA underpinned by close consultation with key stakeholders.</li> </ul> <p>[See also recommendations 34 and 32]</p>	
<p><b>36 Performance benchmarking</b></p> <p>Each council on a regular basis (at least once every three years) benchmark its administrative capacity and performance with the results used to identify the most</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA noted the importance for all councils to be able to access best practice information on administrative KPIs and benchmarks; and</li> <li>• The LGSA supported the establishment of a collaborative project initiative dovetailing with the work of the DLG's New Directions Paper and integrated planning and reporting initiative on benchmarking.</li> </ul>	

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
pressing organisational improvements for incorporation into the management plan.			
<p><b>37 Resource sharing</b></p> <p>The DLG and the LGSA jointly undertake a functional analysis to determine which, if any, of the services that councils deliver would benefit from being provided by contractually-based resource sharing or outsourcing arrangements including jointly owned shared service centres and sizeable third party providers (e.g. regional electricity authorities).</p>	Supported.	<p>[Actions cover recommendation 13 and 37]</p> <ul style="list-style-type: none"> <li>• The LGSA noted the ongoing work of the Strategic Alliance Network (SAN) and recommend that councils participate in the SAN Conference which is tentatively scheduled for 27 August 2007; and</li> <li>• The LGSA agreed that industrial relations and workforce planning issues need to be part of the SAN program.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Alliance Network Conference scheduled for 27 August 2007.</li> </ul>
<p><b>38 Financial data</b></p> <p>The DLG amend its Code of Accounting Practice and Financial Reporting for councils to standardise key accounting and reporting policies,</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA recommend that the Local Government Accounting Advisory Group (LGAAG) give favourable consideration to changing the current arrangements in the Local Government Accounting Code regarding special schedule 7 (SS7) based on the directions of the national Infrastructure Financial Management Guidelines (IFMG) being prepared by the NAMS Committee;</li> <li>• The LGSA recommend to the LGAAG that: <ul style="list-style-type: none"> <li>○ Changes in relation to the reporting of generalised performance indicators be issued as a</li> </ul> </li> </ul>	<p>LGAAG advised that:</p> <ul style="list-style-type: none"> <li>- SS7 be retained for the immediate future.</li> <li>- Asset indicator for renewal gap 'Capital Renewal</li> </ul>

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<p>especially in relation to asset condition assessment, asset valuation, depreciation rates, capital expenditure (including the distinction between asset maintenance, renewal and expansion), a high-level chart of accounts, a workforce profile database (each with agreed definitions of terms as exists in the NSW general government sector) and key financial indicators.</p>		<p>change to Note 13 of the General Purpose Financial Report as prescribed by the Code, i.e., Statement of Performance Measurement; and</p> <ul style="list-style-type: none"> <li>○ Changes to the Code be consistent with the development of the national Infrastructure Financial Management Guidelines (IFMG);</li> </ul> <ul style="list-style-type: none"> <li>● The LGSA noted that these recommendations were made to LGAAG for consideration for inclusion in the current update of the LG Accounting Code; and</li> <li>● The LGSA noted the relevance and use of SS7 data in its current format and the difficulty of including IFMG indicators until these have been firmed up and are consistent across the board.</li> <li>● The LGSA noted that LGAAG has advised that for the immediate future SS7 will be retained but an optional indicator measuring the infrastructure renewal gap be included in the Local Government Accounting Code.</li> </ul>	<p><i>expenditure / annual average asset consumption (depreciation)' where result was expected to be &gt; or = 1, be included in the performance measures (e.g. in Note 13) for asset classes that have been revalued at fair value with the ratio to be reported by asset class until all assets have been revalued at fair value.</i></p> <p>LGAAG has subsequently decided that while the use of the ratio is recommended that it will remain optional in the next edition of the Code.</p>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p><b>39 Financial Benchmarks</b></p> <p>The LGMA reissue its Sustainable Financial Health Check Manual with an expanded list of financial KPIs and an appropriate range of lower and upper benchmarks for each KPI along the lines shown in the table below [table in final report].</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA recommend to the LGMA that a further reissue of the LGMA Sustainable Financial Health Check will not be required if the performance measures in the Code of Accounting Practice and Financial Reporting are updated to include key financial performance indicators such as asset condition management and that these indicators follow the development of the NAMS national Infrastructure Financial Management Guidelines (IFMG), particularly the indicators espoused in position paper 3 “Performance Measures” of the NAMS initiative;</li> <li>• The LGSA noted that in respect of the Key Financial Performance Indicators recommended by the Inquiry in recommendation 39 the recommendation includes an over-emphasis on the use of debt as a funding source;</li> <li>• The LGSA support that councils, as part of the strategic planning framework proposed under recommendation 34, develop a revenue and financing policy to provide a comprehensive approach in determining the funding sources for operating, renewal and capital expenditure; and</li> <li>• The LGSA support that an alignment of funding sources with capital expenditure is required such as the case in New Zealand Local Government, i.e.: <ul style="list-style-type: none"> <li>1. Asset renewals are funded from equity reserves created by the depreciation expense;</li> <li>2. New assets to support population growth are funded from developer contributions; and</li> <li>3. Assets created to provide increased levels of service are funded by loans.</li> </ul> </li> </ul>	
<p><b>40 Infrastructure Borrowings</b></p> <p>Councils increase their use of borrowing to fund necessary infrastructure spending.</p>	<p>Supported in principle.</p> <p>The use of borrowing was overly emphasised by the Inquiry. Borrowings need to be considered on a council by council basis as one of many fiscal options.</p>	<ul style="list-style-type: none"> <li>• The LGSA agree that the use of borrowing was overly emphasised by the Inquiry and that borrowings need to be considered on a council by council basis as one of many fiscal options;</li> <li>• The LGSA will initiate discussions with ALGA on a process to set up a National/State Local Government body as a vehicle to develop and market infrastructure bond initiatives; and</li> <li>• The LGSA will engage discussions with ALGA and the Australian Taxation Office regarding the availability, through a tax office ruling, of the tax incentives to investors of the infrastructure bond (the investment bank that will structure the arrangement will be the one to advice on this).</li> </ul>	

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<p><b>41 Financial Responsibility</b></p> <p>The State Government amend Section 232 of the LG Act to clarify that councillors are responsible and accountable for a council's financial governance in general and its financial sustainability in particular.</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA support, as part of the governance framework and structure proposed under recommendation 32, an amendment to section 232 of the Local Government Act 1993 so that councillors are made clearly accountable for the financial governance and sustainability of their respective councils;</li> <li>• The LGSA support, as part of the strategic leadership program proposed under recommendation 42, that all councillors be encouraged to undertake training in Local Government financial management and reporting and that the financial management training package for councillors be reviewed to take into account long term strategic and financial issues for councils.</li> </ul> <p>[See recommendation 32 and 42]</p>	
<p><b>42 Councillor Training</b></p> <p>The DLG in conjunction with the LGSA and relevant professional bodies provide all councillors with specific training in the tools they need to undertake the expanded financial governance role envisaged in recommendation 41.</p>	Supported.	<ul style="list-style-type: none"> <li>• The LGSA support that effective strategic leadership necessitates an adequate governance model for councils addressing roles and responsibilities, and framing roles and associated obligations of elected members and senior management as recommended by the working group Promoting Local Government Leadership in its report entitled <i>Strategic Leadership Report</i> (ATTACHMENT III) (see also recommendation 32);</li> <li>• While noting that the Inquiry recommended that councillors receive financial management training, the LGSA agreed that improved leadership requires a broader program of training and other measures designed to improve leadership (such as mentoring and networking, and promoting best practice), under the umbrella of a strategic leadership program;</li> <li>• The LGSA support the establishment of the Strategic Leadership Partnership as recommended by the SLG working group Promoting Local Government Leadership in its report entitled <i>Strategic Leadership Report</i> to develop and implement the strategic leadership program including the following six elements: <ul style="list-style-type: none"> <li>○ Expanded councillor training and development programs;</li> <li>○ Expanded professional development programs for senior managers;</li> <li>○ A “Councillor Mentoring Program”;</li> <li>○ An “Executive Leadership Program” which would address the skills needed to implement the DLG’s proposals and targeted primarily at mayors/councillors and general managers/directors;</li> </ul> </li> </ul>	

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
		<ul style="list-style-type: none"> <li>○ A “Leading Council” scheme to recognise and disseminate best practice in strategic leadership; and</li> <li>○ A “Peer Review Network” (for both elected members and managers) to enable councils to help each other introduce improved leadership practices;</li> </ul> <ul style="list-style-type: none"> <li>● The LGSA agreed that the Strategic Leadership Partnership comprise LGSA, LGMA, IPWEA and DLG;</li> <li>● The LGSA agreed that the Strategic Leadership Partnership develop and implement stage 1 of the program as recommended in the <i>Strategic Leadership Report</i> (development of a conceptual framework, including outline proposals and costings as necessary, for the various elements of the strategic leadership program, plus expression of interest (EOI) documentation for new activities over and above those already undertaken by members of the Partnership - by engaging a suitable consultant to undertake the tasks identified in stage 1, in collaboration with LGSA Learning Solutions);</li> <li>● The LGSA agreed that LGSA Learning Solutions be tasked to design and implement a councillor mentoring program and expanded councillor professional programs as part of the Strategic Leadership Partnership; and</li> <li>● The LGSA recommend that councils be required to adopt a policy which ensures all councillors receive training in the core responsibilities of strategic leadership guided by the South Australian policy model which identifies training needs and funding sources, and a wide range of delivery strategies.</li> </ul> <p>[See also recommendation 32, 34 and 41]</p>	
<p><b>43 Sustainability Ratings</b></p> <p>The LGSA obtain the agreement of its members to appoint an independent expert organisation to regularly ‘rate’ the long-term financial situation and</p>	Supported.	<ul style="list-style-type: none"> <li>● The LGSA noted that the working group Financial Management had a comprehensive presentation on the MAV Viability Index at its meeting on 29 May 2007.</li> <li>● The LGSA will further investigate the feasibility of adopting of the MAV Viability Index in NSW (noting that the MAV Index is very comprehensive and resource intensive and that the adoption of the process would have resource implications; see working group report).</li> </ul>	

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<p>outlook of each council using an appropriate assessment methodology agreed in advance with the LGSA.</p>			
<p><b>44 Industry Database</b></p> <p>The LGSA undertake a facilitation and coordination role in improving the financial governance and management of Local Government by providing a dedicated resource library, up-to-date statistical data base, best practice manuals, case studies and registry of recognised experts working within councils and accredited external consultants with the requisite expertise.</p>	<p>Supported in principle.</p> <p>The instruments recommended by the Inquiry should be provided by the most appropriate organisation in the Local Government sector.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that a resources and information section (including links to other information sources) has already been established on the Strengthening Local Government website (<a href="http://www.StrengtheningLG.lgsa.org.au">www.StrengtheningLG.lgsa.org.au</a>);</li> <li>• The LGSA will maintain and regularly update the Strengthening Local Government website as a database;</li> <li>• The LGSA noted that the strategic leadership program recommended by the working group Promoting Local Government Leadership in its report entitled <i>Strategic Leadership Report</i> includes a “Leading Council” scheme to recognise and disseminate best practice in strategic leadership;</li> <li>• The LGSA support in general LGMA in the development of the Good Practice Toolkit.</li> <li>• The LGSA recommend to LGMA that a module on financial management be included in the LGMA Good Practice Toolkit.</li> </ul>	<ul style="list-style-type: none"> <li>• LGMA Good Practice Toolkit</li> <li>• SLG website including links to other databases by State associations, the DLG reform initiatives and Local Government Procurement.</li> </ul>
<p><b>45 Reform Assistance</b></p> <p>The State Government provide financial incentives and professional assistance to councils to facilitate</p>	<p>Supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA will actively promote the need for the State Government to support meaningful structural reforms in Local Government. This support should be in the form of financial assistance grants to councils, capital subsidies for investment in facilities, priority access to funding programs for councils, professional advice and training to help councils upgrade their strategic planning, financial management and policy/administrative skills.</li> <li>• The LGSA will lobby jointly with LGMA and IPWEA for financial assistance from the State and</li> </ul>	<ul style="list-style-type: none"> <li>• LGSA submission on the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</li> </ul>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
key structural, financial and administrative reforms.		<p>Commonwealth Government for implementing major reforms including the introduction of asset management, integrated long term strategic and financial planning and reporting, and resource sharing.</p> <ul style="list-style-type: none"> <li>• The LGSA noted that their submission to the DLG papers on integrated planning and reporting and on asset management and financial planning calls for the establishment of State Government financial incentives and professional assistance for issues including integrated planning and reporting and asset management.</li> <li>• The LGSA noted that the joint press release on the release of the DLG asset management and financial planning paper issued by LGSA, LGMA, IPWEA, The Water Directorate and The Local Government Auditors Association on 17 May 2007 calls for \$3m funding for implementing an asset management capacity building program.</li> </ul>	<ul style="list-style-type: none"> <li>• Joint press release issued by LGSA, LGMA, IPWEA, The Water Directorate and The Local Government Auditors Association on 17 May 2007 calling for \$3m funding for implementing an asset management capacity building program.</li> </ul>
<p><b>46 Surplus Budget</b></p> <p>All councils make a concerted effort to achieve within three to five years a surplus on their operating budgets (excluding capital grants as income).</p>	<p>Not supported.</p> <p>Occasional operating deficits can be appropriate. However, ongoing deficits are unsustainable.</p>	<ul style="list-style-type: none"> <li>• The LGSA agreed that an annual deficit can be an appropriate use of operational funds over the life of any organisation and that ongoing annual deficits are unsustainable. In this regard, a minimum 10 year outlook appears to be an appropriate financial cycle for local government.</li> <li>• The LGSA support jointly with LGMA and IPWEA the adoption of the financial indicators of the NAMS national Infrastructure Financial Management Guidelines and their insertion in the Local Government Accounting Code.</li> </ul>	
<p><b>47 Financial Governance</b></p>	<p>Supported in principle.</p>	<ul style="list-style-type: none"> <li>• The LGSA agreed that any financial governance statement should form part of the improvements currently being undertaken of the Local Government Accounting Code and be based on the</li> </ul>	<ul style="list-style-type: none"> <li>• LGSA submission on</li> </ul>

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p>Each council include in its annual report a financial governance statement as outlined in Appendix B plus a comparison of the results for its key financial ratios against the targets and upper/lower limits shown in the table in recommendation 39 above. In addition, each year the DLG or LGSA prepare and publish a consolidated version of this statement for each of the metropolitan, regional and rural categories of councils as well as for Local Government as a whole.</p>	<p>The recommended template should inform the improvements of the Local Government Accounting Code.</p>	<p>directions of the national Infrastructure Financial Management Guidelines (IFMG) being prepared by the NAMS Committee;</p> <ul style="list-style-type: none"> <li>• The LGSA generally support, as part of the strategic planning framework proposed under recommendation 34, the implementation of improved financial reporting and monitoring through the template along the lines proposed in recommendation 47.</li> <li>• The LGSA will further investigate alternative models ensuring they comply with the new Australian Audit Standards and more broadly focused models such as the Corporate Governance Statements of the ASX.</li> </ul>	<p>the DLG Integrated Planning and Reporting Paper to the Minister on 17 May 2007.</p>
<p><b>48 Summit Conference</b></p> <p>Stage a Local Government summit to which all interested parties would be invited. The purpose of this conference would be to consider, debate and</p>	<p>Not supported.</p> <p>The Strengthening Local Government Task force comprising key Local Government stakeholders was</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that the task force was established as an alternative framework to respond to the findings and recommendation of the inquiry;</li> <li>• The LGSA noted that the task force comprised key Local Government stakeholders; LGSA, LGMA (NSW); IPWEA (NSW), Associate Professor Graham Sansom (UTS Centre for Local Government) and DLG as permanent observer;</li> <li>• The LGSA noted that the task force established five working groups comprising a wide range of experts, professionals and councillors to develop responses to the recommendations; and</li> </ul>	

Inquiry Recommendation	LGSA Position	Action	Achievements /Related Initiatives and Developments
<p>hopefully endorse all or most of the recommendations of the Inquiry.</p>	<p>established as an alternative framework to respond to the Inquiry recommendations .</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that the task force widely consulted throughout NSW through business and community roundtables and many workshops.</li> <li>• The LGSA noted that the development of the positions and actions/responses contained in this report was guided by principles including: <ul style="list-style-type: none"> <li>○ The positions and actions should be sectoral ones including all key Local Government stakeholders;</li> <li>○ Stakeholders should work together in partnership;</li> <li>○ Existing initiatives should be recognised and actively promoted in order to not duplicate efforts; and</li> <li>○ Deliberations should be consensus based, open and transparent.</li> </ul> </li> </ul>	
<p><b>49 Independent Commission</b></p> <p>The summit consider proposing to the State Government an independent commission consisting of equal representative from the LGSA and the state to assess the gravity of the problems facing Local Government, to recommend urgent action to be undertaken, to help implement such changes in cooperation with Local Government and to monitor progress in achieving agreed outcomes.</p>	<p>Not supported.</p>	<ul style="list-style-type: none"> <li>• The LGSA noted that the Associations expressed reservations as to the merit of an independent commission and resolved that the framework led by the SLG Task Force was adequate to develop a response to the Inquiry which should subsequently be submitted to the NSW Government for its consideration and response.</li> </ul>	