



Minister for Local Government

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Dr John Salerian
Assistant Commissioner
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Dear Dr Salerian

VICTORIAN SUBMISSION TO THE DRAFT RESEARCH REPORT ON LOCAL GOVERNMENT REVENUE RAISING CAPACITY

Victoria welcomes the opportunity to provide comment on the Productivity Commission's Draft Research Report on Assessing Local Government's Revenue Raising Capacity.

As expressed through the Local Government and Planning Ministers' Council, Victoria believes that the Commission's Terms of Reference were too narrow and failed to address key issues such as Commonwealth Funding and cost-side drivers for councils. Despite this, Victoria acknowledges this as an important piece of work in the continuing dialogue on local government financial sustainability.

Victoria's own analysis would concur with the Report's findings, specifically that it is external factors that affect local councils' revenue raising capacity, namely its constituents' capacity to pay. Significantly, the other main constraint identified is the burden faced by councils in maintaining the significant infrastructure they are responsible for. These economic and community assets place a huge financial constraint on many local councils, particularly those with residents with low capacity to pay (income) combined with declining populations. These in most cases are councils in Australia's rural communities, already facing additional pressures due to climate change, and in particular drought, fire and recently the floods in Victoria.

The relative decline in Financial Assistance Grants (FAGs) under the previous Commonwealth Government has placed growing financial stress on the local government sector as the infrastructure renewal gap has grown. Victoria looks forward to working with the new Federal Government on addressing this issue given its acknowledgement of local government as being crucial to the well-being of local economies and communities.

The ambitious Council of Australian Governments' agenda, particularly in areas of infrastructure, housing and climate change, recognises the role of local government in addressing inter-generational issues.



It is important that the organisational capacity and sustainability of local governments is underlined by appropriate levels of funding support to aid in its delivery of crucial infrastructure and services to achieve the country's long term agenda. As the primary source of local government funding, the Commonwealth Government must look to address the current level of support it provides to the level of government closest to the community.

I look forward to receiving the final findings of the Commission's Study and working with my Commonwealth and State and Territory Colleagues in strengthening our local governments into the future.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Wynne', written in a cursive style.

RICHARD WYNNE MP
Minister for Local Government

15/2 /2008