

# IN OUR HANDS

## STRENGTHENING LOCAL GOVERNMENT REVENUE

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# ACELG Working Paper



- 'In Our Hands – Strengthening Local Government Revenue for the 21<sup>st</sup> Century'
- Released Feb 2013
- Available at:  
[http://www.acelg.org.au/upload/program1/1361928857\\_ACELG\\_Revenues\\_Paper\\_FINAL.pdf](http://www.acelg.org.au/upload/program1/1361928857_ACELG_Revenues_Paper_FINAL.pdf)

# 'In Our Hands' Working Paper

Discusses Australia-wide:

- ▣ LG Financial Performance & Capacity
- ▣ Case for and likelihood of additional grant funding
- ▣ What councils can do to secure own financial future, including strategic use of:
  - Rates and property taxes
  - User-charges
  - Debt

# Autonomy & responsibility

- Some restrictions and obligations
  - ▣ but most councils have reasonable degree of control over:
    - Service levels (and therefore costs)
    - Revenue raising

# More financial support for LG?

- Grants have fallen over time
- Case exists for increased grants
- But is it realistic to expect more untied grants given the financial circumstances and priorities of other spheres of governments?
- Councils need to consider carefully before applying for tied grants

# Redistribution of existing grants?

- C/W Financial Assistance Grants (FAGs) represents largest source of untied grants
- If FAGs don't increase should basis of distribution be varied to provide greater share to more disadvantaged councils?
  - ▣ This is being considered under C/W's current FAGs distribution review

# Financial sustainability

- Some councils need more financial help from other spheres of government:
  - ▣ Often in rural localities, large land area and small population
- Many others though can be secure with:
  - ▣ Ongoing prudent and strategic decisions re service levels & revenue raising
  - ▣ Incremental changes over time

# Rates and property taxes

- Property taxes are a good tax base for local government
  - ▣ Not popular – LG needs to do more to ‘sell’ justification
- Many councils have potential to generate more revenue from property taxes
  - ▣ Often without impacting on all ratepayers
- In some jurisdictions some legislative refinements warranted



# Rates and property taxes

- Rating decisions re distribution of rating burden needs to have regard to tax design criteria:
  - Equity (benefits received and capacity to pay)
  - Efficiency
  - Simplicity
  - Sustainability
  - Policy consistency

# User - charges

- Scope exists for some councils to generate more revenue from user-charges
  - ▣ Should charge separately for services with 'private good' characteristics
    - eg kerbside waste and recycling services
- Prices should generally be set to recover full additional costs of service
  - ▣ clear policy re any concessions

# Role of debt

- Debt is not a source of revenue
- LG service provision is 'asset intensive'
- In aggregate LG debt levels are very low
- Strong case exists on equity grounds for many councils to make greater use of debt
  - ▣ Eg to finance expenditure outlay peaks
- On average over time though councils need to ensure revenue is sufficient to offset cost of service provision

# Conclusion

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- Has been significant improvement in LG financial performance in most states since various financial sustainability inquiries
- More needs to be done though by some councils and to assist others

# Way forward?

- Does LG sector want to be more financially secure & independent?
- National dialogue to consider opportunities to further improve and harmonise
  - ▣ rating & charging legislative frameworks, guidance material and decision-making
  - ▣ Legislative frameworks and supporting reference material that guides financial strategy setting by councils



Thank You