

12 February, 2008

Local Government Study
Productivity Commission
LB2 Collins Street East
MELBOURNE, VIC. 8003

EMAIL localgov@pc.gov.au

Dear Sir/Madam,

SUBMISSION ON ASSESSING LOCAL GOVERNMENT REVENUE RAISING CAPACITY

Wellington Shire would like to make a submission to the Productivity Commission as part of its current inquiry into Assessing Local Government Revenue Raising Capacity. We would like the Commission to consider some of the factors that impinge upon the ability of large and complex shires such as ours to raise revenue.

Specific items that we think deserve consideration in relation to the matters you have identified in your Issues Paper are below, also comment on your draft report is provided.

Comment on draft report

In general Wellington concurs with your findings, especially finding 3.3 and 3.4 which note that some rural Councils such as Wellington receive substantial grants and have higher expenditure per person than urban Councils which is largely explained by our particular characteristics.

We see these findings as suggesting that such Councils should receive significant external funding. Councils such as ours actually require this to remain sustainable in consideration of their municipal characteristics.

Issues Paper

Revenue

Other Income

As noted in your issues paper, "other income" is growing in councils nationwide. For Wellington the current cause of this relates to a growth in interest income due to our inability to spend as we have planned. Significant shortages of professional staff and contractors are critical issues at the moment which are preventing us completing planned programmes.

Own source income

The local economic and political environment influence the impost in terms of Rates that Council levies on its community. For example, in common with many other Councils nationwide, Wellington is a declared drought area and has been for some time. At such times of demonstrable hardship Council is mindful of the impact of revenue increases.

Inappropriate subdivisions

Council is unable to collect appropriate revenue from a large number (4775) of blocks of land contained in the 90 Mile Beach Inappropriate subdivision area. The blocks are of low value due to their inability to be built on as they are flood prone or are in environmentally sensitive areas e.g. primary sand dunes. These issues reduce our income collection ability and distort figures relating to rate revenue per assessment.

Ageing and declining population

Wellington Shire's population is ageing at a greater rate than others on a national basis. This means that our potential for growth and community renewal is being inhibited. At the same time we are suffering a loss of young people.

Council sees that the characteristics of our population will lead to less economic activity and a potential decline in the ratebase and the ability of our residents to pay.

Unrateable private infrastructure

A key issue for us is the inability to rate infrastructure that is owned by large corporations which is currently exempted in Victoria (and maybe other states). Specifically Council has gas pipelines traversing the municipality which are currently unrateable under the Victorian Gas Act. Latrobe City Council has a similar issue with coal mining and electricity generating plant in the Latrobe Valley.

As the Shire continues its development it is expected that greater volumes and values of private infrastructure will be located here without us being able to rate them. It is anticipated that in the near future more gas pipelines, oil and gas refineries and coal mining and processing facilities will be built.

Council would like to advocate that these large pieces of private infrastructure be rated to help support municipal finances.

State and Territory government regulatory constraints

The impact of State regulation has potential from time to time to disrupt and erode Council's revenue base. A current example of this is the Victorian Government's "Water Unbundling" initiative which separates the value of irrigation water from the value of the property and therefore excludes it from municipal valuation for rating purposes. Council estimates that this particular initiative will cost us \$500,000 per annum on a recurring basis.

Cost shifting

Whilst cost shifting is not a direct revenue matter, Council finds that the practice effectively requires it to spend more of its own revenue to maintain State initiated programmes. When Council does not participate financially, programmes are discontinued with consequent adverse publicity consequences for Council.

Impacts on individuals, organizations and businesses

Emergency Management

Whilst Local Government provides local services to its community its financial sustainability is seen as critical to the three tiered system of Government in Australia. Without a vibrant tier of Local Government, the role and level of support by Federal and State Governments would surely increase.

Due to our unique geographic location Wellington is exposed to fairly regular natural disasters, these often being flood and bushfire. It is our understanding that with climate change these events will likely become greater in magnitude and more regular.

Our community's ability to cope with the economic burden of disaster compromises the Council's ability to raise revenue.

Council Rates

As referred to above, Council is always concerned to determine what it thinks is an economically and politically justifiable Rate increase each year. We think that continuing increases in Rates places a burden on communities which, if excessive, makes them less competitive. Higher rate burdens make businesses and residents/property owners seek other locations with lesser property taxes.

In Wellington, for example, our rates are higher than those for residential assessments in Melbourne metropolitan areas. The reason for this is that Wellington has a population of approximately 42,000 spread over 11,000 square kilometres, with significant services to provide and infrastructure to maintain and build, whereas metropolitan municipalities have a higher population density and are more compact.

Fine Income

Council issues many fines, which are mostly parking fines. On the surface this produces a revenue stream, however in reality many of the fines are not paid and legal action to ensure payment is expensive, out of proportion to the outstanding fine and ineffective.

The growing of fine income is not seen as a practical method of increasing income.

Consideration of our Submission

Council would like you to consider the issues we have raised which we consider inhibit our ability to increase and regulate our own income and our belief that external funding is absolutely essential to support sustainable local government, particularly for councils in non urban areas.

The issues that we most believe restrict our own revenue raising ability are:

- State Government regulation e.g. Irrigation water unbundling
- Inability to rate particular private infrastructure e.g. Gas pipelines
- The ability of our community to pay based on the prevailing economic and political circumstances

Whilst we well understand that this Inquiry is about the revenue raising capacity of Local Government we submit that a key determinant of financial sustainability, particularly for non urban councils like Wellington is external funding. As a result Wellington would like the Inquiry to support the notion that external funding be increased substantially, with known and guaranteed payments to be available. We think Councils like Wellington with large asset bases face particular sustainability issues.

Wellington would also like to note its support for the Municipal Association of Victoria's submission which targets support for Councils that have relatively large asset bases to maintain.

We believe that it is possible for Councils to marginally increase their revenue collection activities as we have suggested, however the real key to financial sustainability rests with external sources.

Yours sincerely

LYNDON WEBB
Chief Executive Officer