**Council rate rises offset rising costs, declining grants**

**Embargoed - 28 June 2008**

The Municipal Association of Victoria’s (MAV) annual analysis of local government budget data shows rates

will increase an average $61 or 5.1 per cent this year.

Cr Dick Gross, MAV President said budget pressures created by declining financial grants from other levels

of government and rising costs made it challenging for councils to balance responsible financial

management, community expectations and affordability for ratepayers.

“Councils are not immune to rising prices and have limited revenue sources to help them absorb cost

pressures without it affecting either rates or the level of services provided to communities.

“Expenses increase faster than CPI as councils are mostly affected by rising labour and construction costs,

not price movements for common household goods and services.

“Local government is also heavily reliant on Commonwealth funding, which continues to decline despite

increasing tax surpluses. Untied grants equalled 1.2 per cent of total national tax revenue (net of GST) in

1993-94, but this declined to 0.97 per cent in 1996-97 and 0.77 per cent in 2006-07.

“Councils need to meet these higher expenses and the shortfall in government grants just to stand still.

“Many municipalities are also allocating additional funding to reduce the $280 million annual underspend

identified as essential for meeting local infrastructure maintenance and renewal needs.

“Councils aren’t just planning for current communities, but future ones too. They must implement long-term

asset management programs to maintain the $47.7 billion worth of local roads, drains, street lights, footpaths,

childcare centres and leisure facilities relied on by communities in their daily lives.

“If not enough money is spent on renewal of ageing infrastructure, the cost of fixing assets grows over time

and leaves a massive cost impost for future ratepayers. Timely effort now prevents higher costs later.

“Funding the asset renewal gap theoretically requires average rate increases of 12 per cent every year until

2011. While councils would never impose such financial strain on ratepayers, it does mean incremental rate

rises are necessary to chip away at the problem,” he said.

The MAV Local Government Cost Index, released in May, forecast the cost of delivering a ‘basket’ of council

services in 2008 will cost 4.4 per cent more than last year. In addition, councils are short-changed by State

and Commonwealth grants that link annual indexation to CPI or less. As a benchmarking tool, CPI doesn’t

reflect actual council cost movements to provide agreed services and programs from one year to the next.

Cr Gross said that despite ongoing cost pressures, councils were very proactive about finding ways to

improve their service innovation, run more efficient and effective operations and stretch a dollar further.

“Councils are increasingly reaping the benefits of joint tendering and service delivery. Many also undertake

service and asset rationalisation programs, borrow money and sell unutilised assets to help meet their

revenue needs and lessen the burden on ratepayers.

“Rates account for just three cents of every dollar raised in taxes nationally. Despite this, annual rates notices

attract far more than three per cent of the criticism of taxes because councils are an easy target,” he said.

**- Ends -**

**Rates data for 71 of Victoria’s 79 councils is available at www.mav.asn.au/finance/rates#resources**

*For further information contact MAV President*

*Cr Dick Gross on 0411 446 167 or the*

*MAV Communications Unit on (03) 9667 5521.*



**2008-09 Victorian Local Government Rates Survey – Embargoed until 28 June 08**

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



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total budgeted**  **rate revenue,**  **municipal charge**  **and waste**  **management**  **charges for 2008-**  **09** | **Budgeted**  **total revenue**  **for 2008-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue**  **08-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue 07-**  **08** | **Average rates,**  **municipal**  **charge and**  **garbage charge**  **08-09 per**  **assessment** | **Change in**  **rates,**  **municipal**  **charge and**  **garbage**  **charge per**  **assessment** | **Average rates,**  **municipal**  **charge and**  **garbage**  **charge 08-09**  **per head of**  **population** | **Change in**  **rates, municipal**  **charge and**  **garbage charge**  **per head of**  **population** |
| ALPINE(S) | $ 9,678,422 | $19,004,000 | 51% | 36% | $ 1,187 | $ 82 | $ 705 | $ 47 |
| ARARAT(RC) | $ 9,613,825 | $18,378,000 | 52% | 46% | $ 1,405 | $ 113 | $ 854 | $ 74 |
| BALLARAT(C) | $55,229,827 | $ 112,621,000 | 49% | 48% | $ 1,294 | $ 60 | $ 621 | $ 29 |
| BANYULE(C) | $53,595,716 | $94,930,000 | 56% | 58% | $ 1,068 | $ 59 | $ 454 | $ 28 |
| BASS COAST(S) | $28,734,855 | $45,728,000 | 63% | 63% | $ 1,064 | $ 78 | $ 1,008 | $ 74 |
| BAW BAW(S) | $26,547,356 | $52,579,245 | 50% | 46% | $ 1,289 | $ 75 | $ 691 | $ 42 |
| BAYSIDE(C) | $53,730,925 | $78,202,000 | 69% | 67% | $ 1,330 | $ 65 | $ 580 | $ 28 |
| BENALLA(C) | $11,017,579 | $18,658,000 | 59% | 56% | $ 1,455 | $ 107 | $ 781 | $ 58 |
| BOROONDARA(C) | $ 103,574,541 | $145,320,000 | 71% | 71% | $ 1,488 | $ 87 | $ 646 | $ 39 |
| BRIMBANK(C) | $83,385,083 | $133,159,000 | 63% | 65% | $ 1,191 | $ 37 | $ 474 | $ 15 |
| BULOKE(S) | Did not respond | | | | | | | |
| CAMPASPE(S) | $23,058,811 | $53,896,277 | 43% | 43% | $ 1,166 | $8 | $ 596 | $3 |
| CARDINIA(S) | $36,225,417 | $59,986,000 | 60% | 62% | $ 1,287 | $ 77 | $ 533 | $ 26 |
| CASEY(C) | $ 103,332,502 | $168,300,000 | 61% | 61% | $ 1,160 | $ 79 | $ 428 | $ 30 |
| CENTRAL GOLDFIELDS(S) | $ 7,731,782 | $26,776,939 | 29% | 33% | $ 985 | $ 71 | $ 586 | $ 44 |
| COLAC-OTWAY(S) | $17,545,540 | $33,039,000 | 53% | 50% | $ 1,237 | $ 68 | $ 792 | $ 48 |
| CORANGAMITE(S) | $13,572,384 | $31,351,000 | 43% | 39% | $ 1,415 | $ 82 | $ 789 | $ 50 |
| DAREBIN(C) | $72,969,705 | $109,644,000 | 67% | 63% | $ 1,177 | $ 67 | $ 556 | $ 35 |
| EAST GIPPSLAND(S) | $31,285,343 | $77,479,000 | 40% | 54% | $ 1,102 | $ 55 | $ 746 | $ 33 |
| FRANKSTON(C) | $62,439,000 | $128,500,000 | 49% | 52% | $ 1,097 | $ 36 | $ 499 | $ 27 |
| GANNAWARRA(S) | $ 7,587,316 | $20,383,000 | 37% | 38% | $ 1,142 | $ 12 | $ 672 | $ 10 |
| GLEN EIRA(C) | $62,974,000 | $99,344,000 | 63% | 62% | $ 1,074 | $ 52 | $ 506 | $ 26 |
| GLENELG(S) | $17,573,888 | $35,362,336 | 50% | 48% | $ 1,289 | $ 49 | $ 840 | $ 37 |
| GOLDEN PLAINS(S) | $ 9,709,154 | $24,115,357 | 40% | 37% | $ 1,053 | $ 88 | $ 541 | $ 44 |
| GREATER BENDIGO(C) | $58,373,947 | $118,727,416 | 49% | 46% | $ 1,167 | $ 41 | $ 578 | $ 22 |
| GREATER DANDENONG(C) | $70,521,358 | $127,597,000 | 55% | 54% | $ 1,242 | $ 73 | $ 527 | $ 29 |
| GREATER GEELONG(C) | $ 121,653,832 | $202,874,000 | 60% | 58% | $ 1,205 | $ 64 | $ 576 | $ 31 |
| GREATER SHEPPARTON(C) | $41,354,350 | $96,993,228 | 43% | 47% | $ 1,482 | $ 41 | $ 650 | $ 18 |
| HEPBURN(S) | $10,940,584 | $18,740,000 | 58% | 44% | $ 1,078 | $ 70 | $ 706 | $ 38 |
| HINDMARSH(S) | $ 4,755,358 | $13,441,550 | 35% | 35% | $ 954 | $ 51 | $ 754 | $ 42 |
| HOBSONS BAY(C) | Did not respond | | | | | | | |

**2008-09 Victorian Local Government Rates Survey – Embargoed until 28 June 08**



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total budgeted**  **rate revenue,**  **municipal charge**  **and waste**  **management**  **charges for 2008-**  **09** | **Budgeted**  **total revenue**  **for 2008-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue**  **08-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue 07-**  **08** | **Average rates,**  **municipal**  **charge and**  **garbage charge**  **08-09 per**  **assessment** | **Change in**  **rates,**  **municipal**  **charge and**  **garbage**  **charge per**  **assessment** | **Average rates,**  **municipal**  **charge and**  **garbage**  **charge 08-09**  **per head of**  **population** | **Change in**  **rates, municipal**  **charge and**  **garbage charge**  **per head of**  **population** |
| HORSHAM(RC) | $13,750,647 | $28,644,709 | 48% | 45% | $ 1,191 | $ 50 | $ 684 | $ 41 |
| HUME(C) | $79,172,570 | $159,387,000 | 50% | 48% | $ 1,253 | $ 73 | $ 497 | $ 33 |
| INDIGO(S) | $ 9,027,792 | $25,868,000 | 35% | 38% | $ 1,144 | $ 73 | $ 579 | $ 45 |
| KINGSTON(C) | $78,720,000 | $132,356,000 | 59% | 59% | $ 1,189 | $ 71 | $ 547 | $ 31 |
| KNOX(C) | $67,664,000 | $104,866,000 | 65% | 62% | $ 1,111 | $ 71 | $ 444 | $ 30 |
| i  LATROBE(C) | $40,116,919 | $87,930,000 | 46% | 44% | $ 1,132 | $ 60 | $ 557 | $ 29 |
| LODDON(S) | $ 6,477,832 | $20,027,179 | 32% | 32% | $ 865 | $6 | $ 802 | $8 |
| MACEDON RANGES(S) | $25,751,029 | $57,557,751 | 45% | 48% | $ 1,346 | $ 68 | $ 671 | $ 44 |
| MANNINGHAM(C) | $59,280,916 | $88,708,000 | 67% | 66% | $ 1,354 | $ 62 | $ 508 | $ 23 |
| MANSFIELD(C) | $ 7,890,415 | $15,344,000 | 51% | 59% | $ 1,111 | $ 49 | $ 1,059 | $ 62 |
| ii  MARIBYRNONG(C) | $52,507,911 | $82,371,000 | 64% | 63% | $ 1,602 | $ 95 | $ 762 | $ 46 |
| MAROONDAH(C) | $49,424,134 | $80,123,000 | 62% | 59% | $ 1,102 | $ 33 | $ 486 | $ 17 |
| iii  MELBOURNE(C) | $ 169,949,371 | $307,520,000 | 55% | 54% | $ 2,281 | $ 17 | $ 2,119 | $ 89 |
| MELTON(S) | $48,150,298 | $79,396,000 | 61% | 58% | $ 1,281 | $ 58 | $ 472 | $8 |
| MILDURA(RC) | $40,887,523 | $78,267,391 | 52% | 52% | $ 1,507 | $ 63 | $ 766 | $ 28 |
| MITCHELL(S) | $18,145,000 | $34,467,000 | 53% | 49% | $ 1,188 | $ 68 | $ 545 | $ 27 |
| MOIRA(S) | $19,392,691 | $42,166,018 | 46% | 50% | $ 1,186 | -$2 | $ 657 | -$ 3 |
| MONASH(C) | $67,168,785 | $126,470,000 | 53% | 55% | $ 954 | $ 54 | $ 373 | $ 11 |
| iv  MOONEE VALLEY(C) | $ 62,989,560 | $ 96,823,000 | 65% | 66% | $ 1,311 | $ 80 | $ 583 | $ 31 |
| MOORABOOL(S) | $18,331,536 | $29,888,000 | 61% | 59% | $ 1,337 | $ 83 | $ 633 | $ 37 |
| MORELAND(C) | $72,800,975 | $103,353,000 | 70% | 68% | $ 1,106 | $ 29 | $ 501 | $ 16 |
| MORNINGTON PENINSULA(S) | $89,957,903 | $144,748,000 | 62% | 59% | $ 967 | $ 64 | $ 620 | $ 39 |
| MOUNT ALEXANDER(S) | $11,583,220 | $23,308,450 | 50% | 48% | $1,117 | $42 | $646 | $ 27 |
| MOYNE(S) | Draft budget yet to be considered | | | | | | | |
| MURRINDINDI(S) | Draft budget yet to be considered | | | | | | | |
| v  NILLUMBIK(S) | $36,551,395 | $61,329,265 | 60% | 59% | $ 1,642 | $ 71 | $ 584 | $ 31 |
| NORTHERN GRAMPIANS(S) | $ 9,906,037 | $21,434,000 | 46% | 44% | $ 1,087 | $ 79 | $ 777 | $ 54 |
| PORT PHILLIP(C) | $73,882,240 | $130,475,000 | 57% | 56% | $ 1,201 | $ 31 | $ 819 | $ 10 |
| PYRENEES(S) | $ 5,491,136 | $17,686,000 | 31% | 36% | $ 971 | $ 52 | $ 832 | $ 53 |
| QUEENSCLIFFE(B) | $ 4,502,590 | $ 8,208,537 | 55% | 59% | $ 1,537 | $ 93 | $ 1,381 | $106 |
| SOUTH GIPPSLAND(S) | $23,813,276 | $39,427,316 | 60% | 55% | $ 1,301 | $ 75 | $ 877 | $ 50 |
| SOUTHERN GRAMPIANS(S) | $11,282,202 | $28,661,838 | 39% | 40% | $ 1,074 | $ 45 | $ 645 | $ 28 |

**2008-09 Victorian Local Government Rates Survey – Embargoed until 28 June 08**

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representative of the rates paid by households in Maribyrnong.

iii

figures are not strictly comparable between years.

iv

figures are not strictly comparable between years.

v



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total budgeted**  **rate revenue,**  **municipal charge**  **and waste**  **management**  **charges for 2008-**  **09** | **Budgeted**  **total revenue**  **for 2008-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue**  **08-09** | **Total rate**  **revenue as**  **a**  **proportion**  **of total**  **revenue 07-**  **08** | **Average rates,**  **municipal**  **charge and**  **garbage charge**  **08-09 per**  **assessment** | **Change in**  **rates,**  **municipal**  **charge and**  **garbage**  **charge per**  **assessment** | **Average rates,**  **municipal**  **charge and**  **garbage**  **charge 08-09**  **per head of**  **population** | **Change in**  **rates, municipal**  **charge and**  **garbage charge**  **per head of**  **population** |
| STONNINGTON(C) | $63,275,423 |  | | | $ 1,194 | $ 53 | $ 665 | $ 31 |
| STRATHBOGIE(S) | Draft budget yet to be considered | | | | | | | |
| SURF COAST(S) | $27,105,824 | $48,320,076 | 56% | 60% | $ 1,494 | $ 66 | $ 1,013 | $ 45 |
| SWAN HILL(RC) | Draft budget yet to be considered | | | | | | | |
| TOWONG(S) | Draft budget yet to be considered | | | | | | | |
| WANGARATTA(RC) | $17,883,603 | $45,489,000 | 39% | 43% | $ 1,255 | $ 64 | $ 650 | $ 42 |
| WARRNAMBOOL(C) | $20,525,630 | $50,022,000 | 41% | 38% | $ 1,367 | $ 84 | $ 634 | $ 33 |
| WELLINGTON(S) | $32,289,373 | $57,163,000 | 56% | 47% | $ 993 | $ 47 | $ 806 | $ 39 |
| WEST WIMMERA(S) | Draft budget yet to be considered | | | | | | | |
| WHITEHORSE(C) | $63,351,960 |  | | | $ 969 | $ 49 | $ 417 | $ 21 |
| WHITTLESEA(C) | $69,576,286 | $195,235,208 | 36% | 35% | $ 1,256 | $ 69 | $ 480 | $ 27 |
| WODONGA(RC) | $25,050,016 | $51,556,567 | 49% | 48% | $ 1,575 | $ 53 | $ 713 | $ 26 |
| WYNDHAM(C) | $74,874,167 | $133,057,000 | 56% | 54% | $ 1,299 | $ 60 | $ 539 | $ 27 |
| YARRA (C) | $65,190,415 | $113,607,000 | 57% | 57% | $ 1,528 | $ 75 | $ 889 | $ 44 |
| YARRA RANGES(S) | $78,105,143 | $122,251,922 | 64% | 62% | $ 1,293 | $ 52 | $ 542 | $ 26 |
| YARRIAMBIACK(S) | $ 7,088,745 | $15,590,000 | 45% | 45% | $ 1,061 | $ 45 | $ 936 | $ 55 |
| Total | $ 2,975,549,912 | $5,239,501,535 | 56.8% | 56.0% | $ 1,240 | $ 61 | $ 593 | $ 30 |

|  |  |
| --- | --- |
| Change in local government revenue | 5.2% |
| Change in rates, municipal charge and waste charges per assessment | 5.13% |
| Change in rates, municipal charge and waste charges per head | 5.26% |
| Average change in rates, rates, municipal charge and waste charges per assessment | $ 61 |
| Average change in rates, rates, municipal charge and waste charges per head | $ 30 |

Note that payments in lieu of rates paid by electricity generators are excluded from these figures.

Note the high incidence of industrial and commercial assessments within the municipality means the average residential rates per assessment of approximately $1301 is more

Note due to a municipal boundary review, Melbourne City Council’s boundaries were altered, resulting in a transfer of properties from Moonee Valley Council. As such, the rates

Note due to a municipal boundary review, Moonee Valley City Council’s boundaries were altered, resulting in a transfer of properties to Melbourne City Council. As such, the rate

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, 2007-08 and 2008-09.

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, 2007-08 and 2008-09.

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 the

Commonwealth and State Government are compared on a per head basis; this

measure enables a valid comparison with these figures.

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

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

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

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

**Further Information:**

Council rates data for 2003, 2004, 2005, 2006, 2007 and 2008 is available on the

MAV website at: www.mav.asn.au/finance/rates#resources



**VICTORIAN LOCAL GOVERNMENT SNAPSHOT**

**Local Government Facts**

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Victoria has 79 municipalities:

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31 metropolitan (including eight Interface councils)

48 rural and regional (including 10 regional cities)

Populations range from 4,000 to more than 200,000

Each varies in size, rate base, needs, infrastructure and resources

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Each municipality manages significantly different budgets:

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Rural council budgets average $34 million (smallest is approx $6 million)

Metropolitan council budgets average $97 million (largest is approx $312 million)

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Governed by 635 democratically elected councillors

Employs 38 600 people

Annual revenue of $4.74 billion

Responsible for $47.7 billion in assets

**Service Delivery Statistics**

Local government in Victoria:

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Services 128,4341 kilometres of roads (approximately 85% of Victoria’s total road network)

Provides 500,000 maternal and child health consultations per annum

Delivers 306,600 immunisations to preschool and secondary school children per annum

Delivers 3.7 million meals per annum to home care recipients

Provides 4 million hours of home assistance, property maintenance and personal and respite care,

per annum.

Spends $40 million on public street lighting each year

Loans 50 million books from 310 public libraries to 2.5 million registered library users per annum

Provides free internet access for more than 1.8 million bookings per annum

Processes more than 49,500 planning applications per annum

Maintains more than 1000 grassed sports surfaces

Collects 1 million tonnes of kerbside garbage per annum

Collects 540,000 tonnes of recyclable materials per annum

Collects 259,000 tonnes of green organic waste per annum



**FUNDING OF LOCAL GOVERNMENT**

**Australian Taxation System**

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The Australian Constitution unequally divides taxation powers and expenditure responsibility

between the Commonwealth and state governments

This division has resulted in the Commonwealth collecting around 70 per cent and the states

around 27 per cent of the total taxes collected in Australia

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

To equalise taxation revenues and spending responsibilities, the Commonwealth makes a series

of grants to the states and local government.

**Local Government Income Sources**

There are several sources of funding for local government in 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)

Specific purpose grants from State and Commonwealth Governments, for funding specific

projects or programs

General purpose grants from Commonwealth Governments not tied to a specific purpose.

Other sources: borrowings (eg. to pay for large infrastructure projects), asset sales, donations,

contributions, reimbursements and interest earned

**Local Government Funding Sources**

The total funding for local government in Victoria in 2005-06 from all sources was $4.74 billion including:

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$2.53 billion or 53.4% in rates

$841 million or 17.8% in fees, fines and charges

$684 million or 14.4% in specific purpose grants

$381 million or 8% in untied revenue from general purpose grants

$299 million or 6.3% in other sources (for example interest earned)

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

**Commonwealth receives approximately 70% of total taxation revenue and the States receive 27%.**



**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 state-based agreement was signed by the Victorian Government and

the MAV on behalf of Victorian councils in May 2008. While both agreements cover future transfers of

responsibility, past cost shifting pressures continue to confront councils as rates revenue is used to redress

funding shortfalls. Past instances of cost shifting still impact on services such as home and community care,

kindergarten infrastructure, maternal and child health, public libraries, school crossings and immunisations.

**2. INFRASTRUCTURE RENEWAL GAP**

Victorian councils are responsible for $47.7 billion of local infrastructure. Funding for maintenance of ageing

assets is a major cost pressure for councils, with the Auditor General identifying a backlog of $1.5-$2.7

billion in 2002. The MAV has calculated an annual infrastructure spending shortfall of $280 million for

Victorian councils between 2007 and 2011 (equivalent to an annual average 12 per cent rate increase). To

address the infrastructure renewal gap and prevent it from growing, councils need to significantly increase

spending on asset renewal and capital works programs. With a limited capacity to raise revenue 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 2007, it will cost local government 4.4 per cent more in 2008. This is largely due to growth in

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

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

Index (CPI) as the majority of council expenditure is used to employ staff to deliver human-based services;

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

**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 1.2 per cent in 1993-94 to 0.97 per

cent in 1996-97 and 0.77 per cent in 2006-07. Local government is urging a national review of taxes

announced by the Rudd Government to develop a fairer funding formula and more appropriate indexation

for financial assistance grants that takes account of actual local government cost movements over time.

**5. CAPPED USER FEES AND CHARGES**

Capping of many user fees and charges by the Victorian Government leaves councils unable to recover the

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

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



**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 the State and Federal Government.

As councils have to respond to local community needs they also have powers to set their own regulations

and by-laws, and to provide a range of discretionary services.

Local laws developed by councils deal with important community safety, peace and order issues such as

public health, management of council property, environment and amenity. Local laws often apply to noise,

fire hazards, abandoned vehicles, parking permits, disabled parking, furniture on footpaths, graffiti, burning

off, animals in public spaces and nuisance pets.

**Services and Infrastructure**

Each Victorian municipality is different – its community may be young or old, established or still developing,

rural or urban, and its population may vary from fewer than 4,000 people to more than 200,000.

Each council collects rates from property owners in its municipality to help fund its local community

infrastructure and service obligations.

**Victorian councils are responsible for $47.7 billion of infrastructure including roads, bridges, town**

**halls, recreation and leisure facilities, drains, libraries and parks. They also provide over 100 services**

**for local communities from the cradle to the grave. Every time a person leaves their house they are**

**using services provided by local councils.**

Road assets:

Community assets:

local roads, drains, bridges, foot and bike paths, public street lighting, litter bins,

school crossings, bus shelters, parking spaces.

libraries, internet services, sporting facilities, community halls, parks and gardens,

swimming pools, playgrounds, animal shelters, public toilets, public art, cemeteries.

Community services: community banking, public tips, removal of dumped rubbish, youth and family

counselling, baby capsule hire, childcare programs, playgroup, preschools and

kindergartens, school holiday programs, head lice and immunisations, food safety

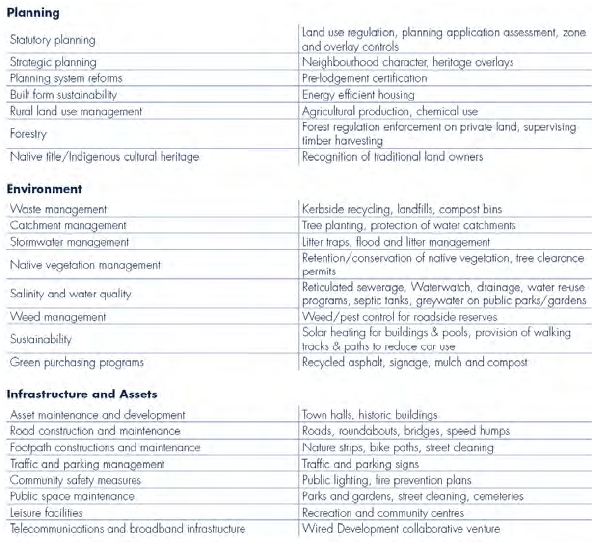
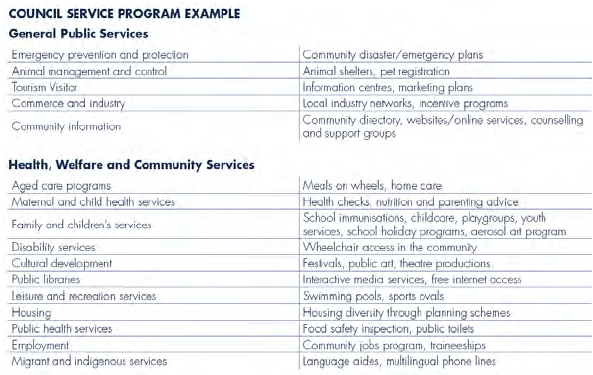
inspections, and use planning advice and approvals, street cleaning.

In-home services:

Family day care, parenting and baby health advice by maternal and child health nurses,

multilingual telephone services, recycling and hard waste collections, home

maintenance, meals on wheels, gardening services and respite care.



**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 coming year, as well as the following four years.

Each council issues a public notice seeking community input to its draft plan for 14 days, before the plan is

finalised and adopted by council for submission to the Minister. It must be completed by 30 June each year.

**Strategic Resources Plan**

A Council Plan must include a Strategic Resources Plan, which sets out the financial and human resources

required to achieve its objectives over five financial years.

The Strategic Resources Plan is updated annually.

**Council Budget**

Each council 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, upgrade and renewal needs

of its assets and any new or replacement infrastructure; as well as the community services and facilities it

will provide in the next financial year, and how much these will cost.

A council budget also estimates the revenue to be collected from other sources such as State and Federal

Government funding and from loans. By using these estimates a council can determine the amount it needs

to collect in rates 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**

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

**infrastructure by all levels of government for the public benefit of all.**

**Property Tax**

Council rates are a property tax. Councils use property values as the basis for calculating how much each

property owner pays in rates.

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

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

waste management (garbage) charges

rate in the dollar.

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

exclusively for mining or forestry.

There is no connection between the amount of rates paid by a property and the level of council services

received.

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

**contribute more in rates that those with a lower valued property**

**Rate Process**

Once a council has identified the total amount it needs to collect in rates (as determined by its prescribed

budget process), rates and charges can be calculated. A council begins its rate process each year by

determining any municipal and waste management charges that may be needed to recover part of the

administrative cost and the cost of providing waste collection and disposal services respectively.

Once these discretionary charges have been accounted for, a council establishes its rate in the dollar by

dividing the balance of required budget revenue by the total value of all rateable properties in the municipality.

The rate in the dollar is then multiplied by the value of a property (using one of three valuation bases) to

establish the amount to be paid by each property owner. This amount is known as the general rates.

General rates are added to any municipal and waste management charges set by a council to determine

the total rates payable on a property.

**Example: Calculating General Rates**

The total value of rateable properties within a municipality is $10,000,000,000 and council needs to collect

$40,000,000 in rates. The rate in the dollar is 0.004 (40,000,000 10,000,000,000). The rates payable on a

property valued at $320,000 would be $1280 ($320,000 x 0.004).

**An increase in property values does not cause a rate rise. Council budgets are pre-determined to**

**meet expenditure requirements, and include any potential rate rise. Property valuations are used**

**to distribute how much each ratepayer will pay, according to the value of their property compared**

**to other properties within the municipality.**



**LOCAL GOVERNMENT RATING PRINCIPLES**

**Property Taxation System**

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Property taxes (rates) are a wealth tax charged by local government municipalities

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

management charge; and other special rates and charges as deemed appropriate by councils

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

used exclusively for mining and forestry

Rate revenue comprises around 53.4 per cent of Victorian councils’ total revenue

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

and infrastructure for **public benefit**.

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

**a larger amount in rates**

**Rating Equity**

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

Properties are revalued every two years to maintain a fair distribution of the rates burden between

property owners within a mmunicipality

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.

**PRINCIPLE: There is no connection between the amount of rates paid and the level of council**

**services received by individuals.**

**Municipal Charges**

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

but paid equally by all ratepayers

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

User fees imposed by councils (such as municipal and waste management charges) help to redistribute the

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

council to fund its annual budget.

**PRINCIPLE: The use of a municipal charge reduces the amount that needs to be collected in the**

**form of rates attached to the value of a property.**



**PROPERTY VALUATIONS**

**Biennial Property Valuations**

Victoria has more than 2.5 million properties valued at more than $900 billion. Local government uses

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

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

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

with relevant legislation and legal precedent.

All Victorian properties have recently undergone valuations at the prescribed date of 1 January 2008. To

work out how much each property is worth, council valuers’ analyse latest property sales and rental data

trends, as well as consider other factors such as the highest and best use of the land; house value and

other site improvements; and land shape, size and location.

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

in the 2008-09 and 2009-10 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.

**Revaluation Facts VS Myths**

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

**MYTH:** Increased property values increase how much a council collects in rates - NO

**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.



**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 2008

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.

