

## Productivity Commission confirms some councils require additional funding support

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The Municipal Association of Victoria (MAV) has welcomed the general findings of the Productivity Commission's report assessing local government revenue raising capacity as part of the broader need to address the financial sustainability challenges facing the sector.

Cr Dick Gross, MAV President said the Commission had provided further evidence, largely consistent with our long-held position, that the most substantial financial needs are faced by smaller rural municipalities with low populations, large geographic areas and extensive road networks.

"The Productivity Commission has provided independent confirmation that some municipalities will always be dependent on government funding to meet their community infrastructure and service obligations.

"A major conclusion of the research is that capacity to pay differs between communities and is affected by the type of council (urban or rural), population and local income levels. This is a fantastic outcome because it recognises circumstances vary across individual councils and one size doesn't fit all.

"It's pleasing that in acknowledging the diverse capacity of municipalities to raise additional revenue, the Commission confirmed a need for the Commonwealth to review its provision of grants to local government.

"The reality is that a number of communities simply can't afford to pay higher rates. This leaves some municipalities in a vulnerable position, with a limited capacity to improve their financial situation and particularly to address their infrastructure renewal challenges," he said.

Other Productivity Commission findings welcomed include the inability of councils to recover the full cost of services provided on behalf of another level of government that also sets or caps the service fee or charge; and the need for councils to apply principles that could improve decision making and service prioritisation.

Cr Gross said while the Commission's investigation had focussed on the revenue-raising capacity of councils nationally, the study hadn't made a clear distinction between states like Victoria that had already undergone significant restructure, reform and business efficiency improvements.

"Victorian local government could arguably be seen as far less needy than some of our interstate colleagues because our reforms are several years advanced.

"However our experience shows that despite reforms, some councils still have significant financial challenges to address and are unequivocally reliant on additional Commonwealth funding.

"The Rudd Government has now been presented with research and evidence from many credible sources that all say the same thing.

"There is a clear and urgent need to provide additional funding to those councils with inherent constraints that affects their financial capacity to raise additional revenue to repay long-term debt and fund capital spending necessary to maintain and renew ageing infrastructure.

"The MAV has repeatedly called for the introduction of a national regional infrastructure fund to assist financially stressed councils to alleviate their underspending on infrastructure renewal.

"The time for action is now. Financial assistance to stressed councils must be provided to secure the long-term viability of struggling communities," he said.

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