

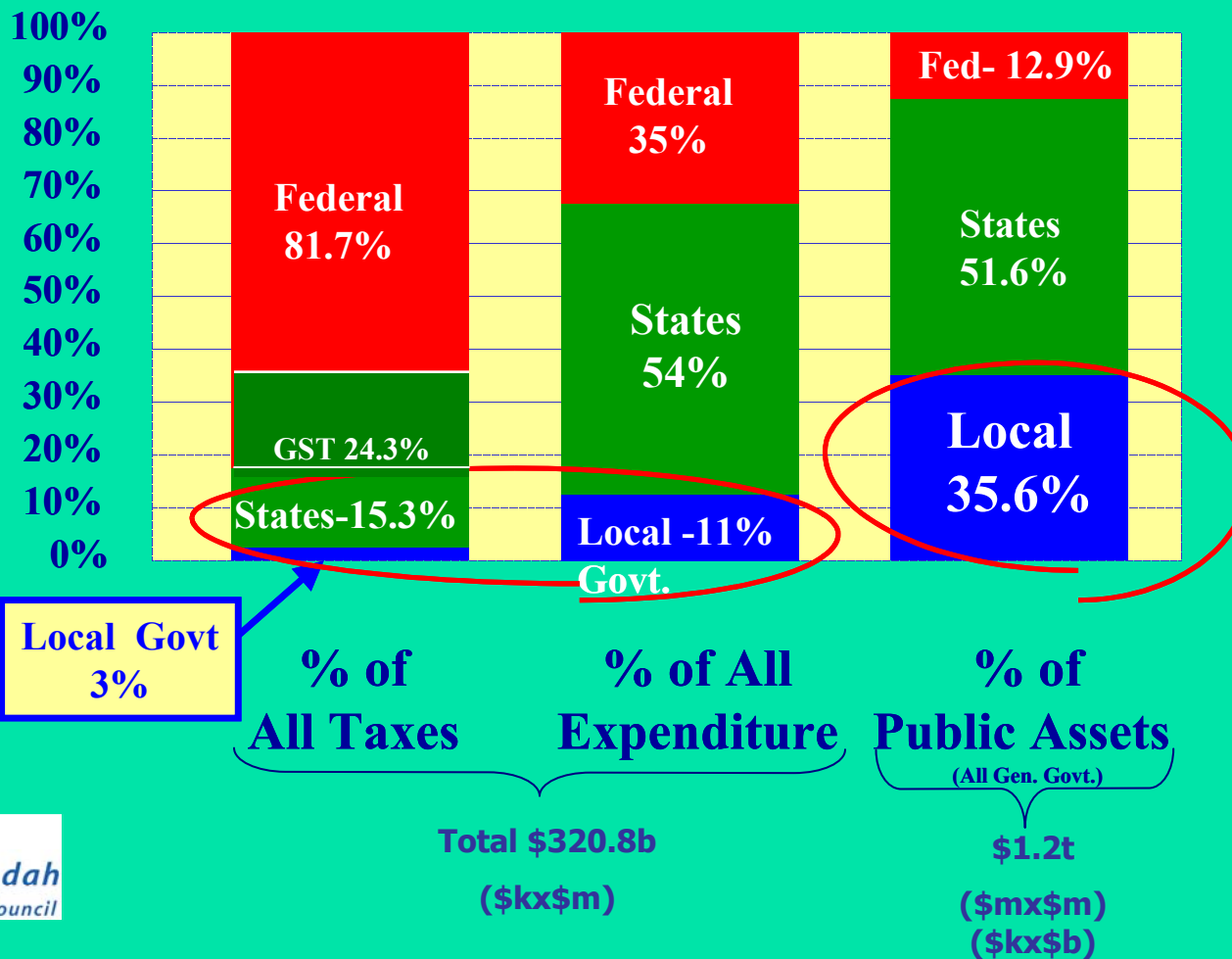
LGMA Financial Sustainability for Australia's Local Governments



Outcomes from the 2008 Forum

- The current taxes, expenditures and public asset holdings between the three tiers of Government
- 5 emerging themes
 - Local Government Structure, Role and Purpose
 - Link between Autonomy and Self-Levied Taxation
 - Local Government Taxes of the Future
 - Principles/Models for Distribution of Centrally – Collected Funds
 - Geographic, Demographic Scale and Diversity

Australian Democracy, Taxes, Expenditure and Asset Holdings



5 Emerging Themes

Local Government Structure, Role and Purpose

- Most agreed that a system of LG will still be in existence in 2050, with increased emphasis on regional approaches
- Local Government structure dependent on role it plays relative to State and Federal Government relationships and legal frameworks
- More clarity required regarding role boundaries with Federal and State Governments
- Some suggested that Local Government's core role would be specifically defined in the Constitution by 2050.
- LGA's are autonomous of other levels of Government is desirable
- Local Government more confident, positive public image of itself

5 Emerging Themes

The Link Between Autonomy and Self-Levied, Taxation

- Strong consensus that a self-levied form of taxation was imperative for Local Government's future and genuine autonomy

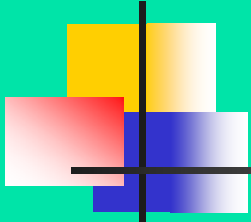
5 Emerging Themes

Local Government Taxes of the Future

- Property rates will continue as the main source of Local Government revenue raising
- Mixed feelings regarding the equity debate focussed on the wealth tax v. capacity to pay argument and the impact of this on asset-rich/cash poor people (i.e. pensioners)
- It was agreed that Councils need to strike a balance between **user pays** revenue sources and broader **community pays** (taxation) sources
- Practical concerns were expressed about the high level of visibility of rates, however it was generally agreed that, if presented in a long-term plan context, these problems can be alleviated
- Rate pegging was universally regarded as counter to the long-term autonomy and financial sustainability of Local Government in that State
- Various other future potential forms of taxation were generally seen as having potential to augment rather than replace rates based on property values (community carbon bank, environment levy, GST share etc.)



5 Emerging Themes



Principles/Models for Distribution of Centrally-Collected Funds

- There was general consensus that the Financial Assistance Grant Scheme (FAGS) funding pool needs to be in some way anchored and guaranteed
- Most supported the principals of grants being 'means tested' and 'needs based'
- Strong and different views were expressed about the present minimum grant arrangements
- There needs to be a universal allocation system across all States/Territories that redistributes wealth from more affluent to lower socio-economic capacity local authorities
- There was limited discussion on whether grants ought be 'as-of-right' and underlying characteristic-based or performance based

5 Emerging Themes

Geographic, Demographic Scale and Diversity

- There was consensus that in future, governance structures and arrangements in different regions will need to reflect the prevailing economic conditions (as opposed to historical conditions) in that region
- We need to move away from a 'one size fits all' approach to defining democratic, governance and administrative structures in regions
- Potentially, this may mean prescribing base/minimum 'prima-faci' criteria that are required to be met to enable the formation of (or continuation of?) an elected local authority as we currently know them
- Use of 'e-government' technology as a prime information and transaction base to support all residents



LGMA Pre-Conference Questionnaire Responses

Question 1 – Noting the overall structure of Australia’s Federal financial arrangements, what changes, if any, should be made to the assignment of revenue raising powers and intergovernmental transfers in Australia?

Question 2 – Given the widely held view in submissions that the current State tax arrangements need to be reformed, what changes should be made to State and Local Government own source revenue instruments? What scope is there for greater use of user charging to bring social environmental or economic benefits?

Question 3 – What is the appropriate allocation of the roles of the Australian and State Governments in income redistribution?

Question 4 – What opportunities could be pursued to deliver more seamless administrative arrangements of the tax-transfer system across the federation