**Councils under pressure to increase rates**

1 July 2006

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

an average 6.3% across Victoria, as budgets face a mounting combination of cost pressures.

MAV President, Cr Geoff Lake said local government revenue in Victoria is set to increase by 4.5%

to $4.7 billion in the year ahead, while rates are increasing at a faster pace.

“A range of external costs and inadequate funding arrangements have forced many councils to

make difficult decisions to meet the challenge of balancing responsible financial management with

community needs and expectations.

“In particular, the total proportion of financial contributions from other levels of government has

failed to keep pace with local government costs. This has severely undermined the budgetary

position of councils and forced rates up.

“As a result, a greater proportion of councils’ total revenue is now being generated from rates,

increasing from an average of 51% in 2004 to 55% this year.

“In addition, Victorian councils are facing an annual shortfall of $310 million to repair and maintain

ageing infrastructure such as roads, bridges, footpaths, town halls, recreation facilities, swimming

pools and drains,” he said.

Cr Lake believes sustainable funding streams from other levels of government must be addressed

as a matter of priority at the highest level.

“Of the total tax revenue collected by all levels of government, councils collect only three per cent.

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

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

“It is time for financial assistance grants from the Commonwealth to increase and other

government funding programs to keep pace with the real cost of delivering services.

“Until this happens, councils are faced with few options and will be forced to continue their reliance

on rate revenue to meet ongoing community needs,” Cr Lake concluded.

**Note:** 2006 is a biennial property revaluation year. New property valuations affect how much each

property owner contributes towards the rates, but not the total amount collected in rates by a council.

**- Ends -**

*Further information contact MAV President Geoff Lake on 0411 645 281 or MAV Communications*

*on (03) 9667 5521/0414 396 097.*

**2006-07 council budget and rates data is on the hotlist of the MAV home page: www.mav.asn.au**

Municipal Association of Victoria

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**2006-07 council rates data collated by the MAV has been**

**provided in two formats – rates per assessment and rates**

**per capita.**

**Rates per assessment**

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

to measure rate movements for the past two years.

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

households.

Demographic characteristics and the economic dynamics of the community affect the

quantum average rates per assessment. For example, councils with high levels of

commercial and industrial businesses tend to have higher rates per assessment than other

councils do, irrespective of the residential rates.

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 capita**

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

population to measure rates for 2006-07.

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 Commonwealth

and state governments are compared on a per head basis so this measure enables a valid

comparison with these figures.

It is also a useful measure in gaining a clearer picture of the rate 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.

**2006-07 Victorian Council Budget and Rates Data**

All data has been provided by individu al councils and collated by the MAV.

**Budgeted total**

**revenue for 2006-**

**07**

**Gross Rates,**

**Municipal**

**Charges and**

**Garbage Charges**

**2006-07**

**Rate Revenue as**

**a proportion of**

**total revenue 05-**

**06**

**Rate Revenue as**

**a proportion of**

**total revenue 06-**

**07**

**Per assessment -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per**

**assessment**

**Per head of**

**population -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per head**

**of population**

Alpine (S)

Ararat (RC)

Ballarat (C)

Banyule (C)

Bass Coast (S)

Baw Baw (S)

Bayside (C)

Benalla (RC)

Boroondara (C)

$19,837,000

$18,582,000

$93,351,000

$82,415,000

$40,400,000

$46,639,000

$69,465,000

$16,357,000

$123,900,000

$8,073,584

$8,134,000

$47,181,000

$46,910,109

$23,727,000

$22,561,734

$46,698,000

$9,509,803

$89,437,000

40.7%

46.4%

45.2%

52.4%

60.5%

47.4%

66.2%

42.9%

66.8%

40.7%

43.8%

50.5%

56.9%

58.7%

48.4%

67.2%

58.1%

72.2%

$1,037

$1,205

$1,148

$953

$910

$1,153

$1,178

$1,280

$1,313

$45

$75

$65

$67

$62

$138

$68

$93

$82

$597

$699

$536

$398

$780

$577

$511

$672

$562

$23

$43

$35

$28

$40

$64

$29

$51

$38

Brimbank (C)

Buloke (S)

Yet to consider draft budget

Yet to consider draft budget

Campaspe (S)

Cardinia (S)

Casey (C)

Central Goldfields (S)

Colac-Otway (S)

Corangamite (S)

Darebin (C)

East Gippsland (S)

Frankston (C)

$48,953,067

$51,200,000

$167,302,000

$19,173,534

$31,673,000

$29,560,000

$99,204,000

$53,114,000

$100,292,000

$20,783,674

$27,931,059

$84,795,000

$6,584,451

$14,736,888

$11,574,878

$62,869,786

$27,073,548

$51,897,000

38.4%

51.5%

47.5%

33.2%

46.4%

36.6%

62.4%

53.4%

52.8%

42.5%

54.6%

50.7%

34.3%

46.5%

39.2%

63.4%

51.0%

51.7%

$1,066

$1,100

$995

$827

$1,069

$1,228

$1,048

$984

$980

$38

$22

$62

$60

$92

$53

$62

$72

$61

$550

$436

$369

$501

$672

$659

$485

$655

$436

$23

$7

$24

$41

$53

$30

$22

$43

$30

Gannawarra (S)

Yet to consider draft budget

Glen Eira (C)

Glenelg (S)

Golden Plains (S)

Greater Bendigo (C)

Greater Dandenong (C)

Greater Geelong (C)

$86,422,942

$32,987,874

$21,074,380

$99,578,000

$107,325,000

$177,270,000

$54,917,710

$15,907,056

$7,824,540

$49,407,696

$68,217,749

$105,064,988

62.5%

44.7%

35.2%

50.6%

64.6%

57.7%

63.5%

48.2%

37.1%

49.6%

63.6%

59.3%

$952

$1,191

$897

$1,042

$1,235

$1,066

$34

$100

$82

$71

$99

$70

$446

$785

$452

$503

$505

$496

$19

$71

$32

$28

$41

$32

Greater Shepparton (C)

Yet to consider draft budget

Hepburn (S)

Hindmarsh (S)

$18,250,000

$12,815,625

$9,137,023

$4,242,274

41.7%

33.6%

50.1%

33.1%

$934

$849

$52

$50

$609

$668

$39

$44

**Budgeted total**

**revenue for 2006-**

**07**

**Gross Rates,**

**Municipal**

**Charges and**

**Garbage Charges**

**2006-07**

**Rate Revenue as**

**a proportion of**

**total revenue 05-**

**06**

**Rate Revenue as**

**a proportion of**

**total revenue 06-**

**07**

**Per assessment -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per**

**assessment**

**Per head of**

**population -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per head**

**of population**

Hobsons Bay (C)

Horsham (RC)

Hume (C)

Indigo (S)

Kingston (C)

Knox (C)

Latrobe (C)

Loddon (S)

Macedon Ranges (S)

Manningham (C)

Mansfield (S)

Maribyrnong (C)

Maroondah (C)

Melbourne (C)

Melton (S)

Mildura (RC)

Mitchell (S)

Moira (S)

Monash (C)

Moonee Valley (C)

Moorabool (S)

i

Mornington Peninsula (S)

Mount Alexander (S)

$27,379,413

$136,764,000

$20,480,000

$114,188,000

$92,235,000

$76,999,000

$19,985,922

$39,049,000

$75,932,000

$12,721,000

$71,586,000

$73,499,000

$263,677,000

$97,568,221

$64,668,000

$32,656,000

$34,709,350

$111,094,223

$87,853,000

$29,199,465

$95,795,000

$129,718,000

$22,825,860

$11,628,514

$70,848,808

$7,622,676

$67,902,000

$55,996,860

$42,072,000

$5,903,712

$21,683,716

$53,840,473

$7,803,966

$44,769,000

$44,121,399

$135,553,756

$40,006,500

$35,491,000

$15,307,000

$18,051,853

$59,547,482

$56,612,850

$14,746,982

$66,763,824

$85,073,000

$9,578,380

42.3%

48.9%

31.5%

58.4%

59.4%

54.4%

26.9%

51.5%

70.8%

52.7%

56.8%

57.1%

52.2%

41.2%

50.3%

42.5%

49.8%

49.9%

64.2%

53.5%

67.0%

60.8%

42.1%

42.5%

51.8%

37.2%

59.5%

60.7%

54.6%

29.5%

55.5%

70.9%

61.3%

62.5%

60.0%

51.4%

41.0%

54.9%

46.9%

52.0%

53.6%

64.4%

50.5%

69.7%

65.6%

42.0%

$1,044

$1,208

$990

$1,048

$944

$1,217

$772

$1,169

$1,239

$1,161

$1,005

$2,318

$1,143

$1,360

$1,037

$1,135

$862

$1,134

$1,124

$1,037

$944

$940

$72

$87

$65

$70

$32

$40

$23

$63

$69

$73

$57

-$56

$39

$78

$128

$77

$71

$65

$84

$70

$44

$65

$602

$407

$485

$499

$371

$597

$679

$470

$465

$1,146

$704

$428

$1,820

$446

$666

$484

$645

$363

$505

$567

$484

$591

$545

$40

$24

$31

$34

$14

$33

$23

$47

$20

$111

$32

$20

$62

$8

$38

$58

$58

$29

$29

$55

$26

$33

$40

Moyne (S)

Murrindindi (S)

Yet to consider draft budget

Yet to consider draft budget

Nillumbik (S)

Northern Grampians (S)

Port Phillip (C)

Pyrenees (S)

Queenscliffe (B)

$50,435,241

$21,464,500

$118,977,000

$15,379,000

$6,860,546

$31,486,093

$8,598,298

$67,169,140

$4,694,752

$3,875,604

56.1%

37.3%

56.0%

33.7%

59.3%

62.4%

40.1%

56.5%

30.5%

56.5%

$1,456

$942

$1,156

$843

$1,349

$133

$32

$81

$51

$93

$516

$653

$774

$711

$1,188

$54

$22

$50

$46

$94

Moreland (C)

**Budgeted total**

**revenue for 2006-**

**07**

**Gross Rates,**

**Municipal**

**Charges and**

**Garbage Charges**

**2006-07**

**Rate Revenue as**

**a proportion of**

**total revenue 05-**

**06**

**Rate Revenue as**

**a proportion of**

**total revenue 06-**

**07**

**Per assessment -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per**

**assessment**

**Per head of**

**population -**

**average rates,**

**municipal charge**

**and garbage**

**charge 06-07**

**Change in**

**average rates,**

**municipal charge**

**and garbage**

**charge per head**

**of population**

South Gippsland (S)

Southern Grampians (S)

Stonnington (C)

Strathbogie (S)

Surf Coast (S)

$34,861,000

$25,278,813

$101,965,000

$18,344,751

$37,886,788

$20,546,460

$10,082,773

$56,001,161

$8,178,936

$21,888,820

56.8%

41.8%

55.3%

45.8%

53.9%

58.9%

39.9%

54.9%

44.6%

57.8%

$1,155

$991

$1,086

$1,228

$1,280

$85

$54

$71

$100

$131

$744

$597

$619

$835

$907

$49

$33

$41

$71

$71

Swan Hill (RC)

Towong (S)

Yet to consider draft budget

Yet to consider draft budget

Wangaratta (RC)

Warrnambool (C)

Wellington (S)

West Wimmera (S)

Whitehorse (C)

Whittlesea (C)

Wodonga (RC)

Wyndham (C)

Yarra Ranges (S)

Yarra (C)

Yarriambiack (S)

Total

$40,477,000

$44,708,000

$58,671,151

$13,258,786

$115,858,000

$142,015,665

$50,762,000

$104,400,000

$105,711,067

$97,467,922

$13,768,000

$4,616,274,106

$15,746,561

$17,272,422

$28,216,413

$3,725,523

$54,997,224

$56,242,000

$21,937,356

$57,299,377

$68,202,601

$57,323,800

$6,355,575

$2,515,964,190

39.6%

35.2%

49.5%

24.4%

47.3%

37.8%

42.3%

52.1%

64.6%

55.7%

38.6%

52.7%

38.9%

38.6%

48.1%

28.1%

47.5%

39.6%

43.2%

54.9%

64.5%

58.8%

46.2%

54.5%

$1,154

$1,189

$961

$829

$859

$1,109

$1,417

$1,151

$1,160

$1,397

$951

$1,135

$79

$90

$60

$27

$88

$34

$58

$22

$80

$65

$75

$67

$583

$540

$620

$777

$368

$413

$616

$463

$474

$782

$782

$527

$42

$46

-$6

$25

$39

$12

$28

$15

$35

$42

$79

$32

**Statewide Changes**

Change in Budgeted Revenue 2005-06 to 2006-07

Change in Budgeted Rate, Municipal Charge and Garbage Charge Revenue per assessment 2006-07

Change in Budgeted Rate, Municipal Charge and Garbage Charge Revenue per head 2006-07

Change in Budgeted Rate, Municipal Charge and Garbage Charge Revenue

Change in Budgeted Total Revenue (inc government grants, rates, fees, fines and charges) 06-07

4.5%

6.3%

6.4%

$187,092,084

$199,470,677

i

Note that these figures do not include $2,400,000 in rate revenue which will be collected from vacant properties . It is anticipated that the revenue will be rebated directly back to these ratepayers.

**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 $37 billion worth 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.**

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.



|  |  |  |
| --- | --- | --- |
| **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 annual

budget and the rates it needs to collect.

**1. COST SHIFTING**

Cost shifting occurs when governments shift their responsibility for delivering programs and

service on to local government, with no or insufficient funding. This year all spheres of

government signed an intergovernmental agreement establishing a framework for the

allocation of responsibilities to local government, including appropriate funding levels. But the

agreement only covers future transfers. Cost shifting pressures still faced by councils include:

**Maternal and Child Health Service**

The Maternal and Child Health service is delivered by local government, with shared

responsibility between State and local government for its funding and policy development.

The indexation model applied by the State Government to an agreed hourly cost for the

service has led to a disparity between the proportional contributions of the two spheres of

government over the years, resulting in a funding shortfall of $2.4 million in 2005-06.

**Kindergarten infrastructure**

Kindergarten aims to develop children's social, emotional, intellectual, physical and language

abilities in the year before they start primary school. This State Government program often

operates out of facilities provided by local government including purpose built kindergartens,

long day care centres and community halls. Many of these buildings are between 35 and 50

years old and require constant maintenance. Minor capital grants provided by the State

Government are falling considerably short of the real costs of maintaining and upgrading

facilities to a standard acceptable for children to learn and flourish.

**Childcare costs**

As determined by the Australian Industrial Relations Commission, 44 Victorian councils are

paying wage increases of between 5 – 15% to deserving childcare workers but the

Commonwealth has not recognised increased costs and the Childcare Benefit 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. Despite this, a 2004 study demonstrated that Victorian councils contribute between 61

– 83 per cent of the total cost of delivering immunisation services, costing councils and

ratepayers $3.8 million per year while saving the Commonwealth and Victorian Government

$12.5 million per year. The Victorian Government increased funding by $1.3 million per year but

Federal Government funding levels remain unchanged two years on.

**Home and Community Care services**

Councils are the largest single providers of home and community care (HACC) services in

Victoria. Funding for HACC is the joint responsibility of the Commonwealth and state

governments. Councils have had to subsidise the costs of providing services as funding has

failed to keep pace with demand. The Auditor General 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**

The 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. Over several decades, State

Government funding for public libraries has slipped from approximately 50 per cent of the cost

of the service to less than 20 per cent in 2004-05.

**2. AGEING INFRASTRUCTURE**

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

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

ageing infrastructure in 2002 and the MAV recently calculated an annual infrastructure

spending shortfall of $310 million for Victorian councils over the next five years. In order to

address the infrastructure renewal gap and prevent it from further increasing, councils need

to significantly increase their capital expenditure. With a limited capacity to raise the revenue

needed to upgrade, replace and maintain ageing infrastructure, local government will need to

look at a range of options including rate rises, service rationalisation, and cost cutting in other

areas to fund vital renewal programs.

**3. UNPAID RATES AND FINES**

**PERIN**

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

order of $140 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. It is hoped that new

enforcement measures that come into effect 1 July 2006 will improve recovery rates.

**Unpaid Rates**

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

extenuating circumstances. 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. Council contributions have increased 80% since 1999-2000. In 2006-07

this amount is predicted to increase again by 4.5% or an additional $1.32 million. Such

significant increases in levies are a burden for ratepayers, who already contribute to the fire

services through their own insurance premiums.

**5. FUNDING CUTS**

**Local Government Improvement Incentive Program**

Local government stands to lose approximately $18 million in 2006-07 following the

conclusion of the Local Government Improvement Incentive Program, which provided

councils with a stream of revenue for compliance with National Competition Policy, asset

management and Best Value. Some councils with small populations are expected to face

rate rises of approximately 4.5 per cent to recover this loss in revenue.

**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 that needs 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.

All councils are required to 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:

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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 2006

Council valuers undertake a physical inspection of a sample of properties

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

council strikes its rate in the dollar

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

determine the general rates due on each property

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

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

**Capital Improved Value**

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

property including the house, other buildings and landscaping

**Site Value**

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SV refers to the unimproved market value of the land

**Net Annual Value**

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

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:

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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 values usually result in the adjustment, by council, of a lower rate in**

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

**FACT SHEET**

**PROPERTY VALUATIONS 2006**

**Biennial Property Valuations**

Victoria has more than 2.5 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 2006. To work out how much each property is worth council valuers’ analyse latest

property sales and rental data, as well as consider 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 2006-07 and 2007-08 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 within a municipality according to property price movements.

**No Financial Windfall for councils**

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

Councils do NOT generate extra revenue as a result of property revaluations.

**Increased property values do not increase the total 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. A council**

**budget determines how much a council 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 2004-05 from all sources was $4.35

billion. This can be broken down as follows:

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$3.17 billion or 72.9% in rates, fees, fines and charges

$579 million or 13.3% in specific purpose grants

$365 million or 8.4% in untied revenue from general purpose grants

$235 million or 5.4% in other sources, for example interest earned

**In 2004-05 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.**



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| --- | --- |
|  | **Public Sector Revenue** |
| Commonwealth Government | 70% |
| State Government | 27% |
| **Local Government** | **3%** |