

FINANCIAL GUARANTEES

- This topic was last considered by the Forum at its meeting in March 2007.
- The issue of financial guarantees was first raised by the LGA because of a requirement for a financial guarantee by the Environment Protection Authority and the Land Management Corporation in relation to the closure and rehabilitation of the Garden Island Landfill facility.
- During 2005 there was an exchange of correspondence between the President of the LGA, the Minister for State/Local Government Relations and the Treasurer reaching 'in principle' agreement that financial guarantees should not normally be required in transactions and agreements between spheres of government.
- The Treasurer noted however that there had been some examples brought to his attention where Councils had required financial guarantees from State Government authorities.
- In these circumstances, the Forum supported the consensus that financial guarantees should not normally be required between spheres of government and the LGA agreed to consult with Councils to seek agreement that financial guarantees should not normally be sought in any future agreements with State Government authorities.
- At the March 2007 Forum meeting the LGA President verbally advised the Forum that the State Executive Committee had resolved to endorse the principle of no financial guarantees in transactions between State and Local Government.
- Since that time, officers of the LGA, OSLGR and DT have been working on the details necessary to finalise agreement between State and Local Government on this matter.
- The following draft wording for the Schedule to the State/Local Government Relations Agreement has been agreed to by officers:

State and Local Government will continue to work together to improve the transparency, consistency and mutual understanding of the fiscal position and financial capacity of each other's sector. This will be through:

... Pursuing the principle that financial guarantees should not be sought in any future transactions and agreements between State and Local Government.
- Advice is currently being sought from the SA Financing Authority on the appropriate wording to give effect to the principle of no financial guarantees when taking into account the requirements of commercial transactions involving third parties.
- Once this advice is received the LGA will advise all Councils through an LGA circular of the proposed arrangements. It will then be determined how this arrangement might best be formalised by officers in the LGA and OSLGR.
- It is expected that these matters will be resolved in the near future. When completed, this will be a small but significant reform in the financial arrangements between State and Local Government in this state resulting in the removal of unnecessary financial transaction costs between governments.