

13 September 2014

Hon Geoff Brock MP
Minister for Local Government
GPO Box 2557
ADELAIDE SA 5001

Dear Minister Brock

I refer to recent correspondence from the Premier of South Australia regarding reform to South Australian Government boards and committees. The Premier has invited the South Australian Local Government Grants Commission (the Commission) to consider whether its functions require a separate board or could be merged with another board, or carried out in an alternative way.

As you would be aware the Commission is a State Statutory Authority, established under the *South Australian Local Government Grants Commission Act 1992* (the Act). This Legislation was enacted in order to meet the requirements of the Commonwealth *Local Government (Financial Assistance) Act 1995* (the Commonwealth Act).

The Australian Government has provided Financial Assistance Grants to local governing authorities across Australia under the provisions of the current and previous Commonwealth Acts since 1976. For 2014-15, an estimated \$2.29 billion in Financial Assistance Grants will be distributed across Australia. South Australia will receive an estimated \$153 million.

In order to be eligible to receive grants for local government purposes under the Commonwealth Act, each State is required to have a Local Government Grants Commission of the State, as set out in section 11(2)(a) of the Commonwealth Act (see below).

11 Allocation among local governing bodies—section 9 payments

(1) In this section:

State does not include the Australian Capital Territory.

(2) A State is not entitled to payment of an amount under section 9 in respect of a year unless:

- (a) there is a Local Government Grants Commission of the State; and
- (b) the Commission has made recommendations with respect to the allocation of the amount among local governing bodies in the State; and
- (c) the Commission:

- (i) held public hearings (whether or not it also held private hearings) in connection with the recommendations; and
 - (ii) permitted or required local governing bodies in the State or associations of those bodies to make submissions to it in connection with the recommendations; and
 - (d) the Commission has made the recommendations:
 - (i) if the year is the year beginning on 1 July 1995—in accordance with the principles that were applicable to the State under section 9 of the repealed Act in respect of the immediately preceding year or, if those principles have been modified under section 24, in accordance with those principles as so modified; or
 - (ii) if the year is a later year—in accordance with national principles in force under section 6 of this Act in respect of the later year or, if those principles have been modified under section 26 in relation to the State in respect of the later year, in accordance with those principles as so modified; and
 - (e) the relevant State Minister has given the Minister in writing particulars of the manner in which the State proposes to allocate the amount among local governing bodies in the State; and
 - (f) the Minister is satisfied that, in determining the manner in which the State proposes to allocate the amount among local governing bodies in the State, the State has adopted the recommendations of the Commission; and
 - (g) the State does not allocate the amount among local governing bodies in the State except in accordance with the proposed allocation or in accordance with that proposed allocation as altered with the agreement of the Minister.
- (3) For the purposes of this section, any possibility of a reduction in the amount allocated to any local governing body in complying with the condition in paragraph 15(aa) is to be disregarded.

Local Government Grants Commissions are further defined in section 5 of the Commonwealth Act as a body established by a law of a State, whose principal function is the making of recommendations to the Government of the State with respect to the provision of financial assistance to local governing bodies of the State. This Section also sets out the requirement that the membership of the Commission includes at least two people who are, or have been associated with local government in the State. Section 5 is provided for your information below.

5 Local Government Grants Commissions

- (1) In this section:

State does not include the Australian Capital Territory.

- (2) If:

- (a) the principal function of a body established by a law of a State is the making of recommendations to the Government of the State with respect to the provision of financial assistance to local governing bodies in the State; and
- (b) the Minister is satisfied that the membership of the body includes at least 2 people who are or have been associated with local government in the State, whether as members of a local governing body or otherwise;

the Minister may, by notice published in the *Gazette*, declare the body to be the Local Government Grants Commission of the State for the purposes of this Act.

The legislative framework establishing Local Government Grants Commissions in each State provides the Australian Government and State Governments with a number of distinct advantages which ensure effective, efficient and timely distribution of Commonwealth Financial Assistance Grants. These include:

- **Nature of the Commission's Operations and Independence**

While not a commercial entity, the Commission is an independent statutory body responsible for making recommendations on the distribution of Commonwealth funding to local governing authorities each year (approximately \$150 million for 2014-15).

The Commission provides an independent assessment of councils' need for financial assistance grants in accordance with the Commonwealth Act and makes its recommendations in an impartial manner, ensuring fairness and equity for all local governing authorities.

- **Community Consultation and Representation**

As part of making its recommendations, the Commission undertakes extensive community consultation. The Commission has a triennial visiting program, visiting each of the State's 68 local governing authorities, 5 Aboriginal Communities and the Outback Communities Authority once every 3 years.

The visiting program provides the Commission with valuable information about the factors that drive local communities and enables the Commission to incorporate local considerations into its grant recommendations.

The Commission's close relationship with its host Department (The Department of Planning, Transport and Infrastructure) through the Office of Local Government and regular discussions with the Minister for Local Government provides valuable opportunities for the Commission to inform the State and the Minister about issues that affect the ability of local governing authorities to provide services to their communities.

- **Impact on Business and Community Confidence**

The nature of the Commission's operations, its independence from the Australian and State Governments and its membership provide local governing authorities and local communities with confidence in the allocation of financial assistance grants.

The Commission engages with local governing authorities and the general public as part of its visiting program, gathers information relevant to local communities and may include these factors in the process of making its grant recommendations.

The Commission explains its assessment process to local governing authorities and local communities as part of the visiting program, providing confidence in an independent process of allocating Commonwealth funding.

- **Legal and Financial Advantage**

The continued existence of the Commission fulfills the requirements of the Commonwealth Act, which enable the State to continue to receive funding for local government purposes.

Funding of over \$150 million per annum provides significant advantage to the State Government in assisting local governing authorities to provide services to their communities.

- **Local Knowledge**

Grants Commissions in each State have local knowledge of the range of services provided by local governing authorities in each State and are able to take account of unique features of service delivery within the State.

The provision of services between Local and State Governments in each State vary considerably. The abolition of the Grants Commission would lead to a centralized assessment process by the Australian Government, which would be costly and is likely to lead to a reduced allocation of grants to local governing authorities in South Australia.

The Commission therefore sees its primary role as fulfilling the requirements of the Commonwealth Act, in order to ensure that the State is eligible to receive Financial Assistance Grants for local government purposes.

The Commission's continued role and functions as an independent State Statutory Authority, as established under the Act, are an important element of meeting the requirements and the spirit of the Commonwealth Act and the provision of Federal funding in support of local governing authorities.

The Commission is open to discussion about other functions that may be added to its role in order to provide additional services to the Government of South Australia, provided that additional functions ensure continued independence from the State and preserve the Commission's credibility and reputation with local governing authorities as impartial, in terms of its assessment process and responsibilities under the Commonwealth Act.

The Commission thanks the Premier for the opportunity to highlight the important responsibilities undertaken by the South Australian Local Government Grants Commission in supporting local governing authorities in South Australia.

Should you have any further queries, please feel free to contact me via the Commission's Executive Officer, Mr Peter Ilee on (08) 8226 0403 or by e-mail at grants.commission@sa.gov.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mary Patetsos', with a long horizontal line extending to the right.

Mary Patetsos

CHAIR

SOUTH AUSTRALIAN LOCAL GOVERNMENT GRANTS COMMISSION