Media Release

**Rates increase to cover funding shortfalls**

25 June 2005

Data released today by the Municipal Association of Victoria (MAV) shows rates will increase 7.5%

across Victoria despite councils maintaining a tight hold on expenditure.

MAV President, Cr Geoff Lake said local government revenue in Victoria is set to increase by 4%

to $4.3 billion in the year ahead while rates will increase at almost double that rate.

“Councils are being forced to increase rates to make up for shortfalls in Federal and State

Government funding to local government.

“While revenue from rates made up 51% of council budgets in 2004/05, this will grow to 53% in

2005/06. In monetary terms this equates to $156 million, or $72 per household.

“Just yesterday the Federal Government recognised the inadequacy of financing arrangements

across the three levels of government in Australia in its response to the Hawker inquiry into local

government financing of three years ago.

“Councils have been raising rates, selling assets and digging into their cash reserves to cover the

reduction in grants from other levels of government. This situation is clearly not sustainable.

“Local government is the level of government closest to the people and directly provides more

services to the community than any other level of government.

“Communities cannot be expected to withstand the kind of rate increases that would be needed to

continue servicing the range of functions now expected of local government.

“Australia’s are paying more tax than ever before in history. However, State and Federal

Government are resisting their obligations to adequately fund local communities and share their

windfalls.

“Growth in local government expenditure is being kept under control. The increase of 4% is below

Average Weekly Earnings (4.5%) and growth in State Government expenditure, forecast at 4.4%.

“As long as financial assistance from other levels of government fails to keep pace with real costs,

the sector will be reliant on rate revenue to meet ongoing community needs and rates will continue

to increase,” Cr Lake said.

**- Ends -**

*For further information contact MAV President Geoff Lake on 0411 645 281 or the MAV*

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**Data on 2004-05 council budgets and rates is available online from www.mav.asn.au**

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| --- | --- | --- | --- | --- | --- | --- |
| **Council** | **Total Budgeted****Revenue 05-06** | **Total assessments****05-06** | **Gross Rates****and charges per****assessment 05-****06** | **Change in rates and****charges per****assessment from 04-****05** | **Gross Rates and****Charges as a****proportion of total****budget 04-05** | **Rates and Charges****as a proportion of****total budget 05-06** |
| **Alpine Shire Council** | $ 17,183,000 | 7,626 | $ 1,119 | $ 8 | 49.6% | 49.7% |
| **Ararat Rural City Council** | $ 15,231,000 | 6,734 | $ 1,120 | $ 64 | 44.8% | 49.5% |
| **Ballarat City Council** |  | **yet to consider draft budget** |  |  |  |
| **Banyule City Council** | $ 78,541,000 | 48,943 | $ 887 | $ 40 | 52.5% | 55.2% |
| **Bass Coast Shire Council** | $ 35,007,000 | 25,261 | $ 848 | $ 59 | 60.8% | 61.2% |
| **Baw Baw Shire Council** | $ 44,650,000 | 18,911 | $ 1,022 | $ 129 | 43.7% | 50.8% |
| **Bayside City Council** | $ 64,803,000 | 39,450 | $ 1,107 | $ 51 | 65.8% | 67.4% |
| **Benalla Rural City Council** | $ 18,585,000 | 7,324 | $ 1,188 | $ 99 | 48.6% | 46.8% |
| **Boroondara City Council** | $ 124,513,000 | 67,612 | $ 1,226 | $ 75 | 64.4% | 66.6% |
| **Brimbank City Council** | $ 110,707,000 | 66,133 | $ 1,027 | $ 64 | 59.8% | 61.3% |
| **Buloke Shire Council** |  | **yet to consider draft budget** |  |  |  |
| **Campaspe Shire Council** | $ 46,978,922 | 18,849 | $ 1,040 | $ 38 | 42.7% | 41.7% |
| **Cardinia Shire Council** | $ 48,613,000 | 23,437 | $ 1,107 | $ 38 | 66.3% | 53.4% |
| **Casey City Council** | $ 128,926,000 | 83,827 | $ 919 | $ 53 | 60.5% | 59.8% |
| **Central Goldfields Shire Council** | $ 16,266,011 | 7,872 | $ 747 | $ 37 | 33.2% | 36.1% |
| **Colac-Otway Shire Council** | $ 29,500,000 | 13,628 | $ 957 | $ 50 | 42.4% | 44.2% |
| **Corangamite Shire Council** | $ 27,743,000 | 9,391 | $ 1,164 | $ 63 | 35.4% | 39.5% |
| **Darebin City Council** | $ 95,215,000 | 59,341 | $ 988 | $ 63 | 56.7% | 61.6% |
| **East Gippsland Shire Council** | $ 42,007,000 | 27,050 | $ 921 | $ 35 | 58.0% | 59.3% |
| **Frankston City Council** | $ 90,692,000 | 52,150 | $ 910 | $ 62 | 47.0% | 52.3% |
| **Gannawarra Shire Council** | $ 17,481,313 | 6,576 | $ 993 | $ 84 | 37.8% | 37.4% |
| **Glen Eira City Council** | $ 83,193,442 | 57,345 | $ 943 | $ 37 | 59.0% | 65.0% |
| **Glenelg Shire Council** | $ 29,079,399 | 13,265 | $ 1,078 | $ 85 | 41.8% | 49.2% |
| **Golden Plains Shire Council** | $ 21,794,850 | 8,608 | $ 803 | $ 128 | 33.8% | 32.3% |
| **Greater Bendigo City Council** |  | **yet to consider draft budget** |  |  |  |
| **Greater Dandenong City Council** | $ 97,464,000 | 54,730 | $ 1,018 | $ 60 | 56.8% | 57.2% |
| **Greater Geelong City Council** | $ 167,336,000 | 96,546 | $ 1,000 | $ 78 | 56.2% | 57.7% |
| **Greater Shepparton City Council** | $ 74,570,920 | 26,395 | $ 1,246 | $ 75 | 42.6% | 44.1% |
| **Hepburn Shire Council** | $ 19,881,140 | 9,678 | $ 872 | $ 74 | 35.2% | 45.2% |

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| **Hindmarsh Shire Council** | $ 11,466,227 | 5,398 | $ 738 | $ 38 | 34.6% | 34.8% |
| **Hobsons Bay City Council** | $ 73,642,000 | 37,486 | $ 1,272 | $ 102 | 60.2% | 64.8% |
| **Horsham Rural City Council** | $ 27,787,000 | 10,857 | $ 973 | $ 31 | 41.4% | 38.0% |
| **Hume City Council** | $ 123,917,000 | 57,245 | $ 1,047 | $ 62 | 47.6% | 48.3% |
| **Indigo Shire Council** | $ 23,228,000 | 7,515 | $ 933 | $ 49 | 25.0% | 30.2% |
| **Kingston City Council** |  | **yet to consider draft budget** |  |  |  |
| **Knox City Council** | $ 88,459,000 | 58,916 | $ 912 | $ 34 | 59.2% | 60.8% |
| **Latrobe City Council** | $ 70,364,000 | 33,525 | $ 958 | $ 19 | 47.6% | 45.7% |
| **Loddon Shire Council** | $ 18,934,651 | 7,624 | $ 729 | $ 27 | 30.0% | 29.4% |
| **Macedon Ranges Shire Council** | $ 41,949,441 | 18,146 | $ 1,091 | $ 71 | 42.4% | 47.2% |
| **Manningham City Council** | $ 73,211,000 | 43,224 | $ 1,170 | $ 61 | 67.7% | 69.1% |
| **Mansfield Shire Council** | $ 12,457,000 | 6,648 | $ 939 | $ 42 | 52.7% | 50.1% |
| **Maribyrnong City Council** | $ 74,620,000 | 31,226 | $ 1,340 | -$ 3 | 62.2% | 56.1% |
| **Maroondah City Council** | $ 69,501,000 | 43,529 | $ 948 | $ 54 | 58.1% | 59.4% |
| **Melbourne City Council** | $ 239,909,000 | 51,498 | $ 2,453 | -$ 109 | 50.2% | 52.7% |
| **Melton Shire Council** | $ 61,100,000 | 31,101 | $ 1,125 | -$ 12 | 57.0% | 57.3% |
| **Mildura Rural City Council** | $ 63,514,405 | 28,400 | $ 1,149 | $ 71 | 51.1% | 52.6% |
| **Mitchell Shire Council** | $ 31,041,936 | 14,513 | $ 893 | $ 12 | 41.5% | 41.8% |
| **Moira Shire Council** | $ 29,949,016 | 15,289 | $ 933 | $ 73 | 44.1% | 47.6% |
| **Monash City Council** | $ 107,122,000 | 68,302 | $ 801 | $ 45 | 52.4% | 51.1% |
| **Moonee Valley City Council** | $ 85,670,000 | 49,323 | $ 1,082 | $ 53 | 59.4% | 62.3% |
| **Moorabool Shire Council** |  | **yet to consider draft budget** |  |  |  |
| **Moreland City Council** | $ 93,703,000 | 63,499 | $ 976 | $ 70 | 65.5% | 66.1% |
| **Mornington Peninsula Shire Council** | $ 122,786,000 | 88,231 | $ 805 | $ 47 | 57.0% | 57.9% |
| **Mount Alexander Shire Council** | $ 21,203,210 | 10,078 | $ 875 | $ 66 | 39.6% | 41.6% |
| **Moyne Shire Council** | $ 27,850,000 | 10,709 | $ 924 | $ 52 | 32.5% | 35.5% |
| **Murrindindi Shire Council** | $ 20,728,473 | 9,016 | $ 1,027 | $ 61 | 41.7% | 44.7% |
| **Nillumbik Shire Council** |  | **yet to consider draft budget** |  |  |  |
| **Northern Grampians Shire Council** |  | **yet to consider draft budget** |  |  |  |

\* Please note that these figures have been amended.

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| **Port Phillip City Council** | $ 110,931,000 | 58,256 | $ 1,060 | $ 39 | 55.6% | 55.7% |
| **Pyrenees Shire Council** | $ 11,874,000 | 5,505 | $ 794 | $ 53 | 34.0% | 36.8% |
| **Queenscliffe Borough Council** | $ 5,900,000 | 2,841 | $ 1,257 | $ 64 | 59.8% | 60.5% |
| **South Gippsland Shire Council** | $ 35,900,000 | 17,582 | $ 1,076 | $ 56 | 52.2% | 52.7% |
| **Southern Grampians Shire Council** | $ 26,160,083 | 10,697 | $ 887 | $ 44 | 33.6% | 36.3% |
| **Stonnington City Council** | $ 95,195,000 | 51,398 | $ 1,022 | $ 54 | 53.1% | 55.2% |
| **Strathbogie Shire Council** | $ 15,680,961 | 6,626 | $ 1,157 | $ 83 | 52.4% | 48.9% |
| **Surf Coast Shire Council** | $ 34,590,286 | 16,600 | $ 1,159 | $ 69 | 51.8% | 55.6% |
| **Swan Hill Rural City Council** | $ 32,041,930 | 11,800 | $ 1,199 | $ 46 | 41.3% | 44.2% |
| **Towong Shire Council** |  | **yet to consider draft budget** |  |  |  |
| **Wangaratta Rural City Council** | $ 39,005,721 | 13,493 | $ 1,074 | $ 54 | 39.9% | 37.3% |
| **Warrnambool City Council** | $ 44,300,000 | 14,187 | $ 1,100 | $ 89 | 32.6% | 35.2% |
| **Wellington Shire Council** | $ 48,623,000 | 29,050 | $ 900 | $ 59 | 55.3% | 53.8% |
| **West Wimmera Shire Council\*** | $ 13,942,218 | 4,497 | $ 802 | $ 25 | 28.1% | 25.9% |
| **Whitehorse City Council** | $ 107,475,000 | 63,670 | $ 770 | $ 29 | 45.9% | 45.6% |
| **Whittlesea City Council** | $ 131,167,000 | 47,803 | $ 1,111 | $ 40 | 37.2% | 40.5% |
| **Wodonga City Council** | $ 51,898,938 | 15,000 | $ 1,354 | $ 65 | 35.9% | 39.1% |
| **Wyndham City Council** | $ 125,452,000 | 47,019 | $ 1,129 | $ 5 | 42.7% | 42.3% |
| **Yarra City Council** | $ 94,066,000 | 40,263 | $ 1,329 | $ 52 | 56.5% | 56.9% |
| **Yarra Ranges Shire Council** | $ 97,145,054 | 58,281 | $ 1,080 | $ 50 | 60.4% | 64.8% |
| **Yarriambiack Shire Council** | $ 15,016,000 | 5,479 | $ 1,061 | $ 4 | 36.1% | 38.7% |
| **Total** | $ 4,296,439,547 | 2,177,727 | $ 1,048 | $ 53 | 51.5% | 53.1% |

|  |  |
| --- | --- |
| Increase in local government budgeted revenue | 4.09% |
| Increase in rates | 7.31% |
| Forecast CPI | 2.75% |
| Increase in total budget revenue | $ 169,008,946 |
| Increase in total rate revenue and charges | $ 155,565,018 |

**FACT SHEET**

**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 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 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 space 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 4,000 people to more

than 185,000.

Each council collects rates from residents and businesses in its municipality to help fund its

local community infrastructure and service obligations.

**Victorian councils are responsible for $33 billion worth of assets and infrastructure**

**including roads, bridges, town halls, recreation and leisure facilities, drains, libraries and**

**parks. They also provide more than 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 government.**

From foot and bike paths, public street lighting, litter bins, school crossings, library books,

internet services, sporting facilities, community meeting spaces and places, swimming pools,

public playgrounds, bus shelters, parking spaces, community banking and public tips to dog

litter disposals, removal of dumped rubbish, youth and family counselling, baby capsule hire,

childcare programs, preschools & kindergartens, school holiday programs, head lice and

immunisations.

Many council services are also provided to residents in their homes including in-home child

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.



|  |  |  |
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| **COUNCIL****SERVICE** | **PROGRAM** | **EXAMPLE** |
| **General public****services** | Emergency prevention & protection | Community disaster/emergency plans |
| Animal management and control | Animal shelters, pet registration |
| Tourism | Visitor information centres, marketing plans |
| Commerce and industry | Local industry networks, incentive programs |
| Community information | Community directory, websites/online services,counselling & support groups |
|  |
| **Health, Welfare****and Community****Services** | Aged care programs | Meals on wheels, home care |
| Maternal & child health services | Health checks, nutrition and parenting advice |
| Family & children’s services | School immunisations, childcare, playgroups |
| Youth services | School holiday programs, aerosol art program |
| Disability services | Wheelchair access in the community |
| Cultural development | Festivals, public art, theatre productions |
| Public libraries | Interactive media services, free internet access |
| Leisure and recreation services | Swimming pools, sports ovals, |
| Housing | Housing diversity through planning schemes |
| Public health services | Food safety inspection, public toilets |
| Employment | Community jobs program, traineeships |
| Migrant and indigenous services | Language aides, multilingual phone lines |
|  |
| **Planning** | Statutory planning | Land use regulation, planning applicationassessment, zone and overlay controls |
| Strategic planning | Neighbourhood character, heritage overlays |
| Planning system reforms | Pre-lodgement certification |
| Built form sustainability | Energy efficient housing |
|  |
| **Land Use****Management** | Rural land use management | Agricultural production, chemical use |
| Forestry/Timber Towns | Forest regulation enforcement on private land,supervising timber harvesting |
| Native title/Indigenous culturalheritage | Recognition of traditional land owners |
|  |
| **Environment** | Waste management | Kerbside recycling, landfills, compost bins |
| Catchment management | Tree planting, protection of water catchments |
| Stormwater management | Litter traps, flood and litter management |
| Native vegetation management | Retention/conservation of native vegetation,tree clearance permits |
| Salinity and water quality | Reticulated sewerage, Waterwatch, drainage |
| Water re-use programs | Septic tanks, greywater on public parks/gardens |
| Weed management | Weed/pest control for roadside reserves,provision of Weed Officers |
| Sustainability | Solar heating for buildings & pools, provision ofwalking tracks & paths to reduce car use |
| Green purchasing programs | Recycled asphalt, signage, mulch & compost |
|  |
| **Infrastructure &****Assets** | Asset maintenance and development | Town halls, historic buildings, |
| Road construction and maintenance | Roads, roundabouts, bridges, speed humps |
| Footpath constructions &maintenance | Nature strips, bike paths, street cleaning |
| Traffic and parking management | Traffic and parking signs |
| Community safety measures | Public lighting, fire prevention plans |
| Public space maintenance | Parks & gardens, street cleaning, cemeteries |
| Leisure facilities | Recreation and community centres |
| Telecommunications & broadbandinfrastructure | Wired Development collaborative venture |

**FACT SHEET**

**LOCAL GOVERNMENT COST PRESSURES**

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

the rates it needs to collect.

**1. COST SHIFTING**

Cost shifting costs Victorian councils many millions of dollars each year. It occurs when other

levels of government shift their responsibility for delivering programs and service to local

government, with no or insufficient funding. Councils face additional pressures to continue a

program once funding is discontinued. Some current pressures faced by councils include:

**Childcare costs**

Councils are facing additional staff costs for local government employed childcare workers as

a result of ASU case lodged and settled at the Australian Industrial Relations Commission.

Forty-four Victorian councils are paying wage increases of between 5 – 15% to deserving

childcare workers but the commonwealth Childcare Benefit has not recognised increased

costs and remains unchanged. Councils and parents must fund these additional costs.

**Immunisation programs**

Local government has been instrumental in Victoria achieving the highest rate of infant/

preschool immunisation in the nation, at the lowest cost. Established financial arrangements

exist between the Commonwealth and state governments to fund the delivery of immunisation

services. In Victoria funding to GPs ranges from $50 - $68, while councils receive $6 for

preschool immunisations and between $2 and $4.50 for school-age immunisations.

A recent MAV/DHS study concluded that Victorian councils contribute between 61 – 83 per cent

of the total cost of delivering immunisation services. This costs local councils and their

ratepayers $3.8 million per year and saves the Commonwealth and Victorian Government $12.5

million per year. The Victorian Government responded in December last year increasing funding

by $1.3 million per year. Federal Government funding levels remain unchanged.

**Ageing population and increasing demand for HACC services**

Under the Home and Community Care Act 1985 the Commonwealth and state governments

jointly fund home and community care (HACC) programs 60/40 per cent respectively.

Funding has failed to keep pace with demand, so councils, the largest single provider of

HACC services in Victoria, have been subsidising the costs of providing this service. A recent

Auditor General’s report estimated the cost of council contributions to HACC services to be

$130 million for the three years from 2000 to 2003. This unsustainable trend continues to grow

each year.

**Public Libraries**

MAV estimates local government contributed $282 million in funding for public libraries from

2000 to 2003, with council contributions growing each year. The State Government’s

contribution during this same period was $77.8 million. Local government has long sought the

restoration of the 50/50 State-local funding partnership, which would allow councils to redirect

ratepayer funds to other areas of need.

**Planning reforms**

The capacity of councils to manage the implementation of new or revised State Government

planning policies remains a challenge and a significant cost pressure. Councils are

undertaking complex strategic planning processes in response to new rural developments,

such as wind farms and agricultural industries. Metropolitan councils are also responding to

challenges posed by Melbourne 2030, and coupled with reforms to statutory planning

processes, council resources continue to be stretched.

**2. AGEING INFRASTRUCTURE**

Funding for maintenance of ageing infrastructure and assets is a major cost pressure for

councils. Local government has a limited capacity to raise revenue and its ability to upgrade,

replace and maintain ageing infrastructure primarily relies upon rate revenue. Councils also

face additional costs in meeting new road management responsibilities as a result of the

abolition of nonfeasance immunity for road authorities by the High Court in 2001.

The Auditor General identified a backlog of between $1.5-$2.7 billion for maintenance of

ageing infrastructure in 2002 and the MAV has calculated an annual infrastructure spending

deficit of approximately $256 million.

**3. UNPAID RATES AND FINES**

**PERIN**

Local government’s share of infringements awaiting collection by the PERIN Court is in the

order of $120 million for the last five-year period. This amount includes an up-front fee of

$39 paid by councils to lodge each fine and an $18 fee for each courtesy letter. These fees

are paid regardless of whether the infringement is ever resolved.

**Unpaid Rates**

Each year a percentage of council rates remain unpaid, or is waived or deferred for

extenuating circumstances. Relief mechanisms to those who experience difficulties in meeting

payments include capped rate increases for individual properties, remissions and

postponement of payments.

An MAV survey of 60 councils found that, on average, 2.6% of rates totalling more than $39

million remain unpaid for the 2002-03 financial year alone. While all outstanding rates are

collected over time, services and programs continue to be delivered and the interim funding

gap places additional pressure on councils’ financial capacity.

**4. TAX COLLECTION OF BEHALF OF OTHER ORGANISATIONS**

**Fire Services Levy increases**

Twenty-five metropolitan councils each contribute 12.5% of all funding for metropolitan fire

services in Victoria. In 2003-04 council contributions increased between 16 – 29% totalling

$3.5 million as a result of an enterprise bargaining agreement struck between the MFB and

Government. In 2004-05 a further 11% increase on council contributions equated to an

additional $2.7 million impost. In 2005-06 this amount is predicted to increase again by 8.4%

or an additional $2.3 million. Such significant increases in levies are a burden for ratepayers,

who also contribute to the fire services through their own insurance premiums.

**FACT SHEET**

**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 through their

Council Plan. This Plan is a statutory requirement which describes the strategic objectives

and strategies that will be implemented by a council for the following four years. It includes a

Strategic Resources Plan, which sets out the financial, and human resources required to

achieve the objectives contained in its Council Plan over four financial years.

A Council Plan must be prepared by 30 June each year. Each council issues a public notice

seeking community input into its draft plan for 14 days, before the plan is finalised and

adopted by council for submission to the Minister.

**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 needs of its

assets and 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 that will be collected from other sources such as

State and Federal government funding and from loans. By using these estimates a council

can then determine the amount required to be collected 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. Councils submit their budget to the Minister before 31 August each

year.

**Local government is the only level of government that provides an open and transparent**

**budget-setting process that seeks community discussion and input into the development**

**of council spending initiatives and priorities for the coming year.**

**FACT SHEET**

**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 2004

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 valuation is 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, as determined by a

valuer

**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.

**FACT SHEET**

**COUNCIL RATES**

**Property Tax**

Council rates are a form of property tax. Councils use property values as the basis for

calculating how much each property owner pays in rates.

Seventy-five per cent of the infrastructure and services provided by councils are funded

through the collection of rates, user fees, fines and charges.

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







municipal charges

waste management (garbage) charges

rate in the dollar.

**Rate Process**

A council begins its rate process each year by determining any municipal and garbage

(service) charges that may be needed to recover part of its administrative cost and the cost

of providing waste collection and disposal services respectively.

Once these discretionary charges have been accounted for, a council determines the rate in

the dollar by dividing the balance of the 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 garbage charges set by a council to determine

the total rates payable on a property.

**Example: Calculating General Rates**

If 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 would be 0.004 (40,000,000

10,000,000,000).

The rates payable on Property A, valued at $200,000, would be $800 ($200,000 x 0.004).

**Contrary to popular belief, rising property values have no impact on council revenue**

**collection. Council budgets are pre-determined to meet expenditure requirements.**

**Rising property value usually result in the adjustment, by council, of a lower rate in**

**the dollar to offset the overall increase in property values.**

**FACT SHEET**

**FUNDING OF LOCAL GOVERNMENT**

**Local Government Funding Sources**

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

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Rates on property

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

fees, planning permit fees, parking fees and fines)

Borrowings (eg. to pay for large infrastructure projects), asset sales,

donations, contributions, reimbursements and interest earned

Specific purpose grants from State and Commonwealth Government, for

funding specific projects or programs

General purpose grants from State and Commonwealth Government that

are not tied to a specific purpose.

*\* State and Commonwealth Government grants are typically derived from a sharing of*

*taxation revenue.*

The total funding for local government in Victoria in 2003-04 from all sources was $4 billion.

This can be broken down as follows:

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





$2.97 billion or 73% in rates, fees, fines and charges

$534 million or 13% in specific purpose grants

$356 million or 9% in untied revenue from general purpose grants

$197 million or 5% in other sources, for example interest earned

**In 2002-03 local government in Australia collected only three cents of every dollar**

**raised through taxes. It is the only level of government that issues a bill seeking**

**payment for the revenue it collects.**

*Commonwealth and Victorian Grants Commission, 2002-03; ABS, 2004.*



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| --- | --- |
|  | **Public Sector Revenue** |
| Commonwealth Government | 69% |
| State Government | 28% |
| **Local Government** | **3%** |