



THE INTER-GOVERNMENTAL AGREEMENT ESTABLISHING PRINCIPLES GUIDING INTER-GOVERNMENTAL RELATIONS ON LOCAL GOVERNMENT MATTERS



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THE INTER-GOVERNMENTAL AGREEMENT ESTABLISHING PRINCIPLES GUIDING INTER-GOVERNMENTAL RELATIONS ON LOCAL GOVERNMENT MATTERS

The development of an inter-governmental agreement between the Australian, State and Territory Governments and the Australian Local Government Association in consultation with State and Territory Local Government Associations, heralds a watershed in the history of government in Australia. For the first time, the three spheres of government have agreed on a framework within which services are to be funded and delivered to the community at the local level.

The Agreement is the culmination of a process which began with the November 2003 report of the House of Representatives Standing Committee on Economics, Finance and Public Administration – *Rates and Taxes: A Fair Share for Local Government*. The report recommended the development of an inter-governmental agreement to address cost shifting onto local government. The Australian Government in its response, announced that such an agreement was supported in principle and that development of an agreement would be pursued.

The Local Government and Planning Ministers' Council in June 2004 also gave in principle support to the development of an inter-governmental agreement on local government relations.

Local government is responsible for more than just roads, rates and rubbish. It plays a critical role in town planning, health and environmental protection, the provision of water and sanitation services in those jurisdictions where this is a municipal responsibility, as well as the provision of health services and cultural, leisure and sporting facilities. The adequacy of resources available to local government is significantly impacted by cost shifting onto local government.

The inter-governmental agreement does not attempt to define cost shifting but addresses it by obtaining in principle agreement from governments that when a responsibility is devolved to local government, local government is consulted and the financial and other impacts on local government are taken into account.

The objectives of the inter-governmental agreement include providing for greater financial transparency between the three spheres of government in relation to local government services and functions. In addition, the agreement aims to improve the relationship and consultation between governments on local government matters.

The inter-governmental agreement also seeks to provide an overall framework for developing further agreements between local government and the other spheres of government. This includes consulting and making agreements with individual local governing bodies and, where appropriate, local government peak representative bodies.

The Australian, State and Territory Governments and local government look forward to future co-operation under the inter-governmental agreement to achieve the best possible outcomes for communities.

April 2006

INTER-GOVERNMENTAL AGREEMENT ESTABLISHING PRINCIPLES TO GUIDE INTER-GOVERNMENTAL RELATIONS ON LOCAL GOVERNMENT MATTERS

The Parties to this Agreement are:

THE COMMONWEALTH OF AUSTRALIA ('THE COMMONWEALTH') AND

THE STATE OF NEW SOUTH WALES;

THE STATE OF VICTORIA;

THE STATE OF QUEENSLAND;

THE STATE OF WESTERN AUSTRALIA;

THE STATE OF SOUTH AUSTRALIA;

THE STATE OF TASMANIA;

THE AUSTRALIAN CAPITAL TERRITORY;

THE NORTHERN TERRITORY OF AUSTRALIA

(collectively called the 'States and Territories'); and

THE AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION.

This Agreement takes effect in respect of a State or Territory when signed by the Commonwealth, the Australian Local Government Association and the State or Territory.

WHEREAS -

The Commonwealth, States and Territories and the Australian Local Government Association (representing the interests of local government), acknowledging that local government is established and regulated under State and Territory Constitutions and legislation, agree there is a need to develop a framework to improve the way the three spheres of government relate to each other in achieving the best possible outcomes for communities, including the establishment of principles guiding the allocation of roles and responsibilities in relation to services and functions between local government and the other spheres of government and how services are funded and delivered to the community at the local level:

IT IS HEREBY AGREED THAT:

PART I - FUNDAMENTAL PRINCIPLES OF THIS AGREEMENT

1. The Parties are committed to achieving an open and productive relationship between the three spheres of government.
2. The Parties acknowledge the need for services and functions to be provided to communities in an efficient and effective manner.
3. The Parties agree in principle that where local government is asked or required by the Commonwealth Government or a State or Territory Government to provide a service or function to the people of Australia, any consequential financial impact is to be considered within the context of the capacity of local government.
4. The purpose of this Agreement is to:
 - i) encourage the conduct of positive and productive relations between the three spheres of government in a spirit of respect with an emphasis on partnership and co-operation through the adherence to the broad based principles as outlined in Part III; and
 - ii) provide an overarching framework as outlined in Part IV from which further agreements covering specific services and functions should be developed.
5. The achievement of the Agreement's purpose will result in:
 - i) improved relationships between the three spheres of government by facilitating an open exchange of information and by encouraging greater co-operation;
 - ii) the promotion of more effective and efficient government;
 - iii) greater transparency in the financial arrangements between the three spheres of government in relation to local government services and functions;
 - iv) effective consultation with local government, through local government peak representative bodies where appropriate, on the delivery of services and functions.

PART II - EXISTING ARRANGEMENTS

6. This Agreement does not override, or detract from, or add to any legislation or commitments entered into as part of existing arrangements between local government and other spheres of government.

PART III – GUIDING PRINCIPLES FOR ARRANGEMENTS BETWEEN THE COMMONWEALTH OR STATES OR TERRITORIES AND LOCAL GOVERNMENT

7. Pursuant to the objectives outlined in Clause 5, the following principles in this Part are to be reflected in future arrangements between the three spheres of government for the delivery of services and functions by local government.
8. Where the Commonwealth or a State or a Territory seeks through non-regulatory means, the provision by local government of a service or function they shall:
 - i) respect the right of local governing bodies to decide whether they will accept the responsibility for the delivery of a service or function on behalf of another sphere of government;
 - ii) negotiate on service delivery standards, financial arrangements and implementation with the relevant local governing bodies, or the relevant peak local government representative body;
 - iii) be responsible for developing their own programmes, where appropriate, including responsibility for programme design, determination of policy objectives, service delivery standards and funding;
 - iv) where possible reach agreement with the relevant local governing bodies or peak local government representative body on the terms and conditions.
9. Where the Commonwealth or a State or a Territory and local government propose that a service or function should be jointly provided, they shall:
 - i) agree to the objectives, design, standards, and shared funding arrangements prior to the implementation of the service or function;
 - ii) where applicable, negotiate with the relevant local governing bodies, including the relevant peak local government representative body.
10. Where the Commonwealth or a State or Territory intends to impose a legislative or regulatory requirement specifically on local government for the provision of a service or function, subject to exceptional circumstances, it shall consult with the relevant peak local government representative body and ensure the financial implications and other impacts for local government are taken into account.
11. For its part, in order to achieve the objectives of this Agreement, local government commits to sound public governance through:
 - i) good fiscal management by working towards:
 - a) prudent management of assets and liabilities;

- b) ensuring that revenue and spending decisions have regard to their effect on future generations and ongoing financial sustainability;
- ii) ensuring that its decisions on service delivery and the provision and maintenance of infrastructure are made with due regard to available, existing and anticipated future financial resources and competing priorities;
- iii) improving its practices including strategic planning at local and regional levels, prudent borrowing and appropriate pricing regimes;
- iv) being responsible for funding functions it chooses to undertake in an area of responsibility of other spheres of government, in addition to funding its existing core functions.

PART IV - FRAMEWORK FOR FURTHER AGREEMENTS BETWEEN LOCAL GOVERNMENT AND THE OTHER SPHERES OF GOVERNMENT

12. An agreement with local government for delivery of services or functions will address the following elements:

(A) OUTCOMES

- i) The agreement should clearly state why an arrangement with local government is appropriate.
- ii) The agreement should state the overall policy purpose of the service or function.
- iii) Agreed outcome measures are presented and an explanation is provided of the fitness for purpose of those measures.
- iv) Priority should be on demonstrated commitment to achieving outcomes rather than an input focus.

(B) ROLES AND RESPONSIBILITIES

- i) The agreement should clearly define the responsibilities of each level of government.
- ii) The type of arrangement under Part III should be explicitly stated within the agreement.
- iii) Arrangements for recognising all involved parties in publicity and media releases should be specified.

(C) CLEAR FINANCIAL MECHANISMS

- i) Any agreement will be accompanied by a clear statement on financial arrangements and accountability obligations of the parties to the agreement.
- ii) Agreements should provide predictability and stability, to enable forward planning to be undertaken by each sphere of government.
- iii) Agreements should specify an expiration date for the end of the agreement and if appropriate, include clearly defined options for renegotiating or renewing the agreement, including sufficient notice period for this to occur.

(D) MONITORING AND EVALUATION

Each agreement should specify how progress under the new agreement is to be monitored, evaluated and reported (including against performance indicators where appropriate).

(E) CHANGES TO AGREEMENTS

If any signatory to an agreement proposes a change to that agreement, or a related document, the changes shall take effect from a date the parties to the agreement agree to, after the parties to the agreement have mutually agreed in writing to the changes.

(F) DISPUTE RESOLUTION

Each agreement shall include a dispute resolution procedure.

PART V - REVIEW AND COMPLIANCE

- 13. The Local Government and Planning Ministers' Council, or its successor Ministerial Council, shall review the progress of the implementation of this Agreement and assess compliance by the Parties with this Agreement.
- 14. Questions of the application of this Agreement are to be considered by the Local Government and Planning Ministers' Council including out of session, if they are unable to be resolved by the Parties directly.
- 15. This Agreement will be evaluated by the Local Government and Planning Ministers' Council or its successor Ministerial Council, not more than five years after the date of commencement of the Agreement.

PART VI - INTERPRETATION

16. In this Agreement:

“local governing bodies” means local governing bodies eligible to be allocated funding under the Local Government (Financial Assistance) Act 1995 (Cth).

“non-regulatory means” refers to any method whereby the Commonwealth or a State or Territory seeks to have local government provide a service or function, other than by imposing a legislative or regulatory requirement specifically on local government.

“peak local government representative body” means the Australian Local Government Association or the associations recognised in the legislation of a State or Territory regulating local government as the peak local government representative body in that jurisdiction.

“services and functions” includes the provision of infrastructure, but does not include the provision of information and reporting to meet public governance requirements, an increase in community standards or the consequential impacts on local government of generally applicable legislation or policies.

SIGNED BY:



The Honourable James Eric Lloyd MP
Minister for Local Government
of the Commonwealth of Australia,
On the 12th day of April 2006



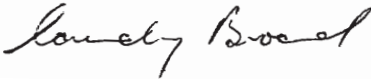
The Honourable Jennifer Mary Rankine MP
Minister for State/Local Government
Relations of the State of South Australia,
On the 12th day of April 2006



The Honourable Kerry Arthur Hickey MP
Minister for Local Government
of the State of New South Wales,
On the 12th day of April 2006



The Honourable Paul Anthony Lennon MHA
Premier and Minister for Local Government
of the State of Tasmania,
On the 24th day of April 2006



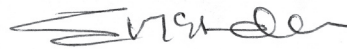
The Honourable Candy Celeste Broad MLC
Minister for Local Government
of the State of Victoria,
On the 12th day of April 2006



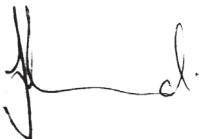
Mr Andrew James Barr MLA
Acting Minister for Urban Services
of the Australian Capital Territory,
On the 12th day of April 2006



The Honourable Desley Boyle MP
Minister for Local Government
of the State of Queensland,
On the 12th day of April 2006



Mr Elliot McAdam MLA
Minister for Local Government
of the Northern Territory of Australia,
On the 12th day of April 2006



The Honourable Jonathan Robert Ford MLC
Minister for Local Government and Regional
Development of the State of Western Australia,
On the 21st day of April 2006



Councillor Paul Bell AM
President of the Australian
Local Government Association.
On the 12th day of April 2006



Australian Government