**Council budgets to stimulate economy and support communities**

**27 June 2009**

An annual analysis of local government budget data by the Municipal Association of Victoria’s (MAV) shows

council rates will increase an average of $64 or 5.16 per cent in the coming year.

Cr Bill McArthur, MAV President said councils had been responsive to the economic downturn to ensure they

maintained service levels to meet increasing community demand, and had directed spending to initiatives that

could stimulate economic development and create local jobs.

“This year balancing responsible financial management, community expectations and affordability for ratepayers

has become more complex for councils due to the financial crisis.

“Each municipality has adopted a variety of approaches to ensure spending delivers programs and services that

support communities, while also limiting cost increases for ratepayers.

“Some councils have conducted reviews to trim non-essential costs; others have reduced surpluses; and many

municipalities are proposing to increase borrowings to expand capital works programs.

“In this economic climate, increased spending on community infrastructure offers dual benefits. It helps to create

new job opportunities and addresses the $133 million annual infrastructure spending shortfall facing councils.

“Local government must concurrently plan for today’s communities and implement long-term asset management

programs that don’t unnecessarily impose massive burdens on future ratepayers.

“The cost of fixing assets becomes greater over time as they deteriorate. Funding capital works programs now

ensures councils can limit higher costs to replace ageing facilities in future years,“ he said.

Local government maintains $47.7 billion worth of local roads, drains, street lights, footpaths, childcare centres,

sporting grounds and leisure facilities relied on by communities in their daily lives and deliver more than 100

services. Rates comprise 54 per cent of total funding received by councils and represents 2.9 per cent of every

dollar raised in taxes by governments nationally.

Cr McArthur said other budget pressures on councils included higher costs to deliver the same level of services

as last year, declining grants and coordinating local response and recovery efforts following the bushfires.

“The MAV’s annual Local Government Cost Index, released last month, shows average council costs are rising

by three per cent just to stand still. While cost growth has slowed, councils are not immune to rising prices and

have limited revenue sources to absorb increases without it affecting either their rates or service levels.

“Council expenses are not reflected in the Consumer Price Index (CPI) as the delivery of council services is

affected by labour and construction costs, not price movements for common household goods and services.

“With local government so heavily reliant on State and Commonwealth funding that is linked to CPI rather than

actual costs, ratepayers were also increasingly offsetting programs such as public libraries and community care.

"It is an unsustainable model. Ratepayers are disproportionately being called upon to fund programs that should

be funded through the transfer of other Government taxes. Councils should not be left out-of-pocket," he said.

**For rates data on 73 of Victoria’s 79 councils go to:** [**www.mav.asn.au/finance/rates#resources**](http://www.mav.asn.au/finance/rates#resources)

*Contact MAV President Cr Bill McArthur*

*on 0437 984 793 or MAV*

*Communications on (03) 9667 5521*



**2009-10 Victorian Local Government Rates Survey**

**Average**

**Average**

**rates,**

**Change in**

**Total rate**

**revenue**

**Total rate**

**revenue**

**rates,**

**municipal**

**Change in**

**rates,**

**municipal**

**and waste**

**rates,**

**municipal**

**Total budgeted rate**

**revenue, municipal**

**charge and waste**

**as a**

**proportion**

**of total**

**as a**

**proportion**

**of total**

**and waste**

**management**

**charge**

**municipal**

**and waste**

**management**

**management**

**charges**

**09-10 per**

**and waste**

**management**

**charges per**

**management**

**charges for 2009-10**

**Budgeted total**

**revenue for 2009-10**

**revenue**

**09-010**

**revenue**

**08-09**

**09-10 per**

**assessment**

**charges per**

**assessment**

**head of**

**population**

**head of**

**population**

ALPINE(S)

ARARAT(RC)

BALLARAT(C)

BANYULE(C)

BASS COAST(S)

BAW BAW(S)

BAYSIDE(C)

BENALLA(C)

BOROONDARA(C)

BRIMBANK(C)

$10,160,891

$10,357,066

$60,224,730

$57,481,555

$31,582,000

$28,693,671

$57,509,200

$11,513,000

$110,914,000

$91,130,595

$20,058,000

$24,832,000

$119,880,000

$98,846,000

$50,827,000

$55,464,000

$82,749,000

$19,426,000

$151,496,000

$139,161,000

51%

42%

50%

58%

62%

52%

69%

59%

73%

65%

41%

49%

48%

59%

63%

50%

68%

57%

71%

64%

$ 1,254

$ 1,490

$ 1,384

$ 1,134

$ 1,148

$ 1,380

$ 1,417

$ 1,512

$ 1,566

$ 1,266

$57

$59

$45

$59

$84

$81

$72

$56

$70

$66

$760

$902

$669

$479

$ 1,042

$714

$666

$818

$663

$499

$24

$34

$27

$28

$61

$34

$40

$32

$35

$26

BULOKE(S)

Yet to consider draft budget

CAMPASPE(S)

CARDINIA(S)

CASEY(C)

CENTRAL GOLDFIELDS(S)

COLAC-OTWAY(S)

CORANGAMITE(S)

DAREBIN(C)

EAST GIPPSLAND(S)

FRANKSTON(C)

GANNAWARRA(S)

GLEN EIRA(C)

GLENELG(S)

GOLDEN PLAINS(S)

GREATER BENDIGO(C)

GREATER DANDENONG(C)

GREATER GEELONG(C)

GREATER SHEPPARTON(C)

HEPBURN(S)

HINDMARSH(S)

$24,909,442

$40,527,988

$112,306,663

$8,281,739

$18,687,486

$14,317,759

$77,389,442

$33,374,874

$68,300,100

$7,958,933

$66,794,000

$18,882,882

$10,628,664

$62,997,817

$74,749,062

$130,481,783

$45,117,327

$ 12,177,922

$5,161,739

$55,035,000

$67,626,000

$183,719,000

$28,623,244

$36,563,000

$33,825,000

$113,795,000

$83,414,000

$121,717,000

$20,919,500

$112,127,000

$37,110,000

$27,422,844

$124,092,000

$138,674,000

$216,078,000

$100,493,000

$ 24,103,000

$13,780,631

45%

60%

61%

29%

51%

42%

68%

40%

56%

38%

60%

51%

39%

51%

54%

60%

45%

51%

37%

42%

60%

59%

32%

49%

45%

63%

51%

49%

38%

62%

49%

40%

48%

60%

60%

45%

37%

34%

$ 1,260

$ 1,395

$ 1,213

$ 1,053

$ 1,310

$ 1,514

$ 1,236

$ 1,161

$ 1,196

$ 1,184

$ 1,133

$ 1,358

$ 1,150

$ 1,243

$ 1,303

$ 1,273

$ 1,594

$ 1,188

$ 1,033

$56

$46

$60

$64

$74

$73

$61

$50

$68

$45

$62

$60

$63

$50

$56

$68

$81

$ 78

$75

$635

$588

$442

$627

$863

$833

$560

$769

$537

$704

$518

$905

$580

$614

$548

$606

$701

$ 782

$839

$34

$14

$13

$38

$45

$43

$28

$22

$34

$29

$31

$48

$30

$25

$24

$32

$37

$ 49

$66

HOBSONS BAY(C)

Did not respond to survey

HORSHAM(RC)

$14,838,397

$42,173,693

35%

47%

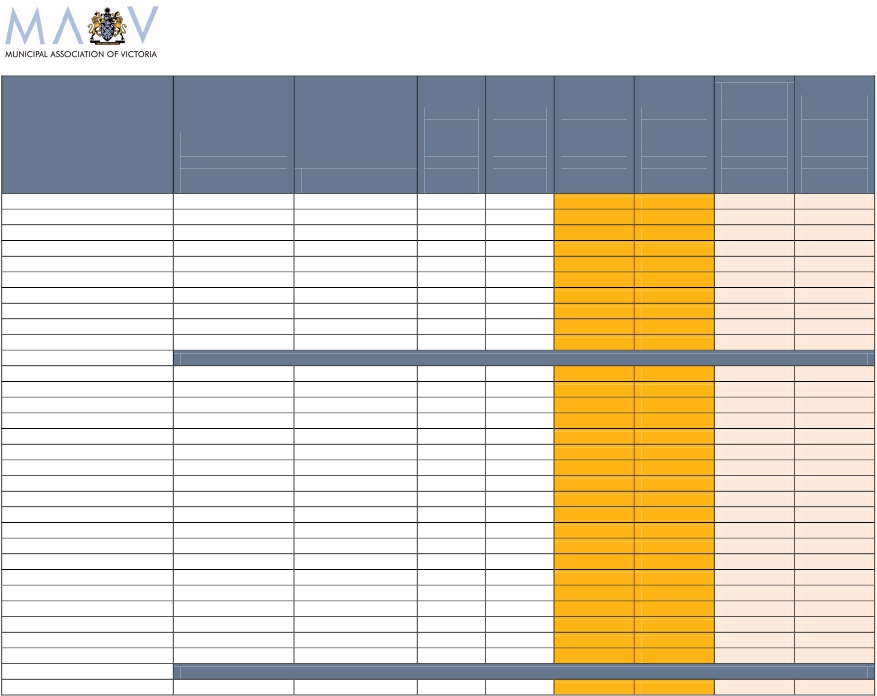
$ 1,285

$74

$740

$44

*All data has been provided by individual councils and collated by the MAV. It is based on draft budget information for 2009-10.*



**2009-10 Victorian Local Government Rates Survey**

**Average**

**Average**

**rates,**

**Change in**

**Total rate**

**revenue**

**Total rate**

**revenue**

**rates,**

**municipal**

**Change in**

**rates,**

**municipal**

**and waste**

**rates,**

**municipal**

**Total budgeted rate**

**revenue, municipal**

**charge and waste**

**as a**

**proportion**

**of total**

**as a**

**proportion**

**of total**

**and waste**

**management**

**charge**

**municipal**

**and waste**

**management**

**management**

**charges**

**09-10 per**

**and waste**

**management**

**charges per**

**management**

**charges for 2009-10**

**Budgeted total**

**revenue for 2009-10**

**revenue**

**09-010**

**revenue**

**08-09**

**09-10 per**

**assessment**

**charges per**

**assessment**

**head of**

**population**

**head of**

**population**

HUME(C)

INDIGO(S)

KINGSTON(C)

KNOX(C)

LATROBE(C)i

LODDON(S)

MACEDON RANGES(S)

MANNINGHAM(C)

MANSFIELD(C)

MARIBYRNONG(C) ii

MAROONDAH(C)

MELBOURNE(C)

MELTON(S)

MILDURA(RC)

MITCHELL(S)

MOIRA(S)

MONASH(C)

MOONEE VALLEY(C)

MOORABOOL(S)

MORELAND(C)

MORNINGTON PENINSULA(S)

MOUNT ALEXANDER(S)

MOYNE(S)

$86,214,206

$9,809,395

$84,873,000

$72,471,821

$42,786,515

$6,868,077

$27,853,131

$62,181,588

$8,437,964

$56,653,572

$52,819,533

$ 180,397,259

$52,703,739

$42,628,000

$19,279,551

$21,460,626

$71,219,089

$66,045,254

$19,191,220

$82,460,980

$96,873,506

$12,620,850

$13,063,861

$169,993,000

$30,646,000

$137,553,000

$108,708,247

$95,833,000

$20,480,647

$60,510,353

$85,998,000

$15,874,000

$88,363,000

$86,100,000

$324,400,000

$90,063,000

$76,702,000

$36,543,000

$41,909,000

$130,363,000

$98,956,000

$30,264,000

$115,886,710

$151,228,000

$25,641,565

$38,281,000

51%

32%

62%

67%

45%

34%

46%

72%

53%

64%

61%

56%

59%

56%

53%

51%

55%

67%

63%

71%

64%

49%

34%

49%

35%

60%

65%

45%

29%

45%

66%

56%

63%

56%

54%

59%

55%

45%

48%

56%

66%

55%

70%

59%

50%

35%

$ 1,326

$ 1,229

$ 1,268

$ 1,185

$ 1,188

$906

$ 1,426

$ 1,410

$ 1,188

$ 1,698

$ 1,165

$ 2,386

$ 1,270

$ 1,556

$ 1,256

$ 1,302

$ 1,001

$ 1,351

$ 1,391

$ 1,271

$ 1,032

$ 1,193

$ 1,157

$46

$93

$77

$66

$68

$51

$80

$52

$45

$94

$55

$59

$29

$47

$72

$91

$57

$43

$39

$74

$64

$75

$45

$523

$634

$598

$472

$578

$851

$726

$533

$ 1,125

$821

$506

$ 1,932

$493

$700

$560

$715

$389

$606

$700

$547

$656

$732

$796

$22

$52

$34

$26

$31

$24

$55

$26

$55

$57

$25

$ 24

$9

$14

$32

$32

$11

$18

$6

$29

$42

$46

$34

MURRINDINDI(S)

NILLUMBIK(S)

Yet to consider draft budget

Yet to consider draft budget

NORTHERN GRAMPIANS(S)

PORT PHILLIP(C)

PYRENEES(S)

QUEENSCLIFFE(B)

SOUTH GIPPSLAND(S)

SOUTHERN GRAMPIANS(S)

STONNINGTON(C)

$10,611,550

$78,293,000

$5,874,351

$4,821,855

$25,448,433

$12,042,178

$67,079,874

$21,815,765

$140,488,000

$15,738,000

$7,627,752

$42,152,056

$30,107,830

$113,516,000

49%

56%

37%

63%

60%

40%

59%

41%

57%

31%

60%

59%

37%

56%

$ 1,163

$ 1,255

$ 1,022

$ 1,614

$ 1,368

$ 1,136

$ 1,260

$72

$36

$50

$85

$55

$48

$56

$847

$833

$890

$ 1,479

$920

$683

$679

$54

$29

$52

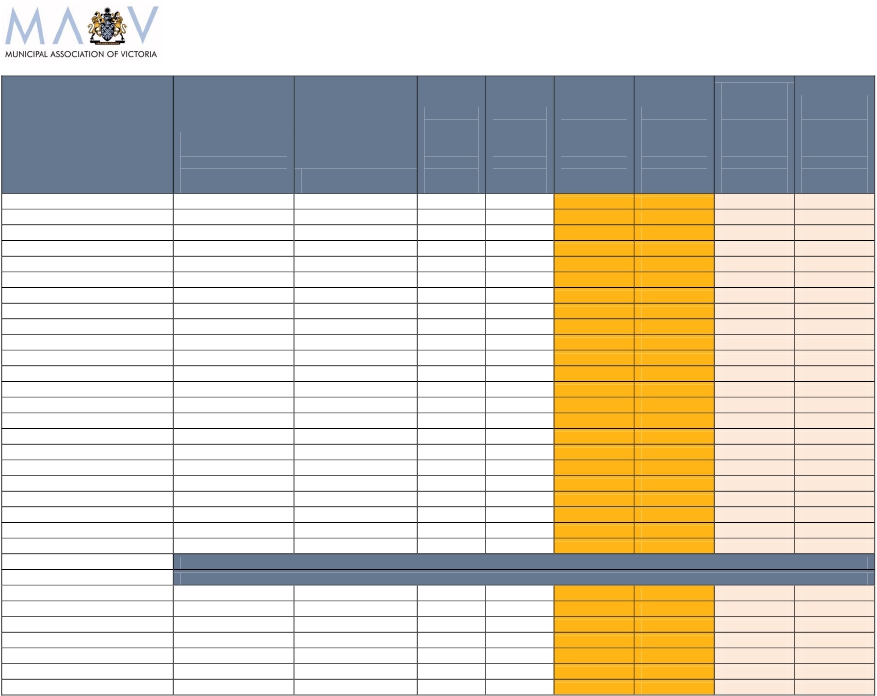
$91

$38

$30

$29

*All data has been provided by individual councils and collated by the MAV. It is based on draft budget information for 2009-10.*



**2009-10 Victorian Local Government Rates Survey**

i

ii

Note excludes payments in lieu of rates made by electricity generators

Note the high incidence of industrial and commercial assessments within the municipality means average residential rates per assessment of approx. $1,369 is more representative

of the rates paid by households in Maribyrnong.

*All data has been provided by individual councils and collated by the MAV. It is based on draft budget information for 2009-10.*



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total budgeted rate**  **revenue, municipal**  **charge and waste**  **management**  **charges for 2009-10** | **Budgeted total**  **revenue for 2009-10** | **Total rate**  **revenue**  **as a**  **proportion**  **of total**  **revenue**  **09-010** | **Total rate**  **revenue**  **as a**  **proportion**  **of total**  **revenue**  **08-09** | **Average**  **rates,**  **municipal**  **and waste**  **management**  **charge**  **09-10 per**  **assessment** | **Change in**  **rates,**  **municipal**  **and waste**  **management**  **charges per**  **assessment** | **Average**  **rates,**  **municipal**  **and waste**  **management**  **charges**  **09-10 per**  **head of**  **population** | **Change in**  **rates,**  **municipal**  **and waste**  **management**  **charges per**  **head of**  **population** |
| STRATHBOGIE(S) | Yet to consider draft budget | | | | | | | |
| SURF COAST(S) | $30,013,425 | $55,507,000 | 54% | 50% | $ 1,614 | $81 | $ 1,186 | $44 |
| SWAN HILL(RC) | Yet to consider draft budget | | | | | | | |
| TOWONG(S) | $4,979,372 | $11,897,000 | 42% | 42% | $ 1,348 | $45 | $798 | $20 |
| WANGARATTA(RC) | $18,840,464 | $44,372,530 | 42% | 40% | $ 1,311 | $45 | $680 | $30 |
| WARRNAMBOOL(C) | $22,005,389 | $52,348,000 | 42% | 42% | $ 1,438 | $70 | $663 | $30 |
| WELLINGTON(S) | $34,556,722 | $65,261,000 | 53% | 52% | $ 1,055 | $54 | $829 | $11 |
| WEST WIMMERA(S) | $4,166,736 | $16,731,960 | 25% | 28% | $910 | $27 | $896 | $16 |
| WHITEHORSE(C) | $67,524,903 | $119,200,000 | 57% | 53% | $ 1,025 | $53 | $441 | $23 |
| WHITTLESEA(C) | $ 76,900,150 | $ 125,439,000 | 61% | 60% | $ 1,300 | $ 51 | $ 496 | $ 15 |
| WODONGA(RC) | $26,323,454 | $48,997,797 | 43% | 40% | $ 1,608 | $81 | $743 | $44 |
| WYNDHAM(C) | $90,157,581 | $156,869,000 | 57% | 51% | $ 1,416 | $139 | $602 | $69 |
| YARRA (C) | $67,837,710 | $118,800,000 | 57% | 57% | $ 1,565 | $47 | $898 | $34 |
| YARRA RANGES(S) | $83,956,281 | $131,043,000 | 64% | 63% | $ 1,373 | $76 | $572 | $36 |
| YARRIAMBIACK(S) | $7,627,090 | $16,125,000 | 47% | 46% | $ 1,141 | $79 | $ 1,014 | $76 |
| **Total** | **$ 3,245,423,982** | **$5,738,363,124** | **57%** | **55%** | **$ 1,310** | **$ 64** | **$ 623** | **$ 29** |

|  |  |
| --- | --- |
| Change in local government revenue | 3.84% |
| Change in rates, municipal charges and waste charges per assessment | 5.12% |
| Change in rates, municipal charges and waste charges per head | 4.94% |
| Average change in rates, municipal charge and waste charges per assessment | $64 |
| Average change in rates, municipal charge and waste charges per head | $29 |
| Average rates, municipal charge and waste charges per assessment | $1,310 |
| Average rates, municipal charge and waste charges per head | $623 |

**HOW COUNCIL RATES DATA IS PRESENTED**

**Rates per assessment**

The MAV has used average rates, municipal charges and garbage charges per

assessment to measure rate movements in 2005, 2006, 2007, 2008 and 2009.

Average rates per assessment are an estimate of the average rate bill received by

households.

Demographic characteristics and the economic and industry profile of the community

affect the quantum average rates per assessment.

For example, councils with high levels of commercial and industrial businesses tend to

have higher rates per assessment than other councils do, irrespective of the residential

rates. For these councils, the residential rates per assessment are likely to be lower

than the municipal wide average.

Likewise, councils with little or no commercial and industrial activities and with large

households will also tend to have higher rates per assessment.

In addition, a single farm enterprise may include several assessments, which will skew

the data.

**Rates per head of population**

The MAV has adopted average rates, municipal charges and garbage charges per

head of population to measure rates for 2006, 2007, 2008 and 2009.

Average rates per head are a good measure of the comparative tax burden placed

on the communities with other levels of government. Many of the taxes levied by the

Commonwealth and State Government are compared on a per head basis; this

measure enables a valid comparison with these figures.

It is also a useful measure in gaining a clearer picture of the rates structures of

councils that have little or no industrial activities and large households.

Rates per head is an increasingly useful measure of local government rates as the

services provided by councils expand from property-based to human based services.

**Further Information:**

Council rates data for 2003, 2004, 2005, 2006, 2007, 2008 and 2009 is available on

the MAV website at: [www.mav.asn.au/finance/rates#resources](http://www.mav.asn.au/finance/rates#resources)



**LOCAL GOVERNMENT COST PRESSURES**

**A range of cost pressures influence the decisions each council makes about its annual budget**

**and the rates it needs to collect.**

**1. GLOBAL FINANCIAL CRISIS**

During an economic downturn, local government plays a key role in supporting its communities. With growing

unemployment, councils are likely to experience an increased demand for social, recreation and community

health services and programs. Increasing spending by councils on local community infrastructure projects

also helps to stimulate economic development and create local job opportunities.

**2. COST SHIFTING**

Cost shifting is when Commonwealth and State programs transfer responsibilities to local government with

insufficient funding or grants which don’t keep pace with actual service delivery costs. Intergovernmental

agreements were signed with the Commonwealth (2006) and Victorian Government (2008) to establish an

agreed framework for allocating responsibilities and appropriate funding to local government. While these

agreements cover future transfers of responsibility, past cost shifting pressures continue to confront councils.

Rates revenue is commonly used to redress funding shortfalls to meet increasing service demands, rising

costs and community expectations. This occurs most notably in home and community care, kindergarten

infrastructure, public libraries, school crossings and immunisations.

**2. INFRASTRUCTURE RENEWAL GAP**

Victorian councils are responsible for community infrastructure worth $47.7 billion. Funding to adequately

maintain and renew ageing assets was calculated in 2006 by the MAV as facing an annual shortfall of $280

million (equivalent to an annual average 12 per cent rate increase). To address the infrastructure renewal

gap and prevent it from growing, councils have significantly increased capital works programs. However, a

limited capacity to raise revenue has seen a range of other options adopted such as rate increases and

reduced service levels. In 2009, the annual infrastructure spending shortfall was reduced to $133 million due

to improved data collection; increased funding (through rates and borrowings); and asset rationalisation.

**3. LOCAL GOVERNMENT COST INDEX**

The MAV Local Government Cost Index calculates any change in costs to deliver goods and services

provided by Victorian councils. To deliver the same level and range of services as 2008, it will cost local

government three per cent more in 2009. This is largely due to a ‘basket’ of council services being affected

by the growth in construction, material and wage costs, rather than changes in common household goods

and services as measured by CPI. The majority of council expenditure is staff and contractors to deliver

human-based services; and staff and materials to construct, maintain and upgrade community assets.

**4. DECLINING GOVERNMENT GRANTS**

Local government nationally collects only 2.9 per cent (or $10.1 billion) of the $348 billion in total taxes raised

by the three levels of government. Core financial assistance through Commonwealth tax distribution to local

government has declined from 1.2 per cent in 1993-94 to 0.97 per cent in 1996-97 and 0.79 per cent in

2008-09. Local government requires a fairer funding formula and indexation that takes account of actual

local government cost movements over time.

**5. CAPPED USER FEES AND CHARGES**

Capping of many user fees and charges by the Victorian Government leaves councils unable to recover the

true cost of delivering services such as planning and building, heritage protection, home care and public

libraries. Instead rate revenue is used to cross-subsidise the delivery of these services.



**FUNDING OF LOCAL GOVERNMENT**

**Australian Taxation System**

The Australian Constitution unequally divides taxation powers and expenditure responsibility

between the Commonwealth and state governments

This division has resulted in the Commonwealth collecting around 68 per cent and the states

around 29 per cent of the total taxes collected in Australia

Local government collects three per cent of the total taxes collected by all governments

To equalise taxation revenues and spending responsibilities, the Commonwealth makes a series

of grants to the states and local government.

**Local Government Income Sources**

There are several sources of funding for local government in Victoria:

Rates on property

Fees, fines and charges (eg. swimming pool and gymnasium entry fees, waste depot fees,

planning permit fees, parking fees and fines)

Specific purpose grants from State and Commonwealth Governments, for funding specific

projects or programs

General purpose grants from the Commonwealth Government not tied to a specific purpose.

Other sources: borrowings (eg. to pay for large infrastructure projects), asset sales, donations,

contributions, reimbursements and interest earned.

**Local Government Funding Sources**

The total funding for local government in Victoria in 2007-08 from all sources was $5.5 billion including:

$2.98 billion or 54.2% in rates

$975 million or 17.7% in fees, fines and charges

$705 million or 12.8% in specific purpose grants

$415 million or 7.5% in untied revenue from general purpose grants

$432 million or 7.8% in other sources

**Local government collects approximately three cents of every dollar raised in Australian taxes. The**

**Commonwealth receives approximately 68% of total taxation revenue and the States receive 29%.**



**VICTORIAN LOCAL GOVERNMENT SNAPSHOT**

**Local Government Facts**

Victoria has 79 municipalities:

o

o

o

o

31 metropolitan (including eight Interface councils)

48 rural and regional (including 10 regional cities)

Populations range from 3,200 to more than 238,000

Each varies in size, rate base, needs, infrastructure and resources

Each municipality manages significantly different budgets:

o

o

Rural council budgets average $39 million (smallest is approx $7 million)

Metropolitan council budgets average $113 million (largest is approx $370 million)

Governed by 631 democratically elected councillors

Employs 39 940 people

Annual revenue of $5.5 billion

Responsible for $47.7 billion in assets

**Service Delivery Statistics**

Local government in Victoria:

Services 128,582 kilometres of roads (approximately 85% of Victoria’s total road network)

Provides 580,000 maternal and child health consultations a year

Delivers 306,600 immunisations to preschool and secondary school children a year

Delivers 3.7 million meals a year to home care recipients

Provides 4 million hours of home assistance, property maintenance, personal and respite care a year

Spends $40 million on public street lighting each year

Loans 45.5 million books from 317 public libraries to 2.5 million registered library users a year

Provides internet access for more than 2.5 million bookings a year

Processes more than 52,000 planning applications a year

Maintains more than 1000 grassed sports surfaces

Collects 1 million tonnes of kerbside garbage a year

Collects 560,000 tonnes of recyclable materials a year

Collects 246,000 tonnes of organic waste a year



**COUNCIL RESPONSIBILITIES**

**Role of Local Government**

Local government provides for the peace, order and good government of its municipal area, delivers

services and facilities for the community and manages the resources of the district.

Local government must operate in accordance with the *Local Government Act 1989* and has responsibility for

implementing many diverse programs, policies and regulations set by the State and Federal Government.

As councils have to respond to local community needs they also have powers to set their own regulations

and by-laws, and to provide a range of discretionary services.

Local laws developed by councils deal with important community safety, peace and order issues such as

public health, management of council property, environment and amenity. Local laws often apply to noise,

fire hazards, abandoned vehicles, parking permits, disabled parking, furniture on footpaths, graffiti, burning

off, animals in public spaces and nuisance pets.

**Services and Infrastructure**

Each Victorian municipality is different – its community may be young or old, established or still developing,

rural or urban, and its population may vary from fewer than 3,200 people to more than 238,000.

Each council collects rates from property owners in its municipality to help fund its local community

infrastructure and service obligations.

**Victorian councils are responsible for $47.7 billion of infrastructure including roads, bridges, town**

**halls, recreation and leisure facilities, drains, libraries and parks. They also provide over 100 services**

**for local communities from the cradle to the grave. Every time a person leaves their house they are**

**using services provided by local councils.**

Road assets:

Community assets:

local roads, drains, bridges, foot and bike paths, public street lighting, litter bins,

school crossings, bus shelters, parking spaces.

libraries, internet services, sporting facilities, community halls, parks and gardens,

swimming pools, playgrounds, animal shelters, public toilets, public art, cemeteries.

Community services: community banking, public tips, removal of dumped rubbish, youth and family

counselling, baby capsule hire, childcare programs, playgroup, preschools and

kindergartens, school holiday programs, immunisations, food safety inspections,

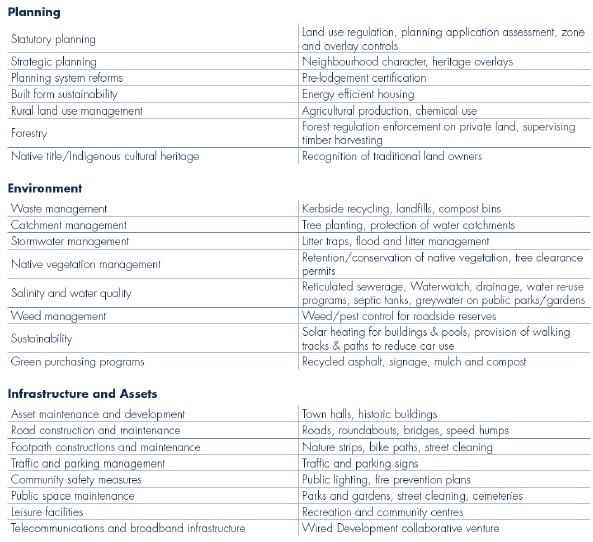
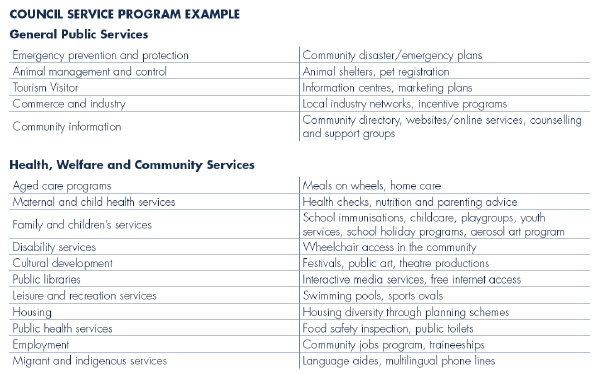
planning advice and approvals, street cleaning.

In-home services:

Family day care, parenting and baby health advice by maternal and child health nurses,

multilingual telephone services, recycling and hard waste collections, home

maintenance, meals on wheels, gardening services and respite care.



**SETTING A COUNCIL BUDGET**

**Council Plan**

Victoria’s 79 councils operate as separate entities with different local issues, costs and service provision needs.

All councils identify the needs and issues to be dealt with in their municipality in their Council Plan.

This Plan is a statutory requirement which describes the strategic objectives and strategies to be

implemented by a council for the coming year, as well as the following four years.

Each council issues a public notice seeking community input to its draft plan for 14 days, before the plan is

finalised and adopted by council for submission to the Minister. It must be completed by 30 June each year.

**Strategic Resources Plan**

A Council Plan must include a Strategic Resources Plan, which sets out the financial and human resources

required to achieve its objectives over five financial years.

The Strategic Resources Plan is updated annually.

**Council Budget**

Each council budget is different to reflect local community needs and priorities. However, there is a

common legislated framework for setting a budget that each council must follow.

The budget process involves a council setting its priorities, identifying measures and allocating funds that

will show how the key strategic objectives outlined in its Council Plan are to be achieved in the coming year.

Through the budget process a council also specifies the annual maintenance, upgrade and renewal needs

of its assets and any new or replacement infrastructure; as well as the community services and facilities it

will provide in the next financial year, and how much these will cost.

A council budget also estimates the revenue to be collected from other sources such as State and Federal

Government funding and from loans. By using these estimates a council can determine the amount it needs

to collect in rates to meet its financial responsibilities for the coming year.

This information is adopted as a draft budget, which is advertised and open to public comment for a

minimum of 14 days.

All councils are required to submit their budget to the Minister before 31 August each year.

**Local government has an open and transparent budget-setting process that seeks community**

**discussion and input to the development of council spending initiatives and priorities for the**

**coming year.**



**LOCAL GOVERNMENT RATING PRINCIPLES**

**Property Taxation System**

Property taxes (rates) are a wealth tax charged by local government municipalities

Local councils can also apply a municipal charge (of not more than 20% of their total rate revenue); a waste

management charge; and other special rates and charges as deemed appropriate by councils

Exemptions from rates apply to crown land, charitable land, land used for religious purposes, and land

used exclusively for mining and forestry

Rate revenue comprises around 54.2 per cent of Victorian councils’ total revenue

Council rates do not represent a direct user pays system because local government provides services

and infrastructure for public benefit .

**PRINCIPLE: Those with a higher valued property relative to others within a municipality contribute**

**a larger amount in rates**

**Rating Equity**

Rates are distributed between ratepayers based on the relative value of properties within a municipality

Properties are revalued every two years to maintain a fair distribution of the rates burden between

property owners within a municipality

There is a direct relationship between property holdings and disadvantage – less wealthy people tend to

own lower valued housing stock

Property owners with higher valued assets generally have a greater capacity to pay

Property taxes do not take into account individual debt levels or income received by owners – there are other

taxes applying to income and expenditure which should be considered when assessing tax equity.

**PRINCIPLE: There is no connection between the amount of rates paid and the level of council**

**services received by individuals.**

**Municipal Charges**

A municipal charge may be used by a council to collect a portion of revenue not linked to property value

but paid equally by all ratepayers

Farm owners with multiple property assessments for rates only attract a single municipal charge.

User fees imposed by councils (such as municipal and waste management charges) help to redistribute the

burden of rates as they are paid equally by all ratepayers and reduce the total property rates required by a

council to fund its annual budget.

**PRINCIPLE: The use of a municipal charge reduces the amount that needs to be collected in the**

**form of rates attached to the value of a property.**



**COUNCIL RATES EXPLAINED**

**Australia’s tax system uses the payment of taxes to fund a variety of programs, services and**

**infrastructure by all levels of government for the public benefit of all.**

**Property Tax**

Council rates are a property tax. Councils use property values as the basis for calculating how much each

property owner pays in rates.

In Victoria, council rates can comprise up to three components:

municipal charges (of not more than 20 per cent of a council’s total rates revenue)

waste management (garbage) charges

rate in the dollar.

Exemptions from rates apply to crown land, charitable land, land used for religious purposes, and land used

exclusively for mining or forestry.

There is no connection between the amount of rates paid by a property and the level of council services

received.

**PRINCIPLE: Those with a higher valued property relative to others within a municipality will**

**contribute more in rates that those with a lower valued property**

**Rate Process**

Once a council has identified the total amount it needs to collect in rates (as determined by its prescribed

budget process), rates and charges can be calculated. A council begins its rate process each year by

determining any municipal and waste management charges that may be needed to recover part of the

administrative cost and the cost of providing waste collection and disposal services respectively.

Once these discretionary charges have been accounted for, a council establishes its rate in the dollar by

dividing the balance of required budget revenue by the total value of all rateable properties in the municipality.

The rate in the dollar is then multiplied by the value of a property (using one of three valuation bases) to

establish the amount to be paid by each property owner. This amount is known as the general rates.

General rates are added to any municipal and waste management charges set by a council to determine

the total rates payable on a property.

**Example: Calculating General Rates**

The total value of rateable properties within a municipality is $10,000,000,000 and council needs to collect

$40,000,000 in rates. The rate in the dollar is 0.004 (40,000,000

10,000,000,000). The rates payable on a

property valued at $320,000 would be $1280 ($320,000 x 0.004).

**An increase in property values does not cause a rate rise. Council budgets are pre-determined to**

**meet expenditure requirements, and include any potential rate rise. Property valuations are used**

**to distribute how much each ratepayer will pay, according to the value of their property compared**

**to other properties within the municipality.**



**COUNCIL RATING BASES**

Each Victorian council chooses one of three valuation bases for their municipality - Capital Improved

Value (CIV), Site Value (SV), or Net Annual Value (NAV).

The common process for calculating each of the three valuation bases is as follows:

Every two years council valuers have a statutory requirement to conduct a review of property

values based on market movements and recent sales trends

The last revaluation is based on levels as at 1 January 2008

Council valuers undertake a physical inspection of a sample of properties

The total value of property in a municipality is used as the base against which that council strikes

its rate in the dollar

The rate in the dollar is multiplied by the CIV, SV or NAV value of the property to determine the

general rates due on each property

The Valuer General is responsible for reviewing the total valuation of each municipality for

accuracy before he certifies that the valuations are true and correct.

**Capital Improved Value**

CIV refers to the total market value of the land plus the improved value of the property

including the house, other buildings and landscaping

**Site Value**

SV refers to the unimproved market value of the land

**Net Annual Value**

NAV is the annual rental a property would render, less the landlord’s outgoings (such as

insurance, land tax and maintenance costs) or 5% of the CIV for residential properties and farms

The value is higher for commercial/industrial and investment properties.

