



FINANCIAL SERVICES

17 July 2014

Hon Jay Weatherill MP
Premier of South Australia
GPO Box 2343
ADELAIDE SA 5001

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Dear Premier,

GOVERNMENT BOARDS & COMMITTEES

We refer to your letter 8 July 2014 outlining your reform agenda for Government Boards & Committees, including Statutory Boards.

We have responded to you and copied the Ministers for Local Government and Finance, as we are directly responsible to our members, the Local Government Councils of South Australia.

The Local Government Finance Authority of SA (LGFA) is statutory authority, established in 1984 to assist Local Government Councils and Prescribed Local Government bodies with their financing requirements. The LGFA provides members with the ability to access funding at rates lower than market and receive higher rates and better terms and conditions for investment of surplus funds.

Although operating as a statutory authority, the LGFA is not part of the Crown, nor is it an Agency or Instrumentality of the Crown.

The Board of Trustees is not appointed by Government. Membership is seven persons, two appointed by the Local Government Association of SA (LGA), one is the CEO of the LGA two elected from SA councils and a representative of the Treasurer and the Minister. The Government appointees do not receive payment for their services. The other five members are paid amounts which are determined by the Annual General Meeting of the LGFA.

The Board of Trustees meet at least six times a year with an AGM in October. The Board is responsible for ensuring all governance issues are complied with and for returning a profit for its members. That profit is partially distributed to member councils by way of a bonus, a tax equivalent is made available to Local Government for Research & Development purposes and the remainder retained. The State is also paid a guarantee fee, which is expensed before profit.

The LGFA has been operating for 30 years. As at 30 June 2013, it has generated over \$112m in profit, paid \$32m in bonuses to members, \$21m in tax equivalents to the LG R&D fund \$3m in grants to LG entities and has retained \$56m in the balance sheet. It had also paid the State \$24m in guarantee fees with a further \$1.2m payable for the 2013/14 financial year. Investment of our retained earnings by way of loans to member councils is the major source of profit. Our lending margin over our cost of funds is designed to meet our overheads, which include Trustee fees and the guarantee fee.

*Local Government Finance Authority
of South Australia*

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ABN: 80 189 672 209

We enjoy the support of the Government via SAFA for liquidity and any short term funding that we are unable to source from our members. As we are guaranteed by the Treasurer, our councils enjoy the security of this arrangement. No SA councils were involved in the investment debacle that many interstate councils were caught up in during the GFC.

As discussed with representatives from SAFA over the years, the Board of Trustees is confident that our model is working extremely well for all concerned and that the Board of Trustees provides a very sound management framework for our members and the Government.

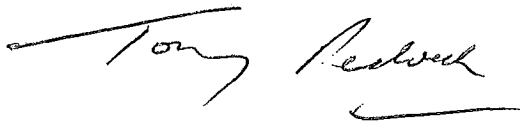
Our current Board of Trustees is:

Anthony (Tony) Pederick- OAM	Chairman (Nominee of the LGA)
John Frogley	Deputy Chairman, Councillor - Norwood (Elected)
Wendy Campana	CEO LGA
John Sanderson	Councillor, Mitcham (Elected)
Jeff Tate	Consultant (Nominee of the LGA)
David Posaner	Nominee of the Treasurer
Sue McCormick	Nominee of the Minister

Our staff are all sourced externally with no reliance on the Public Service. They are all remunerated at market rates with the CEO's salary package being reviewed annually by the Board of Trustees. All other staff are subject to recommendation by the CEO via the annual budget process.

I trust this information is sufficient for you to agree that the Board structure is relevant and appropriate to manage the LGFA well into the future.

Yours sincerely



Anthony (Tony) Pederick OAM
Chairman

CC Tom Koutsantonis - Minister for Finance
Geoff Brock - Minister for Local Government
David O'Loughlin - President LGA

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Hon Jay Weatherill MP
Premier of South Australia

Mr Anthony Pederick OAM
Chairman
Local Government Finance Authority
PO Box 7050, Hutt Street
ADELAIDE SA 5000

Dear Mr Pederick

Thank you for your letter of 17 July 2014 to the Premier of South Australia, the Hon Jay Weatherill MP, about the Local Government Finance Authority of South Australia.

Your letter has been sent to the Minister for Finance, the Hon Tom Koutsantonis MP, as this matter falls within his portfolio responsibility.

Should you have any queries about your letter, please contact the Minister's office on telephone 8226 1866.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JW', written over a horizontal dashed line.

**Premier's Correspondence Unit
Office of the Premier**

18 July 2014

cc: Office of the Hon Tom Koutsantonis MP, Minister for Finance