**Council rates offset dwindling Government contributions**

**26 June 2010**

The Municipal Association of Victoria’s annual analysis of local government budgets shows that council rates

will increase an average $79 or 6.1 per cent per assessment in the coming year.

Cr Bill McArthur, MAV President said it was a struggle every year to balance affordability for ratepayers with the

need to prop-up iconic services that are chronically under-funded by Victorian and Commonwealth

Governments, plus increase spending on community infrastructure.

“Rates are one of the most misunderstood taxes, despite representing only three cents of each tax dollar raised.

“There are often expectations that council rates should move in line with the Consumer Price Index (CPI),

despite local government costs not being similar to a basket of common household goods and services.

“Cost movements are better reflected in wage and construction indexes as council services rely primarily on

people – employees and contractors – and capital works programs.

“The MAV Local Government Cost Index has forecast that council costs for the coming year will increase by an

average of four per cent to deliver the same mix and level of services to communities as last year.

“However, unwitting ratepayers are often required to make up the growing shortfall in government funding for

iconic council-delivered services such as home and community care, public libraries and kindergartens.

“The State and Commonwealth index funding to CPI or less, leaving short-changed and frustrated councils to

face community backlash when more rate revenue is needed to keep programs running.

“Victorian local government is now contributing an extra $100 million each year to prop up home and community

care programs that have been severely under-funded by successive Commonwealth Governments.

“And while public libraries used to be equally funded by State and local government, the State contribution has

dwindled to less than 20 per cent.

“The MAV has also identified a $600 million Commonwealth funding black hole for kindergarten facilities over

the next two years if Victoria is to meet the new national policy of 15 hours kinder for four-year olds.

“Councils have limited options to fund these mounting shortfalls - increase rate revenue, borrow more money,

limit access to services or lower the maintenance standard for roads and other assets.

“The upkeep of ageing infrastructure is another growing cost as councils must fund their depreciation to ensure

future generations of ratepayers won’t be left paying for the renewal of run-down assets.

“Councils are taking a responsible approach by increasing their infrastructure maintenance spending. If assets

aren’t properly maintained, their replacement costs will be prohibitive.

“Despite these cost pressures on council budgets, we understand that groups such as pensioners and others

with a limited income are struggling with cost-of-living pressures. Those facing genuine financial hardship

should get in touch with their council to discuss the options available,” he said.

**Rates data for 68 of Victoria’s 79 councils is available at:** [**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.*

**2010-11 Victorian Local Government Rates Survey**

*All data has been provided by individual councils and collated by the MAV. It is based on DRAFT budget information for 2010-11.*



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total budgeted****rate revenue,****municipal charge****& waste mngt****charges 2010-11****$m** | **Total Budgeted****revenue****2010-11****$m** | **Total rate****revenue as****proportion of****total revenue****2010-11 %** | **Total rate****revenue as****proportion of****total revenue****2009-10****%** | **Average rates,****municipal &****waste mngt****charge per****assessment****2010-11****$** | **Change in****rates,****municipal &****waste mngt****charges per****assessment $** | **Average****rates,****municipal &****waste mngt****charges per****head popln****2010-11****$** | **Change in****rates,****municipal &****waste mngt****charges per****head popln****$** |
| Alpine (S) | $10.98m | $22.45m | 48.9% | 45.8% | $1,342 | $85 | $855 | $55 |
| Ararat (RC) | **Draft budget not yet released** |
| Ballarat (C) | $64.97m | $119.77m | 54.2% | 54.5% | $1,453 | $64 | $699 | $23 |
| Banyule (C) | $61.91m | $106.07m | 58.4% | 57.7% | $1,219 | $74 | $510 | $34 |
| Bass Coast (S) | $34.36m | $63.59m | 54.0% | 56.6% | $1,233 | $77 | $1,099 | $48 |
| Baw Baw (S) | $31.42m | $56.12m | 56.0% | 51.1% | $1,467 | $87 | $733 | $37 |
| Bayside (C) | $61.57m | $88.77m | 69.4% | 68.8% | $1,508 | $86 | $639 | $38 |
| Benalla (RC) | $12.14m | $21.12m | 57.5% | 59.3% | $1,584 | $70 | $855 | $39 |
| Boroondara (C) | $118.95m | $163.97m | 72.5% | 71.0% | $1,696 | $113 | $697 | $41 |
| Brimbank (C) | **No response provided** |
| Buloke (S) | **Draft budget not yet released** |
| Campaspe (S) | $27.46m | $58.23m | 47.2% | 45.3% | $1,367 | $94 | $706 | $59 |
| Cardinia (S) | $46.76m | $91.47m | 51.1% | 49.0% | $1,532 | $59 | $662 | $32 |
| Casey (C) | **No response provided** |
| Central Goldfields (S) | $9.01m | $24.25m | 37.2% | 34.9% | $1,144 | $84 | $682 | $51 |
| Colac-Otway (S) | $20.33m | $43.64m | 46.6% | 52.1% | $1,418 | $108 | $920 | $69 |
| Corangamite (S) | $15.12m | $34.15m | 44.3% | 44.1% | $1,596 | $76 | $856 | $38 |
| Darebin (C) | $82.51m | $125.89m | 65.5% | 64.4% | $1,316 | $ 75 | $599 | $28 |
| East Gippsland (S) | $35.66m | $67.36m | 52.9% | 45.6% | $1,217 | $42 | $802 | $13 |
| Frankston (C) | $74.04m | $118.84m | 62.3% | 56.7% | $1,291 | $77 | $583 | $42 |
| Gannawarra (S) | $8.95m | $20.85m | 42.9% | 40.5% | $1,338 | $131 | $736 | $55 |
| Glen Eira (C) | $72.17m | $113.88m | 63.4% | 63.0% | $1,219 | $74 | $549 | $27 |
| Glenelg (S) | $20.80m | $40.31m | 51.6% | 53.4% | $1,504 | $129 | $973 | $82 |
| Golden Plains (S) | $12.51m | $25.31m | 49.4% | 42.5% | $1,315 | $141 | $676 | $69 |

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| Greater Bendigo (C) | $68.15m | $130.94m | 52.0% | 50.4% | $1,334 | $72 | $663 | $39 |
| Greater Dandenong (C) | $81.58m | $136.02m | 60.0% | 54.8% | $1,413 | $88 | $586 | $37 |
| Greater Geelong (C) | $139.44m | $249.51m | 55.9% | 61.2% | $1,347 | $64 | $630 | $32 |
| Greater Shepparton (C) | $49.20m | $98.55m | 49.9% | 50.1% | $1,762 | $106 | $760 | $42 |
| Hepburn (S) | **No response provided** |
| Hindmarsh (S) | $5.60m | $15.06m | 37.2% | 38.6% | $1,118 | $81 | $908 | $69 |
| Hobsons Bay (C) | **No response provided** |
| Horsham (RC) | $16.30m | $54.72m | 29.8% | 44.6% | $1,412 | $107 | $810 | $60 |
| Hume (C) | $93.47m | $165.83m | 56.4% | 57.2% | $1,426 | $91 | $542 | $38 |
| Indigo (S) | $10.45m | $23.39m | 44.7% | 38.8% | $1,306 | $70 | $643 | $34 |
| Kingston (C) | **Draft budget not yet released** |
| Knox (C) | $78.35m | $116.91m | 67.0% | 67.2% | $1,271 | $83 | $509 | $34 |
| iLatrobe (C) | $54.02m | $106.35m | 50.8% | 51.4% | $1,495 | $81 | $725 | $36 |
| Loddon (S) | $7.26m | $19.62m | 37.0% | 32.3% | $ 964 | $51 | $899 | $34 |
| Macedon Ranges (S) | $29.66m | $58.87m | 50.4% | 46.0% | $1,506 | $65 | $712 | $35 |
| Manningham (C) | $68.75m | $96.64m | 71.1% | 65.9% | $1,523 | $76 | $582 | $35 |
| Mansfield (S) | $9.08m | $22.21m | 40.9% | 44.7% | $1,301 | $69 | $1,198 | $55 |
| iiMaribyrnong (C) | $60.85m | $93.13m | 65.3% | 61.1% | $1,814 | $100 | $878 | $56 |
| Maroondah (C) | $58.30m | $89.60m | 65.1% | 59.8% | $1,273 | $101 | $549 | $44 |
| Melbourne (C) | **No response provided** |
| Melton (S) | $58.81m | $95.64m | 61.5% | 60.9% | $1,403 | $77 | $551 | $31 |
| Mildura (RC) | $44.76m | $82.27m | 54.4% | 56.3% | $1,635 | $56 | $840 | $33 |
| Mitchell (S) | $21.39m | $40.56m | 52.7% | 49.9% | $1,372 | $107 | $609 | $49 |
| Moira (S) | $23.03m | $41.30m | 55.8% | 51.4% | $1,389 | $89 | $749 | $25 |
| Monash (C) | $75.55m | $135.52m | 55.7% | 54.3% | $1,050 | $53 | $423 | $20 |

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| Moonee Valley (C) | $69.99m | $108.10m | 64.8% | 65.0% | $1,434 | $87 | $642 | $34 |
| Moorabool (S) | $20.39m | $34.63m | 58.9% | 67.0% | $1,455 | $46 | $722 | $25 |
| Moreland (C) | $90.76m | $122.95m | 73.8% | 73.4% | $1,371 | $106 | $610 | $53 |
| Mornington Peninsula (S) | $104.21m | $161.23m | 64.6% | 60.6% | $1,107 | $70 | $699 | $43 |
| Mount Alexander (S) | $13.90m | $24.30m | 57.2% | 52.4% | $1,322 | $103 | $751 | $45 |
| Moyne (S) | $13.89m | $37.39m | 37.1% | 36.9% | $1,223 | $65 | $843 | $46 |
| Murrindindi (S) | **Draft budget not yet released** |
| iiiNillumbik (S) | $42.21m | $76.37m | 55.3% | 55.6% | $1,884 | $115 | $658 | $42 |
| Northern Grampians (S) | $11.63m | $26.52m | 43.8% | 47.4% | $1,274 | $102 | $928 | $75 |
| Port Phillip (C) | $82.60m | $144.14m | 57.3% | 55.9% | $1,307 | $54 | $877 | $35 |
| Pyrenees (S) | $6.28m | $17.75m | 35.4% | 39.4% | $1,103 | $69 | $949 | $57 |
| Queenscliffe (B) | $5.10m | $8.11m | 62.9% | 60.7% | $1,699 | $100 | $1,564 | $98 |
| South Gippsland (S) | $27.26m | $50.06m | 54.5% | 56.4% | $1,461 | $76 | $962 | $46 |
| Southern Grampians (S) | $13.16m | $32.79m | 40.1% | 40.3% | $1,243 | $99 | $739 | $55 |
| Stonnington (C) | $71.17m | $123.54m | 57.6% | 56.4% | $1,341 | $73 | $722 | $39 |
| Strathbogie (S) | $11.96m | $22.91m | 52.2% | 48.4% | $1,734 | $228 | $1,197 | $159 |
| Surf Coast (S) | $32.80m | $55.50m | 59.1% | 54.1% | $1,741 | $108 | $1,297 | $111 |
| Swan Hill (RC) | **Draft budget not yet released** |
| Towong (S) | **Draft budget not yet released** |
| Wangaratta (RC) | $20.06m | $40.25m | 49.9% | 52.0% | $1,390 | $67 | $708 | $26 |
| Warrnambool (C) | $23.99m | $57.02m | 42.1% | 42.8% | $1,536 | $93 | $717 | $46 |
| Wellington (S) | $37.64m | $68.85m | 54.7% | 54.2% | $1,141 | $82 | $897 | $52 |
| West Wimmera (S) | $4.36m | $16.40m | 26.6% | 27.4% | $946 | $35 | $992 | $31 |
| Whitehorse (C) | $72.82m | $129.93m | 56.0% | 55.3% | $1,099 | $67 | $470 | $30 |
| Whittlesea (C) | $83.41m | $144.12m | 57.9% | 55.3% | $1,339 | $29 | $526 | $15 |

**2010-11 Victorian Local Government Rates Survey**

**Summary data**

i

ii

Note excludes payment 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. $1,525 is more representative of rates for households

iii Note the limited commercial and industrial activities in the municipality increase the average rates per assessment.

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|  |  |  |  |  |  |  |  |  |
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| Wodonga (RC) | $28.58m | $56.72m | 50.4% | 52.0% | $1,769 | $115 | $771 | $47 |
| Wyndham (C) | $102.60m | $180.95m | 56.7% | 52.3% | $1,526 | $87 | $671 | $43 |
| Yarra (C) | $70.97m | $130.26m | 54.5% | 57.1% | $1,638 | $44 | $905 | $29 |
| Yarra Ranges (S) | $91.18m | $138.12m | 66.0% | 60.9% | $1,490 | $96 | $618 | $43 |
| Yarriambiack (S) | $8.09m | $17.83m | 45.4% | 44.7% | $1,206 | $61 | $1,080 | $65 |
| **Total for responding councils** | **$3.03 billion** | **$5.30 billion** | **57.2%** | **56.1%** |  |  |  |  |
| **$ 1,380** | **$ 79** | **$654** | **$38** |

|  |  |
| --- | --- |
| Change in local government revenue | 5.6% |
| Change in rates, municipal charges and waste charges per assessment | 6.1% |
| Change in rates, municipal charges and waste charges per head | 6.1% |
| Average change in rates, municipal charge and waste charges per assessment | $79 |
| Average change in rates, municipal charge and waste charges per head | $38 |
| Average rates, municipal charge and waste charges per assessment | $1,380 |
| Average rates, municipal charge and waste charges per head | $654 |

**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, 2009 and 2010.

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

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, 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, 2009 and 2010.

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, 2009 and 2010 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. 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 cover funding shortfalls to meet increasing service demands, new

Government policy, rising costs and community expectations. This occurs most notably in home and

community care, kindergarten infrastructure, public libraries, school crossings, child care and immunisations.

**2. INFRASTRUCTURE RENEWAL GAP**

Victorian councils are responsible for community infrastructure worth $55 billion. Funding to adequately

maintain and renew ageing assets is facing an annual shortfall of $130 million. If infrastructure is not

adequately maintained the replacement costs are much higher. To address the infrastructure renewal gap

and prevent it from growing, councils have significantly increased capital works programs in recent years.

However, a limited capacity to raise revenue has seen a range of options adopted including rate increases,

reduced service levels, asset rationalisation, and increased borrowings.

**3. LOCAL GOVERNMENT COST INDEX**

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

provided by Victorian councils. To deliver the same level and range of services as 2009, it will cost local

government an average four per cent more in 2010. 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 three per cent of 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. Commonwealth and State

Government grants are usually indexed to CPI or less. This means that grants are lower each year than

actual council cost movements to deliver the service, leaving councils to fund the gap from rates revenue.

**5. COST OF REGULATIONS**

Regulations imposed on local government are onerous. There are currently over 100 reporting requirements

for councils to at least 17 different State departments and agencies. Many of these provide little or no direct

benefit to ratepayers, but result in increased council costs and diversion of council resources. The State also

requires councils to collect State levies (including the Fire Services Levy and Landfill Levy), which are

included in council rates notices. These levies must be passed on in full to fund State agencies.

**6. 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.

**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 55.6 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 generally**

**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.

Differential rates can be used by a council to help determine a fair contribution from each type of property.

Eg residential, commercial, industrial, farm.

**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.**

**PROPERTY VALUATIONS**

**Biennial Property Valuations**

Victoria has more than 2.5 million properties valued at well over $1 trillion. Local government uses property

values to apportion the council rates payable for each individual property.

As property values change, a council must periodically reassess the valuation of all properties within its

municipality. A valuation determines the market value of a property, at a specific date and in accordance

with relevant legislation and legal precedent.

All Victorian properties recently underwent valuations on the prescribed date of 1 January 2010. To work

out how much each property is worth, council valuers analyse property sales and rental data trends, as well

as consider other factors such as the highest and best use of the land; house value and other site

improvements; and land shape, size and location.

Each council uses this valuation data to apportion the amount of rates to be paid by each property owner in

the 2010-11 and 2011-12 financial years. The next valuations are due on 1 January 2012.

Up-to-date valuations are critical for ensuring property owners pay a fair and equitable share of rates. Two-

yearly revaluations assist in delivering rating equity by redistributing the rate burden within a municipality

according to property price movements.

**Revaluation Facts VS Myths**

**FACT:** Councils use property valuations to determine how much each ratepayer will pay in rates

**MYTH:** Councils do not generate extra revenue as property values increase or are revalued.

**A council budget determines how much a council collects in rates – property valuations are**

**revenue neutral for councils. Increased property values do not increase the amount of money**

**a council collects in rates - it redistributes the amount of rates paid between individual**

**properties. Some ratepayers will pay more and some will pay less, depending on the new**

**value of their property relative to other properties in their municipality.**

**Role of Valuer-General Victoria**

While the property valuation and rating process is the responsibility of local government, the Valuer-General

Victoria (VGV) independently oversees this process to ensure statutory requirements and best practice

standards have been met.

Only qualified valuers - professionals holding recognised tertiary qualifications and with the required practical

experience - can perform municipal valuations.

Once the VGV certifies that a council’s general valuation meets required standards, the Minister may

declare that the valuation is suitable to be adopted and used by council.

**Ratepayer Rights**

Ratepayers have rights under the Valuation of Land Act 1960 to object to the valuation of their property.

**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 in their Council Plan the needs and issues to be dealt with in their municipality.

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’s budget is different to reflect its 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 revenue 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.**

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

waste management (garbage) charge

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**

**revenue neutral – they are used to distribute how much each ratepayer will pay, according to the**

**value of their property compared to other properties within the municipality.**

**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 82 per cent (including GST

12.7 per cent) and the states around 15 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 2008-09 from all sources was $5.8 billion including:

$3.22 billion or 55.6% in rates

$1 billion or 17.4% in fees, fines and charges

$545 million or 9.4% in specific purpose grants

$446 million or 7.7% in untied revenue from general purpose grants

$580 million or 10% from other sources

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

**Commonwealth collects approximately 82% of total taxation revenue and the States collect 15%.**

**COUNCIL RESPONSIBILITIES**

**Role of Local Government**

Victoria’s 79 councils provide for the peace, order and good government of their municipal area, deliver

services and facilities for their community, and manage 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. Rural council budgets average $47 million (the smallest is $8 million),

while metropolitan council budgets average $139 million (the largest is $344 million).

**Victorian councils are responsible for $55 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.

**VICTORIAN LOCAL GOVERNMENT SNAPSHOT**

**Local Government Facts**

Victoria has 79 municipalities:

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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:

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o

Rural council budgets average $47 million (smallest is approx $8 million)

Metropolitan council budgets average $139 million (largest is approx $344 million)

Governed by 620 democratically elected councillors

Employs 40 000 people

Annual revenue of $5.8 billion

Responsible for $55 billion in assets

**Service Delivery Statistics**

Local government in Victoria:

Services 129,128 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 3.8 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 48 million books, newspapers and other items from 313 public libraries to 2.5 million

registered library users a year

Provides internet access for more than 2.9 million bookings a year

Processes more than 54,000 planning applications a year

Maintains more than 1000 grassed sports surfaces

Collects 1 million tonnes of kerbside garbage a year

Collects 608,000 tonnes of recyclable materials a year

Collects 250,000 tonnes of organic waste a year

