

Friday 8 February 2008

Local Government Study
Productivity Commission
Locked Bag 2, Collins St East Melbourne
Vic, 8003

By fax: 03 9653 2302

Dear Ms Gardner

RE: SUBMISSION ON DRAFT REPORT – REVENUE RAISING CAPACITY

Whilst Council acknowledges the significant level of research and analysis in the preparation of the report on the Revenue Raising Capacity of Local Government, the scope of the study was too narrow.

The approach of assessing fiscal capacity by examining the relationship between the current level of rates in communities and their incomes is certainly valid and must be considered by all Councils.

Whilst that may be so, Hume City Council would argue that Revenue Raising Capacity is only one part of the understanding required to assess the more comprehensive issue of financial sustainability, as was identified in the PWC report.

In measuring financial sustainability, the operating concept of underlying operating deficit/surplus needs to be considered equally with the balance sheet (the 'as at' position) of Council, in particular infrastructure asset backlog, asset management, cash and investment holdings and debt levels.

In terms of further strengthening the analysis within the report, a greater understanding of the income in the community, defined by Council boundaries, could be gained by separating residential from non-residential income.

Whilst it is recognised that the Report is focused on Local Government revenue, to only assess Council rates as a proportion of after tax incomes in isolation does not explain the broader picture of State and Commonwealth taxes as a similar proportion.

It is from such taxes that Local Government has argued for many years for a more appropriate level of funding as Local Government has been transferred increasing responsibilities from State and Commonwealth governments. This has resulted in cost shifting to Local Government as was clearly articulated in the Hawker Report.

Overall, Hume City Council acknowledges that the report recognises that small rural councils face the greatest needs, the report is considered to generalise broadly across council types. Also, a lack of recognition for cost management through efficiency as some Council have not undergone reform.

In closing, Council commends the significant research undertaken, however would prefer the research to be extended to the expenditure and asset management issues that combined with revenue raising capacity impact on the financial sustainability of all Councils.

Yours sincerely

**DARYL WHITFORT
DIRECTOR CITY GOVERNANCE & INFORMATION**