**Rate rises needed to offset growing cost pressures**

**30 June 2007**

The Municipal Association of Victoria (MAV) confirmed the average increase for council ratepayers will be

6 per cent or $65 in 2007-08 to offset mounting cost pressures.

Cr Dick Gross, MAV President said local government was getting more innovative at stretching the dollar

further but as costs continued to rise and without a fairer share of Commonwealth taxation, many councils

were forced to increase rates or cut back their obligations.

“It’s simply not realistic to limit rate increases to CPI because local government expenses are driven by

construction, material and wage costs, which have grown by five per cent this year.

“Councils will have to meet these higher expenses just to provide the same level of programs and

services to communities as last year, “ he said.

The MAV calculates the Local Government Cost Index to measure the sector’s expenditure profile.

Delivering a ‘basket’ of council services is not reflected in the Consumer Price Index because the majority

of council expenditure is labour driven (direct employee, material and contract costs) to deliver human-

based services to communities, and to a lesser extent, non-residential construction costs.

Cr Gross said inequitable funding from other levels of government, particularly core financial assistance

through Commonwealth tax distribution had caused rates to increase more than they otherwise would.

“Ratepayers now contributed 56 per cent towards the overall revenue of councils, an increase of 12 per

cent in 10 years, while State and Commonwealth grants failed to grow in line with costs and demand.

“Instead of just whinging, the sector was proactively implementing a range of strategies to overcome

financial constraints and achieve gains in productivity, service delivery and operational effectiveness.

“Local government is demonstrating its strong commitment to improve its efficiency and work smarter

across all areas of council business, in particular to address the $280 million annual shortfall in funding to

maintain, upgrade and renew ageing infrastructure.

“If councils hypothetically funded the infrastructure gap through rate increases, it would lead to an

average 12 per cent rise for each of the next five years, which was an extreme and unrealistic option.

“Instead councils were setting priorities and agreeing on service standards with communities, selling

unutilised assets and borrowing money to finance large capital projects and asset renewal programs.

“The MAV expects the current Productivity Commission review into local government’s revenue raising

capacity will support the direction taken by Victorian councils’ rating strategies, efforts to address the

infrastructure funding gap and initiatives to drive operational efficiency improvements.

“But it’s challenging to balance responsible financial management, community expectations and

affordability for ratepayers with the budget pressures created by inadequate funding and rising costs.

“Rates account for just three cents of every dollar raised in taxes by governments nationally. Despite this,

the annual rate notice is seen as an invitation to kick the council because it’s an accessible target.

“Instead communities should redirect their frustration at the Commonwealth. It’s time our nation’s leaders

stepped up and shared their swelling coffers to take the pressure off council ratepayers,“ he concluded.

**Rates data for 73 of Victoria’s 79 councils for 2007-08 is available at** [**www.mav.asn.au/finance**](http://www.mav.asn.au/finance)

*For further information contact MAV President*

*Cr Dick Gross on 0411 446 167 or the MAV*

*Communications Unit on (03) 9667 5521.*

**2007-08 Victorian Local Government Rates Survey – Embargoed until 30 June 07**

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



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|  | **Total budgeted****rate revenue,****municipal****charge and****waste charges****for 2007-08** | **Total budgeted****revenue for****2007-08** | **Rate revenue as****a proportion of****revenue 07-08** | **Rate revenue as****a proportion of****revenue 06-07** | **Average rates,****municipal****charge and****waste charge****07-08 per****assessment** | **Change in rates,****municipal****charge and****waste charge****per assessment** | **Average rates,****municipal****charge and****waste charge****07-08 per head****of population** | **Change in rates,****municipal****charge and****waste charge****per head of****population** |
| ALPINE(S) | $8,578,882 | $20,571,000 | 42% | 37% | $1,092 | $54 | $634 | $32 |
| ARARAT(RC) | $8,697,000 | $18,378,000 | 47% | 44% | $1,283 | $78 | $761 | $49 |
| BALLARAT(C) | $52,059,216 | $99,872,000 | 52% | 50% | $1,225 | $92 | $605 | $47 |
| BANYULE(C) | $50,490,675 | $84,727,000 | 60% | 56% | $1,013 | $58 | $426 | $25 |
| BASS COAST(S) | $26,116,869 | $42,506,000 | 61% | 62% | $988 | $72 | $834 | $51 |
| BAW BAW(S) | $24,109,198 | $47,452,663 | 51% | 53% | $1,204 | $48 | $572 | $23 |
| BAYSIDE(C) | $50,435,500 | $74,113,000 | 68% | 67% | $1,252 | $73 | $548 | $32 |
| BENALLA(C) | $10,077,136 | $17,784,000 | 57% | 54% | $1,332 | $61 | $709 | $39 |
| BOROONDARA(C) | $97,798,000 | $134,824,000 | 73% | 68% | $1,409 | $93 | $612 | $43 |
| BRIMBANK(C) | $76,109,614 | $129,965,000 | 59% | 63% | $1,101 | $93 | $409 | $30 |
| BULOKE(S) | Yet to consider draft budget |
| CAMPASPE(S) | $22,245,984 | $51,562,281 | 43% | 42% | $1,149 | $52 | $581 | $25 |
| CARDINIA(S) | $33,173,253 | $63,593,000 | 52% | 55% | $1,206 | $78 | $512 | $44 |
| CASEY(C) | $93,406,843 | $180,394,000 | 52% | 47% | $1,101 | $76 | $396 | $27 |
| CENTRAL GOLDFIELDS(S) | $7,150,180 | $22,022,902 | 32% | 36% | $887 | $64 | $543 | $42 |
| COLAC-OTWAY(S) | $16,300,500 | $32,959,000 | 49% | 50% | $1,168 | $100 | $758 | $73 |
| CORANGAMITE(S) | $12,346,033 | $31,229,395 | 40% | 38% | $1,308 | $59 | $714 | $33 |
| DAREBIN(C) | $67,934,000 | $106,068,000 | 64% | 63% | $1,108 | $63 | $521 | $33 |
| EAST GIPPSLAND(S) | $29,015,323 | $69,974,000 | 41% | 53% | $1,037 | $53 | $697 | $31 |
| FRANKSTON(C) | $57,440,600 | $57,840,600 | 55% | 54% | $1,017 | $57 | $470 | $31 |
| GANNAWARRA(S) | $7,461,372 | $18,043,000 | 41% | 41% | $1,129 | $65 | $628 | $35 |
| GLEN EIRA(C) | $59,217,000 | $91,801,000 | 65% | 63% | $1,017 | $57 | $481 | $31 |
| GLENELG(S) | $16,680,837 | $34,738,000 | 48% | 47% | $1,238 | $47 | $818 | $35 |
| GOLDEN PLAINS(S) | $8,657,285 | $21,541,020 | 40% | 38% | $949 | $68 | $491 | $37 |
| GREATER BENDIGO(C) | $54,059,429 | $118,759,000 | 46% | 45% | $1,103 | $63 | $550 | $8 |
| GREATER DANDENONG(C) | $65,811,057 | $116,945,000 | 56% | 58% | $1,171 | $78 | $484 | $31 |
| GREATER GEELONG(C) | $113,721,969 | $191,952,000 | 59% | 59% | $1,141 | $75 | $534 | $35 |
| GREATERSHEPPARTON(C) | Yet to consider draft budget |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
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| HEPBURN(S) | $10,037,000 | $19,150,080 | 52% | 40% | $1,000 | $70 | $663 | $46 |
| HINDMARSH(S) | $4,479,504 | $14,270,000 | 31% | 32% | $896 | $45 | $711 | $37 |
| HOBSONS BAY(C) | $57,921,528 | $89,625,000 | 65% | 65% | i$1,542 | $103 | $650 | $43 |
| HORSHAM(RC) | $12,669,580 | $28,304,082 | 45% | 41% | $1,129 | $77 | $636 | $43 |
| iiHUME(C) | $77,183,256 | $144,141,000 | 54% | 49% | $1,242 | $60 | $469 | $23 |
| INDIGO(S) | $8,207,731 | $22,658,000 | 36% | 35% | $1,048 | $59 | $529 | $30 |
| KINGSTON(C) | $73,307,000 | $122,184,000 | 60% | 59% | $1,111 | $63 | $535 | $31 |
| KNOX(C) | $63,098,003 | $100,165,000 | 63% | 62% | $1,049 | $45 | $414 | $19 |
| iiiLATROBE(C) | $45,428,700 | $83,499,000 | 54% | 55% | $1,297 | $73 | $638 | $42 |
| LODDON(S) | $6,426,411 | $20,242,708 | 32% | 32% | $860 | $62 | $756 | $58 |
| MACEDON RANGES(S) | $24,069,913 | $24,069,913 | 100% | 100% | $1,264 | $87 | $508 | $26 |
| MANNINGHAM(C) | $56,212,024 | $81,062,258 | 69% | 64% | $1,290 | $65 | $490 | $21 |
| MANSFIELD(C) | $7,279,026 | $13,808,000 | 53% | 52% | $1,068 | $52 | $950 | $27 |
| MARIBYRNONG(C) | $48,568,360 | $76,450,000 | 64% | 62% | Information not provided | $765 | $53 |
| MAROONDAH(C) | $47,407,546 | $76,527,000 | 62% | 52% | $1,044 | $51 | $467 | $29 |
| ivMELBOURNE(C) | $154,320,000 | $285,943,000 | 54% | 50% | $2,075 | -$291 | $1,996 | $50 |
| MELTON(S) | $43,539,404 | $106,510,000 | 41% | 39% | $1,193 | $35 | $474 | $1 |
| MILDURA(RC) | $37,901,500 | $64,306,976 | 59% | 52% | $1,409 | $64 | $701 | $29 |
| MITCHELL(S) | $16,724,163 | $33,712,000 | 50% | 47% | $1,123 | $92 | $492 | $25 |
| MOIRA(S) | $19,098,650 | $36,464,895 | 52% | 54% | $1,190 | $42 | $649 | $17 |
| MONASH(C) | $63,319,280 | $116,421,991 | 54% | 55% | $901 | $46 | $384 | $20 |
| MOONEE VALLEY(C) | $61,011,012 | $94,429,007 | 65% | 65% | $1,201 | $53 | $540 | $28 |
| MOORABOOL(S) | $17,024,000 | $27,031,000 | 63% | 60% | $1,264 | $85 | $602 | $36 |
| MORELAND(C) | $73,690,506 | $102,189,000 | 72% | 70% | $1,134 | $65 | $540 | $33 |
| MORNINGTONPENINSULA(S) | $83,059,022 | $135,968,000 | 61% | 56% | $911 | $66 | $579 | $38 |
| MOUNT ALEXANDER(S) | Yet to consider draft budget |
| MOYNE(S) | $11,839,851 | $33,230,089 | 36% | 36% | $1,073 | $47 | $734 | $35 |
| MURRINDINDI(S) | Yet to consider draft budget |
| NILLUMBIK(S) | $34,347,143 | $57,234,865 | 60% | 60% | v$1,561 | $84 | $558 | $ 35 |
| NORTHERN GRAMPIANS(S) | $9,168,260 | $20,934,000 | 44% | 40% | $1,004 | $60 | $697 | $43 |
| PORT PHILLIP(C) | $71,020,590 | $126,598,000 | 56% | 56% | $1,169 | -$4 | $790 | $20 |
| PYRENEES(S) | $5,088,650 | $19,201,000 | 27% | 30% | $909 | $62 | $771 | $55 |
| QUEENSCLIFFE(B) | $4,159,620 | $6,707,799 | 62% | 63% | $1,445 | $95 | $1,143 | $77 |
| SOUTH GIPPSLAND(S) | $22,101,461 | $39,575,777 | 56% | 56% | $1,221 | $79 | $767 | $26 |

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Note the high incidence of industrial and petro-chemical assessments within the municipality means the average residential rates per assessment of approximately $942 is more representative of the

rates paid by these households.

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should be treated with caution.

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| SOUTHERN GRAMPIANS(S) | $10,649,256 | $25,790,014 | 41% | 37% | $1,029 | $39 | $630 | $27 |
| STONNINGTON(C) | $59,695,541 | $108,771,000 | 55% | 56% | $1,149 | $54 | $631 | $31 |
| STRATHBOGIE(S) | $8,747,306 | $17,885,423 | 49% | 50% | $1,304 | $55 | $884 | $43 |
| SURF COAST(S) | $24,554,345 | $41,121,252 | 60% | 54% | $1,397 | $107 | $960 | $20 |
| SWAN HILL(RC) | $16,447,890 | $37,869,355 | 43% | 41% | $1,412 | $48 | $765 | $14 |
| TOWONG(S) | Yet to consider draft budget |
| WANGARATTA(RC) | $16,609,693 | $40,875,000 | 41% | 41% | $1,191 | $50 | $608 | $25 |
| WARRNAMBOOL(C) | $18,965,859 | $48,484,000 | 39% | 37% | $1,273 | $90 | $585 | $35 |
| WELLINGTON(S) | $30,448,972 | $56,404,000 | 54% | 54% | $934 | $52 | $717 | $43 |
| WEST WIMMERA(S) | Yet to consider draft budget |
| WHITEHORSE(C) | $59,391,859 | $113,454,000 | 52% | 51% | $913 | $56 | $393 | $25 |
| WHITTLESEA(C) | $61,427,200 | $144,338,230 | 43% | 39% | $1,155 | $44 | $437 | $19 |
| WODONGA(RC) | $23,531,946 | $60,944,000 | 39% | 43% | $1,502 | $68 | $655 | $37 |
| WYNDHAM(C) | $68,630,000 | $165,213,000 | 42% | 42% | $1,259 | $44 | $531 | $21 |
| YARRA(C) | $61,446,000 | $105,831,000 | 58% | 58% | $1,457 | $76 | $841 | $45 |
| YARRA RANGES(S) | $73,714,110 | $120,327,363 | 61% | 65% | $1,232 | $69 | $512 | $33 |
| YARRIAMBIACK(S) | $6,734,213 | $14,904,000 | 45% | 41% | $1,005 | $54 | $858 | $59 |

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| Change in local government revenue | 5.10% |
| Change in rates, municipal charge and waste charges per assessment | 5.53% |
| Change in rates, municipal charge and waste charges per assessment (excluding Melbourne) | 5.92% |
| Change in rates, municipal charge and waste charges per head | 6.07% |
| Change in rates, municipal charge and waste charges per head (excluding Melbourne) | 5.88% |
| Average change in rates, rates, municipal charge and waste charges per assessment (excluding Melbourne) | $65 |
| Average change in rates, rates, municipal charge and waste charges per head (excluding Melbourne) | $30 |

Note includes payments in lieu of rates by Melbourne Airport, which increase average rates per assessment and per head

Note includes payments in lieu of rates by electricity generators, which increase average rates per assessment and per head

Note Melbourne City Council assumes control of Docklands on 1 July 2007. This significantly changes the structure of the rate base for Melbourne, meaning comparisons between 2006-07 and 2007-08

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

**HOW COUNCIL RATES DATA IS PRESENTED**

**Rates per assessment**

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

assessment to measure rate movements in 2005-06, 2006-07 and 2007-08.

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

households.

Demographic characteristics and the economic and industry profile of the community

affect the quantum average rates per assessment.

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

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

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

to be lower than the municipal wide average.

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

households will also tend to have higher rates per assessment.

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

skew the data.

**Rates per head of population**

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

head of population to measure rates for 2006-07 and 2007-08.

Average rates per head is 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 government are compared on a per head basis: this

measure enables a valid comparison with these figures.

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

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

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

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

**Further Information:**

Council rates data for 2003, 2004, 2005, 2006 and 2007 is available on the MAV

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

**LOCAL GOVERNMENT COST PRESSURES**

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

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

**1. COST SHIFTING**

Cost shifting is the transfer of responsibility for delivering Commonwealth and State Government

programs and services to local government, with no or insufficient funding. In 2006 a tripartite

intergovernmental agreement (IGA) was signed establishing a framework for allocation of responsibilities

to local government, including appropriate funding levels. A similar agreement is currently being

developed between the State Government and MAV on behalf of Victorian councils. While both

agreements cover future transfers of responsibility, there are ongoing cost shifting pressures facing

councils as a result of past funding and service delivery arrangements.

**Maternal and Child Health Service**

The universal Maternal and Child Health service is delivered by councils, with shared responsibility

between State and local government for its funding and policy development. The indexation model

applied by the State to an agreed hourly cost for the service has led to a disparity in the proportional

contribution of the Government over the years, resulting in a funding shortfall estimated at $2.4 million in

2005-06. The MAV is currently undertaking a project to assess the adequacy of current funding

arrangements for local government to deliver this service.

**Kindergarten Infrastructure**

Kindergarten develops children's social, emotional, intellectual, physical and language abilities in the year

before primary school. This State Government program often operates from council facilities including

purpose built kindergartens, long day care centres and community halls. Many buildings are between 35

and 50 years old and require constant maintenance. In 1994 kindergarten capital grants ceased, and

were not reintroduced until 2003. A limited pool of funding is currently provided by the State for

kindergarten infrastructure, but minor capital grants are falling considerably short of the real costs of

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

**Immunisation programs**

Victorian councils have been instrumental in achieving the highest rate of infant immunisation in the

nation, at the lowest cost. Established financial arrangements exist between the Commonwealth and

states to fund the delivery of immunisation services. Despite this, a 2004 study showed Victorian councils

contribute between 61 – 83 per cent of the total cost to deliver immunisation services, costing councils

$3.8 million a year while saving the Commonwealth and State Government $12.5 million per year. The

State has increased funding by $1.3 million per year, but Commonwealth funding remains unchanged.

**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

been subsidising the costs of providing this service as funding has failed to keep pace with demand and

the ageing population’s demand for home care increases. 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 due to inadequate funding formulas.

**Public Libraries**

MAV analysis estimated 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 funding for public libraries has slipped

from approximately 50 per cent of the actual cost of the service to around 20 per cent in 2005-06.

**2. AGEING INFRASTRUCTURE**

Funding for maintenance of ageing infrastructure is a major cost pressure for councils. The Auditor

General identified a backlog of $1.5-$2.7 billion in 2002 and the MAV has calculated an annual

infrastructure spending shortfall of $280 million for Victorian councils over the next five years (equivalent

to an annual average 12 per cent rate increase). To address the infrastructure renewal gap and prevent it

from widening further, councils need to significantly increase spending on asset renewal and capital

works programs. With a limited capacity to raise the revenue needed to upgrade, replace and maintain

ageing infrastructure, local government must implement a range of options including rate rises, asset

rationalisation, borrowing money and service cuts in other areas.

**3. LOCAL GOVERNMENT COST INDEX**

The local government cost index, developed by the MAV, is a CPI comparison that calculates any change

in costs to deliver goods and services provided by Victorian councils. To deliver the same level and range

of services as in 2006, it will cost local government 5 per cent more in 2007 due to growth in construction,

material and wage costs. Local government costs are significantly affected by the Average Weekly

Earnings (AWE) and Roads Construction and Maintenance (BTR) indexes, rather than the Consumer

Price Index (CPI). This is due to the majority of council expenditure being used to employ staff to deliver

human-based services such as community care, child care, public libraries and maternal and child health

programs; as well as employ people and purchase materials to construct, maintain and upgrade assets

such as roads, footpaths, drains and community facilities.

**4. DECLINING GOVERNMENT GRANTS**

Local government (Australia-wide) collects only three per cent (or $8.9 billion) of the $298.4 billion in total

taxes collected by the three levels of government nationally. Core financial assistance through

Commonwealth tax distribution to local government has declined from 0.97 per cent in 1996-97 to 0.77 per

cent in 2006-07, despite a growing number of services being delivered by councils. A new funding formula

for financial assistance grants, which takes account of movements in local government costs is needed.

**5. CAPPED USER FEES AND CHARGES**

Capping of many user fees and charges by the State Government means councils are not able to recover

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

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

contribute to a council’s revenue that delivers a broad range of services for public benefit, some services

could increase local government’s non-rate revenue if fees were subject to annual indexation and

reflected the cost of delivering the service.

**6. UNPAID RATES AND FINES**

**Infringements**

Local government’s share of infringements awaiting collection by the State Government’s Infringements

Court is in the order of $140 million for the last five-year period. This amount includes an up-front fee of

$42 paid by councils to lodge each fine and a $19 fee for each penalty reminder notice. These fees are

paid regardless of whether the infringement is ever resolved.

**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.

**LOCAL GOVERNMENT RATING PRINCIPLES**

**Australian Taxation System**

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The Australian Constitution unequally divides taxation powers and expenditure responsibilities between

the Commonwealth and state governments

This division has resulted in the Commonwealth collecting around 82 per cent and the states around 15

per cent of the total taxes collected by government

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

In order to equalise the taxation revenues and expenditure responsibilities, a series of grants are made

by the Commonwealth to state and local governments.

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

**services and infrastructure by all levels of government for the public benefit of all**

**Property Taxation System**

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Property taxes (rates) are charged by local government municipalities

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

management charge and there are provisions to allow application of other special rates and charges as

deemed appropriate by councils

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

used exclusively for mining

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

and infrastructure for **public benefit.**

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

**contribute a larger amount in rates**

**Purpose of Property Rates**

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Common criticism: individual ratepayers do not receive commensurate value from council services

The primary reason for the existence of rates is to raise revenue to fund local government activities

Just as an individual’s contribution to income tax or the GST may not represent their direct value

received from government services, so too an individual’s rates may not match either their desired or

actual usage of available council services

Rate revenue comprises around 55 per cent of Victorian councils’ total revenue.

**Distribution of Rates**

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The rate in the dollar (tax rate) is determined by dividing the total rate revenue by the value of all

rateable properties in the municipality

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

A revaluation does not cause an increase in rates, but does redistribute the burden of rates between

property owners and adjusts the rate in the dollar down.

**Municipal Charges**

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

but paid equally by all ratepayers

The use of a municipal charge reduces the amount that needs to be collected in the form of rates on the

property value

Three-quarters of rural Victorian councils raise up to 20% of their rate revenue through a fixed municipal

charge

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

**Rating Equity**

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Councils have tools under the *Local Government Act* 1989 to introduce differential rates, municipal and

garbage charges and user charges

There are two general principles that guide rating equity – beneficiary pays and capacity to pay. Each

council will define rating equity with reference to at least one of these two principles

When assessing equity, councils need to consider a number of facts

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

own lower valued housing stock

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

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

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

Many ratepayers have mortgages, lifestyle expenses and personal circumstances that diminish their

capacity to pay rates

All ratepayers have the opportunity and choice to access council services such as garbage collection,

home and community care, libraries, swimming pools, immunisation services

The choice not to use services, or utilise the benefits of roads, bridges and other council provided

infrastructure does not remove the expectation that all property owners pay a fair share of rates.

**PRINCIPLE: The amount paid by a ratepayer does not directly reflect the number of services**

**received**

**Farm Rates**

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57 councils have farming properties in Victoria

The agriculture sector makes up more than 50% of valuations in 16 rural shires

Farms and other businesses can claim their rates as a tax deduction

Most rural municipalities in Victoria offer a differential farm rate, which is lower than the ‘general’ rate

applied by councils

Differential farm rates provide a rating discount to farmers because the council has a definition of equity

that argues (a) the value of the industry is tied up in land assets, thereby impeding their capacity to pay

or (b) the group of ratepayers do not benefit from its services.

User fees imposed by councils (such as municipal and garbage charges) redistribute the burden of rates

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

fund its annual budget.

**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 Governments, for

funding specific projects or programs

General purpose grants from State and Commonwealth Governments 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 2005-06 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%** |

**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 200,000.

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 $39 billion of infrastructure including roads,**

**bridges, town halls, recreation and leisure facilities, drains, libraries and parks. They**

**also provide over 100 services for local communities from the cradle to the grave. Every**

**time a person leaves their house they are using services provided by local councils.**

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 at home 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/onlineservices, counselling & support groups |
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| **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 internetaccess |
| 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 |
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| **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 |
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| **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 cultural heritage | Recognition of traditional land owners |
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| **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 publicparks/gardens |
| Weed management | Weed/pest control for roadside reserves,provision of Weed Officers |
| Sustainability | Solar heating for buildings & pools, provisionof walking tracks & paths to reduce car use |
| Green purchasing programs | Recycled asphalt, signage, mulch & compost |
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| **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 |

**SETTING A COUNCIL BUDGET**

**Council Plan**

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

service provision needs.

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

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

strategies to be implemented by a council for the 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 to 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 to 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 to the development**

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

**COUNCIL RATES EXPLAINED**

**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.**

**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.

