Media Release

**Embargoed until 17 July**

**Mounting costs add pressure to council budgets**

17 July 2004

The Municipal Association of Victoria (MAV) has released statewide data on council rates for 2004-05

confirming that, despite mounting cost pressures faced by local government, ratepayers would

experience smaller increases than last year.

Chief Executive of the MAV, Rob Spence said a staggering number of external costs and inadequate

funding arrangements had forced many councils to make difficult decisions to meet the challenge of

balancing responsible financial management with community rights and expectations.

“Although local government collects only three per cent of Australia’s taxes, in Victoria it is a $3.6 billion

business, with three-quarters of this generated through property rates, council fees, fines and charges.

“With a limited capacity to increase income to meet spending obligations, council rates across the state

look set to rise by an average of five per cent or $50 this year,” he said.

According to Mr Spence many local government services and programs are delivered on behalf of other

levels of government but over time funding either decreases, is withdrawn or fails to keep pace with the

actual costs incurred by councils.

“Labour costs, in particular are a large component of many services such as home and community

care, childcare, immunisation and planning.

“The continued provision of many services relies on increasing ratepayer contributions, despite formal

funding arrangements existing with other levels of government for delivering some of these programs.

“Coupled with other external costs including last year’s superannuation shortfall, rising public liability

insurance premiums, increasing fire services levy contributions and upfront fees to recover outstanding

fines, council budgets are under more pressure than even before,” he said.

Victorian local government is also responsible for $33 billion worth of assets and infrastructure.

“Councils cannot afford to let costly community assets become rundown and many have progressively

allocated additional funding to upgrade, replace and maintain ageing infrastructure such as roads,

bridges, town halls, recreation facilities, drains, libraries and parks.

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

the sector is reliant on rate revenue to meet ongoing community needs, rates will continue to increase.

“However, last year’s Federal cost-shifting inquiry has instigated discussions between the three levels

of government on this issue for the first time.

“We remain hopeful that the recently commenced inter-governmental agreement process will be the first

step towards clarifying roles and funding responsibilities for local government,” Mr Spence concluded.

**- Ends -**

**Data on 2004-05 council budgets and rates is available online from** [**www.mav.asn.au**](http://www.mav.asn.au/)

*For further information contact Rob Spence on 0418 132 573 or MAV Communications on (03) 9667 5540/5521*



**2004-05 LOCAL GOVERNMENT RATES DATA**

All council budget information is DRAFT data supplied by individual councils and collated by the MAV

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **COUNCIL** |  |  |  |  |  |  |  |  |  |
|  | $ per property | $ per assessment | $ increase | $ value | 2004/05 | $ allocated | 2004/05 | $ allocated | Estimated Date |
| ALPINE(S) | $ 140,000 | $ 804 | $ 9 | $ 8,127,044 | Additional spending on capital works | $ 600,000 | EBA expected to cost aditional 6% to salary cost | $250,000 | 13-Jul |
| ARARAT(RC) | $ 98,500 | $ 758 | $ 170 | $ 6,994,000 | Road expenditure budget | $ 6,056,000 | Building maintenance expenditure | $341,000 | 27-Jul |
| BALLARAT(C) | $ 177,500 | $ 723 | n/a | $ 39,046,497 | Bridge Mall upgrade | $2.1m | Buninyong Community Facility development | $1.4m | 21-Jul |
| BANYULE(C) | $ 303,000 | $ 704 | -$ 39 | $ 40,616,559 | Sporting pavilion development | $1.46m | Road construction, resheeting & traffic management | $1.9m | 21-Jun |
| BASS COAST(S) | $ 251,000 | $ 743 | $ 60 | $ 19,337,340 | Historic railway precinct development | $ 405,000 | Road construction, resheeting & traffic management | $1,290,000 | 4-Aug |
| BAW BAW(S) | **Not available** |  |  |  |  |  |  |  |  |
| BAYSIDE(C) | $ 545,000 | $ 954 | $ 54 | $ 41,389,600 | Beaumaris Library refurbishment | $2.1m | Brighton foreshore shared path | $1.6m | 28-Jun |
| BENALLA (RC) | $ 137,000 | $ 943 | $ 79 | $ 7,188,900 | Construct new community care centre | $ 450,000 | New community centre and library development | $50,000 | 30-Jun |
| BOROONDARA(C) | $ 530,000 | $ 924 | $ 77 | $ 77,561,000 | Boroondara Sports Centre construction | $8m | Drainage asset renewal | $3.9m | 20-Jun |
| BRIMBANK(C) | $ 219,000 | $ 838 | $ 74 | $ 62,400,000 | Sunshine Swim & Leisure Centre | $3.4m | Sydneham Interactive Learning Centre | $1.06m | 13-Jul |
| BULOKE(S) | **Not available** |  |  |  |  |  |  |  |  |
| CAMPASPE(S) | $ 155,000 | $ 800 | $ 79 | $ 18,438,015 | Focus on improving asset base | $1.5m | Community Building Framework | $350,000 | 13-Jul |
| CARDINIA(S) | $ 208,000 | $ 790 | $ 98 | $ 23,424,916 | Cardinia Aquatic Centre | $10.3m | Connect Cardinia - 50km of unsealed roads | $4.7m | 5-Jul |
| CASEY(C) | $ 219,500 | $ 742 | $ 68 | $ 69,859,000 | Green waste service | $2.5m | Casey Fields development | $3.65m | 22-Jun |
| CENTRAL GOLDFIELDS(S) | $ 88,235 | $ 638 | $ 76 | $ 5,556,400 | Waste management facilities | $ 435,500 | Industrial Estate | $386,000 | 23-Jun |
| COLAC-OTWAY(S) | $ 150,000 | $ 774 | $ 93 | $ 12,300,000 | Municipal Pound upgrade | $ 180,000 | Regional playground - access for all abilities | $ 150,000 | 28-Jul |
| CORANGAMITE(S) | $ 116,000 | $ 650 | -$ 6 | $ 10,180,102 | Resealing program on local roads | $1.25m | Resheeting program on local raods | $750,000 | 22-Jun |
| DAREBIN(C) | $ 311,000 | $ 793 | $ 75 | $ 54,303,000 | Indigenous Economic summit |  | Increasing access to culturally diverse communities |  |  |
| EAST GIPPSLAND(S) | $ 170,000 | $ 804 | $ 116 | $ 22,900,000 | Asset management program | $ 150,000 | Recreation centre improvements | $ 500,000 | 28-Jul |
| FRANKSTON(C) | $ 217,000 | $ 734 | $ 53 | $ 43,105,000 | Frankston Central Acitivty District improvements | $4.3m | Frankston foreshore upgrade works | $2m | 12-Jul |
| GANNAWARRA(S) | **Not available** |  |  |  |  |  |  |  |  |
| GLEN EIRA(C) | $ 410,000 | $ 808 | $ 29 | $ 50,494,213 | Carnegie Library & Community Centre | $7m | Bentleigh Shopping Centre upgrade | $1.7m | 15-Jun |
| GLENELG(S) | $ 119,000 | $ 552 | $ 50 | $ 12,857,572 | Financial sustainability emphasis |  | Increased spending on maintaining infrastructure |  | 27-Jul |
| GOLDEN PLAINS(S) | $ 156,000 | $ 571 | $ 43 | $ 5,832,000 | Bannockburn family service centre construction | $1.32m | Bannockburn Business Estate - stage 2 dev | $1.08m | 24-Jun |
| GREATER BENDIGO(C) | $ 180,000 | $ 787 | $ 53 | $ 41,700,959 | Youth resource center development | $2.1m | Multi storey carpark construction | $3.1m | 2-Aug |
| GREATER DANDENONG(C) | $ 245,000 | $ 633 | $ 34 | $ 52,100,000 | Dandenong Town Hall redevelopment | $8.5m | Dandenong Market upgrade - Stage 1 | $4m | 7-Jun |
| GREATER GEELONG(C) | $ 248,298 | $ 796 | $ 49 | $ 87,339,857 | Skilled Stadium upgrade | $2m | Rescue 2006 acquatic facility development upgrade | $3.29m | 22-Jun |
| GREATER SHEPPARTON(C) | $ 171,000 | $ 781 | $ 31 | $ 29,753,548 | Mooroopna Hub redevelopment | $ 1,891,000 | Regional All Abilities playground | $325,000 | 3-Aug |
| HEPBURN(S) | **Not available** |  |  |  |  |  |  |  |  |
| HINDMARSH(S) | **Not available** |  |  |  |  |  |  |  |  |
| HOBSONS BAY(C) | $ 285,000 | $ 760 | $ 33 | $ 43,000,000 | Road & footpath maintenance construction | $4.5m | Parks & sports ground improvements | $1m | 1-Jul |
| HORSHAM(RC) | $ 137,000 | $ 831 | $ 51 | $ 9,828,097 |  |  |  |  | 26-Jul |
| HUME(C) | $ 226,000 | $ 768 | $ 79 | $ 57,484,000 | Road and drainage works | $3.475m | Footpath rehabilitation and replacement works | $2.388m | 12-Jul |
| INDIGO(S) | $ 159,500 | $ 832 | $ 93 | $ 6,529,819 | Multi-purpose community centre | $ 980,000 | New finance system implementation | $240,000 | 10-Aug |
| KINGSTON(C) | $ 295,000 | $ 819 | $ 50 | $ 59,093,000 | Clarinda Community Centre | $ 2,717,000 | Local footpaths, road, carpark and traffic works | $5,575,000 | 12-Jul |
| KNOX(C) | $ 265,000 | $ 704 | $ 33 | $ 50,723,439 | Regional skate & BMX facility development | $ 500,000 | Murrindal Family Centre expansion | $ 475,000 | 22-Jun |
| LATROBE(C) | **Not available** |  |  |  |  |  |  |  |  |
| LODDON(S) | $ 50,000 | $ 494 | $ 46 | $ 5,311,905 | Community plan projects (new initiative) | $ 903,200 | Roads and street infrastructure | $5,008,862 | 25-Jun |
| MACEDON RANGES(S) | $ 245,000 | $ 971 | $ 54 | $ 18,640,515 | New library service | $ 150,000 | Building maintenance program | $ 360,000 | 14-Jul |
| MANNINGHAM(C) | $ 412,000 | $ 1,006 | $ 99 | $ 47,415,223 | Wonga Park Integrated Community Facility | $ 705,000 | Municipal heritage study reviews | $70,000 | 29-Jun |
| MANSFIELD (S) | $ 265,000 | $ 808 | $ 90 | $ 5,566,528 | Interpretive Centre | $ 960,000 | Mansfield streetscape | $250,000 | 29-Jun |
| MARIBYRNONG(C) | $ 290,000 | $ 1,024 | $ 63 | $ 41,700,000 | Maribyrnong Aquatic Centre | $10m | West Footscray Community Learning Centre dev | $1.5m | 29-Jun |
| MAROONDAH(C) | $ 268,000 | $ 814 | $ 65 | $ 38,609,548 | Increase in $9.7m capital expenditure | $ 776,000 | Impact of Road Management Act | $230,000 | 21-Jun |
| MELBOURNE(C) | $ 292,000 | $ 730 | $ 3 | $ 117,370,000 | Argyle Square Piazza development | $1.5m | Royal Park - wetlands construction works | $4.9m | 24-Jun |
| MELTON(S) | $ 195,000 | $ 834 | $ 16 | $ 34,000,000 | Unsealed roads construction | $2m | Community facility, library & civic centre | $ 765,000 | 28-Jun |
| MILDURA(RC) | $ 144,000 | $ 927 | $ 39 | $ 30,122,750 | Increase in council's major events unit | $ 150,000 | New netball facility (partnership with netball assoc.) | $425,000 | 24-Jun |
| MITCHELL(S) | $ 170,000 | $ 789 | $ 83 | $ 12,758,762 | Establishment of new landfill, transfer station | $ 950,000 | Wallan Library establishment | $350,000 | 15-Jun |
| MOIRA(S) | $ 151,897 | $ 864 | $ 78 | $ 14,800,000 | Maintenance and renewal of ageing assets | $7.46m | Continued debt reduction from $6.7m to $5.8m | $ 913,000 | 19-Jul |
| MONASH(C) | **Not available** |  |  |  |  |  |  |  |  |
| MOONEE VALLEY(C) | $ 345,000 | $ 923 | $ 67 | $ 53,185,470 | Waste management strategy & kerbside service | $3.36m | Niddrie Health & Community Facility redevelopment | $1.3m | 15-Jun |

**2004/05 Rate rise on**

**median residential**

**property**

**Total estimated rate**

**revenue 2004-05**

**Cost per budgetary**

**initiative**

**Cost per budgetary**

**initiative**

**2004/05 Median**

**residential property**

**value**

**2004/05 Rate on**

**median residential**

**property**

**Major budgetary**

**initiatives**

**Major budgetary**

**initiatives**

**Final Budget**

**2004-05 LOCAL GOVERNMENT RATES DATA**

**Responses: 64 of 79 councils**

Moonee Valley City - total estimated 2004-05 rate revenue includes special waste management one-off charge of $50 per residential property, totalling $2.1million

Mitchell Shire - includes an increase in garbage charge from $130 in 2003 to $170 in 2004. Further information can be obtained from the Mitchell Shire CEO.

All council budget information is DRAFT data supplied by individual councils and collated by the MAV

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| MOORABOOL(S) | **Not available** |  |  |  |  |  |  |  |  |
| MORELAND(C) | $ 300,000 | $ 832 | $ 19 | $ 56,502,577 | Creation of Glenroy Neighbourhood Facility | $ 800,000 | JP Fawkner Pavilion alterations and additions | $ 363,000 | 26-Jul |
| MORNINGTON PENINSULA(S) | $ 282,000 | $ 598 | $ 64 | $ 66,188,000 | Share path Linkages program | $5m | Community halls refurbishment program | $500,000 | 12-Jul |
| MOUNT ALEXANDER(S) | $ 117,000 | $ 625 | -$ 103 | $ 8,086,000 | Swimming pool renewal works | $ 473,000 | Drainage works | $158,000 | 22-Jun |
| MOYNE(S) | **Not available** |  |  |  |  |  |  |  |  |
| MURRINDINDI(S) | $ 173,690 | $ 863 | $ 29 | $ 8,685,162 | Swimming pool upgrades | $ 800,000 | Economic Development | $100,000 | 27-Jul |
| NILLUMBIK(S) | $ 348,000 | $ 1,002 | $ 24 | $ 24,996,737 | Road sealing | $ 850,000 | Eltham Leisure Centre redevelopment | $1.94m | 30-Jun |
| NORTHERN GRAMPIANS(S) | **Not available** |  |  |  |  |  |  |  |  |
| PORT PHILLIP(C) | $ 450,000 | $ 948 | -$ 6 | $ 57,908,054 | South Melbourne Market upgrade | $3m | Greening Port Phillip program | $1m | 12-Jul |
| PYRENEES(S) | $ 87,507 | $ 567 | $ 36 | $ 4,003,176 | Appointment of full-time Building Inspector | $ 119,000 | Road maintenance | $220,000 | 15-Jun |
| QUEENSCLIFFE(B) | **Not available** |  |  |  |  |  |  |  |  |
| SOUTH GIPPSLAND(S) | $ 142,000 | $ 805 | $ 80 | $ 17,594,660 | South Gippsland Leisure Centre | $2.6m | Tarwin Lower bike track | $276,000 | July |
| SOUTHERN GRAMPIANS(S) | **Not available** |  |  |  |  |  |  |  |  |
| STONNINGTON(C) | $ 431,000 | $ 686 | $ 35 | $ 49,626,468 | Upgrade local roads | $2.4m | Drainage works | $1.9m | 21-Jun |
| STRATHBOGIE(S) | $ 112,000 | $ 915 | $ 107 | $ 6,966,800 | Road maintenance - Road Mngt Act | $ 411,000 | Business Development Information project | $195,000 | 3-Aug |
| SURF COAST(S) | $ 370,000 | $ 971 | $ 12 | $ 15,355,463 | Asset renewal expenditure | $1.86m | Lorne streetscape & Visitor Information Centre | $900,000 | 8-Jul |
| SWAN HILL(RC) | **Not available** |  |  |  |  |  |  |  |  |
| TOWONG(S) | **Not available** |  |  |  |  |  |  |  |  |
| WANGARATTA(RC) | $ 140,000 | $ 818 | $ 92 | $ 12,946,554 | Establishment of joined-up government centre | $1.5m | Joint library facility with local TAFE campus | $1.5m | 29-Jun |
| WARRNAMBOOL(C) | **Not available** |  |  |  |  |  |  |  |  |
| WELLINGTON(S) | $ 120,000 | $ 713 | $ 143 | $ 24,298,584 | Rosedale multi-purpose community centre | $2.4m | Port Albert Wharf & boardwalk construction | $980,000 | 6-Jul |
| WEST WIMMERA(S) | $ 46,250 | $ 352 | $ 26 | $ 3,481,485 | Road maintenance | $ 805,000 | Increased road and footpath maintenance | $2,836,100 | 29-Jul |
| WHITEHORSE(C) | $ 335,000 | $ 663 | $ 38 | $ 46,851,000 | Planning work on commuity & cultural hub | $ 500,000 | Skate facility in Box Hill South | $429,000 | 28-Jun |
| WHITTLESEA(C) | $ 264,000 | $ 779 | $ 12 | $ 49,103,000 | Community facility inc. meeting space & MCH | $1.65m | New preschool | $980,000 | 22-Jun |
| WODONGA(RC) | $ 202,000 | $ 1,055 | $ 20 | $ 18,564,194 | Olympic Pool Complex major upgrade | $2.3m | Waste Transfer Station construction | $1.98m | 12-Jul |
| WYNDHAM(C) | $ 201,500 | $ 831 | $ - | $ 51,690,000 | Tarneit Road duplication (stage 3) | $2.6m | Construction of Jamieson Way Community Centre | $3.2m | 5-Jul |
| YARRA (C) | $ 395,000 | $ 938 | $ 17 | $ 50,045,028 | Mobile recycling bins - OH&S requirements | $1.1m | Community grants program | $553,000 | 13-Jun |
| YARRA RANGES(S) | $ 240,000 | $ 890 | $ 57 | $ 59,644,000 | Tree maintenance & management | $ 922,000 |  |  | 29-Jun |
| YARRIAMBIACK(S) | $ 70,000 | $ 580 | -$ 5 | $ 5,520,739 | Scott St, Warracknabeal streetscape | $ 320,000 | Comyn St, Murtoa streetscape | $270,000 | 10-Aug |
|  |  |  |  |  |  |  |  |  |  |

**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.

Some of the cost pressures in 2004 include:

**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.

**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 6-/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.

Within the next 12 months many councils will be required to update strategic plans in order to

adopt new rural zones. 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 planning for 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.

A recent 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 has equated to an

additional $2.7 million impost. Such significant increases in levies are a burden for

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

**FACT SHEET**

**PROPERTY VALUATIONS 2004**

**Biennial Property Valuations**

Victoria has more than 2.2 million properties. Local government uses property values to

apportion the 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 have recently undergone valuations at the prescribed date of 1

January 2004. To work out how much each property is worth council valuers’ analyse latest

property sales and rental data, as well as considering other factors such as use of the land,

shape, size, location, house value and other site improvements.

Each council will use this valuation data to apportion the amount of rates to be paid by each

property owner in the 2004-05 and 2005-06 financial years.

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 according to property price movements.

**No Financial Windfall**

**Increased property values do not increase the total amount of money a council**

**collects in rates. It merely 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 a municipality. A council**

**budget determines how much it collects in rates – not property valuations.**

**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 if they are dissatisfied with the determination provided by the council valuer.



**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 2002-03 from all sources was $3.6 billion.

This can be broken down as follows:







$2.73 billion or 75% in rates, fees, fines and charges

$536 million or 15% in specific purpose grants

$344 million or 10% in untied revenue from general purpose grants.

**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.*



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

**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 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**

**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

Currently used by 72 councils

**Site Value**





SV refers to the unimproved market value of the land

Currently used by one council, Monash City Council.

**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

Currently used by six councils - Glen Eira, Maribyrnong, Melbourne, Port Phillip,

Yarra and Whittlesea.

