

## Councils work hard to keep rates low

24 July 2015

Victorian councils have worked hard this year to keep the average rate increase to a 10-year low of 3.8 per cent, or \$67, while still providing more than 100 vital community services and maintaining \$73 billion of infrastructure and assets.

Municipal Association of Victoria (MAV) President, Cr Bill McArthur said councils were once again having tough conversations in order to tighten their budgets, and the annual MAV rates data demonstrated this achievement.

"Councils across the state have faced external funding challenges including the \$139 million freeze on indexation to the Federal Financial Assistance Grants, the scrapped \$160 million State Government Country Roads and Bridges program, and ongoing financial pressures from other levels of government," he said.

"Despite these hardships, councils have been able to keep the average rate increase low, while still delivering services including kindergartens, public libraries, maternal and child health, home and community care, street lighting, waste services, and maintaining 85 per cent of the state's road network.

"Many councils are implementing cost-saving measures by adopting online, collaborative methods of operation, with other levels of government and organisations to achieve savings.

"Councils are often unfairly criticised when they increase rates above CPI, but CPI does not reflect council costs. While CPI measures the cost of common household goods including bread, milk, and electricity, a council's basket of goods includes more expensive items like construction, material and wage costs.

"Our survey shows that the average increase of 3.8 per cent is in line with the Local Government Cost Index of around 3-4 per cent, which tracks councils' cost movements, but does not include extra funding needed to maintain ageing assets. The recently announced \$1.1 billion national increase to Roads to Recovery funding will assist in relieving long-term pressure placed on councils.

"The Financial Assistance Grants freeze has led many councils, especially in rural areas, to make tough decisions in order to strike the right balance between the level of services provided to the community, while trying to keep rate increases low. The Country Roads and Bridges program was another funding stream relied on by 40 rural councils that is yet to be replaced by the State Government.

"These sorts of cuts put councils between a rock and a hard place. Rate rises cause community anxiety but service cuts cause community outrage.

"Councils have worked tirelessly this year to better understand what the community wants by holding public meetings, listening posts, participatory budgeting, and surveying residents.

"The MAV is aware that in the current economic climate, many homeowners face financial challenges, and we would urge residents under genuine financial stress to speak with their council to find a way forward."

**Council budget and rates data for 2015 is available at [www.mav.asn.au](http://www.mav.asn.au).**

- Ends -

For further information contact MAV President Cr Bill McArthur on 0437 984 793 or the MAV Communications Unit on (03) 9667 5521 or 9667 5547.

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**2015-16 Victorian Local Government Rates Survey**

	Total budgeted rate revenue, municipal charge and waste management charges for 2015-16	Budgeted total revenue for 2015-16	Average rates, municipal charges and waste management charges 2015-16 per assessment	Change in rates, municipal charge and waste management charge per assessment	Average rates, municipal charge and waste management 2015-16 per head of population	Change in rates, municipal charge and waste management per head of population	Median valued residential property 2015-16	Rates, municipal charges and waste management charges on median valued residential property 2015-16
ALPINE(S)	\$ 15,762,769	\$ 16,437,820	\$ 1,879	\$ 70	\$ 1,295	\$ 43	\$ 241,000	\$ 1,599
ARARAT(RC)	\$ 15,222,844	\$ 27,697,000	\$ 2,156	\$ 94	\$ 1,328	\$ 50	\$ 171,500	\$ 1,747
BALLARAT(C)	\$ 97,729,046	\$ 200,732,000	\$ 2,016	\$ 117	\$ 944	\$ 51	\$ 270,000	\$ 1,459
BANYULE(C)	\$ 89,555,011	\$ 134,379,000	\$ 1,706	\$ 61	\$ 708	\$ 27	\$ 502,000	\$ 1,410
BASS COAST(S)	\$ 50,882,198	\$ 74,006,000	\$ 1,693	\$ 81	\$ 1,552	\$ 68	\$ 324,000	\$ 1,526
BAW BAW(S)	\$ 48,848,571	\$ 89,316,000	\$ 1,954	\$ 1	\$ 1,037	\$ 20	\$ 295,000	\$ 1,686
BAYSIDE(C)	\$ 82,351,096	\$ 115,793,000	\$ 1,906	\$ 62	\$ 816	\$ 16	\$ 930,000	\$ 1,699
BENALLA(C)	\$ 15,406,000	\$ 26,875,000	\$ 1,957	\$ 78	\$ 1,118	\$ 45	\$ 197,000	\$ 1,549
BOROONDARA(C)	\$ 159,509,000	\$ 209,902,000	\$ 2,175	\$ 82	\$ 909	\$ 46	\$ 1,030,000	\$ 2,028
BRIMBANK(C)	\$ 139,150,502	\$ 186,100,000	\$ 1,828	\$ 91	\$ 720	\$ 39	\$ 365,000	\$ 1,428
BULOKE(S)	\$ 12,072,551	\$ 23,828,000	\$ 1,953	\$ 105	\$ 1,937	\$ 115	\$ 110,000	\$ 1,422
CAMPASPE(S)	\$ 37,777,412	\$ 79,537,000	\$ 1,877	\$ 87	\$ 1,017	\$ 44	\$ 225,000	\$ 1,787
CARDINIA(S)	\$ 72,153,474	\$ 98,259,000	\$ 1,940	\$ 54	\$ 775	\$ 21	\$ 349,000	\$ 1,562
CASEY(C)	\$ 188,639,982	\$ 322,666,000	\$ 1,768	\$ 52	\$ 644	\$ 22	\$ 355,000	\$ 1,533
CENTRAL GOLDFIELDS(S)	\$ 13,089,071	\$ 29,141,656	\$ 1,573	\$ 82	\$ 991	\$ 54	\$ 173,000	\$ 1,541
COLAC-OTWAY(S)	\$ 27,926,934	\$ 49,120,000	\$ 1,877	\$ 80	\$ 1,299	\$ 42	\$ 261,000	\$ 1,642
CORANGAMITE(S)	\$ 19,522,259	\$ 42,352,000	\$ 2,037	\$ 91	\$ 1,224	\$ 66	\$ 199,000	\$ 1,182
DAREBIN (c)	\$ 113,848,877	\$ 159,813,000	\$ 1,704	\$ 78	\$ 760	\$ 34	\$ 561,730	\$ 1,489
EAST GIPPSLAND(S)	\$ 50,633,048	\$ 89,334,000	\$ 1,657	\$ 82	\$ 1,152	\$ 52	No data provided	
FRANKSTON(C)	\$ 107,972,081	\$ 151,799,000	\$ 1,700	\$ 18	\$ 791	\$ 43	\$ 377,519	\$ 1,612
GANNAWARRA(S)	\$ 11,410,752	\$ 26,156,000	\$ 1,711	\$ 63	\$ 1,125	\$ 55	\$ 166,000	\$ 1,475
GLEN EIRA(C)	\$ 96,406,000	\$ 157,023,000	\$ 1,543	\$ 72	\$ 684	\$ 34	\$ 695,000	\$ 1,213

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GLENELG(S)	\$ 25,235,714	\$ 49,746,000	\$ 1,819	\$ 8	\$ 1,292	\$ 5	\$ 184,000	\$ 1,157
GOLDEN PLAINS(S)	\$ 19,375,103	\$ 38,485,779	\$ 1,828	\$ 91	\$ 937	\$ 10	\$ 337,000	\$ 1,764
GREATER BENDIGO(C)	\$ 99,570,732	\$ 181,479,000	\$ 1,769	\$ 74	\$ 872	\$ 37	\$ 298,000	\$ 1,431
GREATER DANDENONG(C)	\$ 117,371,596	\$ 180,889,000	\$ 1,888	\$ 81	\$ 763	\$ 31	\$ 380,000	\$ 1,179
GREATER GEELONG(C)	\$ 190,839,559	\$ 308,661,000	\$ 1,685	\$ 73	\$ 832	\$ 37	\$ 335,000	\$ 1,301
GREATER SHEPPARTON(C)	\$ 67,067,305	\$ 122,794,000	\$ 2,238	\$ 85	\$ 1,010	\$ 19	\$ 230,000	\$ 1,563
HEPBURN(S)	\$ 18,039,000	\$ 31,699,498	\$ 1,652	\$ 69	\$ 1,194	\$ 54	\$ 270,000	\$ 1,419
HINDMARSH(S)	\$ 7,738,440	\$ 18,411,853	\$ 1,526	\$ 88	\$ 1,399	\$ 99	\$ 83,000	\$ 994
HOBSONS BAY(C) <sup>2</sup>	\$ 95,454,000	\$ 123,234,000	\$ 2,386	\$ 84	\$ 1,063	\$ 31	\$ 476,000	\$ 1,500
HORSHAM(RC)	\$ 23,563,930	\$ 47,567,000	\$ 1,954	\$ 88	\$ 1,182	\$ 50	\$ 199,000	\$ 1,687
HUME(C)	\$ 138,229,191	\$ 265,316,000	\$ 1,831	\$ 40	\$ 705	\$ 19	\$ 318,000	\$ 1,414
INDIGO(S)	\$ 14,636,660	\$ 28,476,000	\$ 1,755	\$ 88	\$ 938	\$ 47	\$ 244,000	\$ 1,592
KINGSTON(C)	\$ 124,520,000	\$ 197,378,000	\$ 1,745	\$ 69	\$ 811	\$ 32	\$ 530,000	\$ 1,596
KNOX(C)	\$ 107,234,073	\$ 150,155,000	\$ 1,666	\$ 77	\$ 676	\$ 28	\$ 460,000	\$ 1,259
LATROBE(C) <sup>1</sup>	\$ 62,706,615	\$ 125,892,000	\$ 1,663	\$ 50	\$ 830	\$ 21	\$ 200,000	\$ 1,399
LODDON(S)	\$ 9,701,598	\$ 26,636,699	\$ 1,259	\$ 62	\$ 1,324	\$ 89	\$ 103,000	\$ 1,037
MACEDON RANGES(S)	\$ 41,364,935	\$ 84,502,000	\$ 1,936	\$ 74	\$ 904	\$ 27	\$ 445,000	\$ 1,824
MANNINGHAM(C)	\$ 90,931,302	\$ 123,831,000	\$ 1,939	\$ 68	\$ 751	\$ 21	\$ 690,000	\$ 1,794
MANSFIELD(S)	\$ 12,041,286	\$ 20,751,000	\$ 1,610	\$ 10	\$ 1,425	\$ 29	\$ 269,946	\$ 1,474
MARIBYRNONG(C) <sup>2</sup>	\$ 87,249,130	\$ 127,331,000	\$ 2,257	\$ 69	\$ 1,042	\$ 24	\$ 500,000	\$ 1,828
MAROONDAH	\$ 76,763,585	\$ 117,792,000	\$ 1,586	\$ 31	\$ 684	\$ 15	\$ 455,000	\$ 1,491
MELBOURNE(C) <sup>2</sup>	\$ 243,601,000	\$ 394,374,000	\$ 2,393	\$ 21	\$ 1,870	\$ 32	\$ 435,000	\$ 912
MELTON(S)	\$ 93,090,273	\$ 157,783,023	\$ 1,832	\$ 59	\$ 710	\$ 36	\$ 370,000	\$ 1,591
MILDURA(RC)	\$ 61,584,621	\$ 105,166,000	\$ 2,201	\$ 73	\$ 1,151	\$ 24	\$ 250,000	\$ 2,163

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MITCHELL(S)	\$ 36,003,956	\$ 57,754,000	\$ 1,958	\$ 125	\$ 885	\$ 34	\$ 299,000	\$ 1,735
MOIRA(S)	\$ 29,396,276	\$ 54,369,000	\$ 1,718	\$ 55	\$ 1,008	\$ 25	\$ 235,000	\$ 1,453
MONASH(C)	\$ 108,789,777	\$ 163,796,000	\$ 1,418	\$ 86	\$ 579	\$ 37	\$ 625,000	\$ 1,288
MOONEE VALLEY (C)	\$ 99,216,727	\$ 143,548,000	\$ 1,845	\$ 12	\$ 831	\$ 20	\$ 695,000	\$ 1,874
MOORABOOL(S)	\$ 29,113,192	\$ 51,390,562	\$ 1,890	\$ 66	\$ 929	\$ 22	\$ 324,000	\$ 1,627
MORELAND(C)	\$ 127,905,555	\$ 172,263,000	\$ 1,725	\$ 82	\$ 759	\$ 34	\$ 485,000	\$ 1,587
MORNINGTON PENINSULA (S)	\$ 146,109,470	\$ 208,670,000	\$ 1,460	\$ 57	\$ 929	\$ 45	\$ 447,000	\$ 1,176
MOUNT ALEXANDER(S)	\$ 20,657,764	\$ 33,580,000	\$ 1,865	\$ 75	\$ 1,137	\$ 52	\$ 331,512	\$ 1,784
MOYNE(S)	\$ 18,571,623	\$ 46,303,000	\$ 1,569	\$ 85	\$ 1,133	\$ 61	\$ 308,500	\$ 1,288
MURRINDINDI(S)	\$ 18,220,528	\$ 30,411,569	\$ 1,915	\$ 145	\$ 1,322	\$ 81	\$ 269,000	\$ 1,646
NILLUMBIK(S) <sup>3</sup>	\$ 59,775,000	\$ 85,957,000	\$ 2,610	\$ 136	\$ 993	\$ 54	\$ 550,000	\$ 2,393
NORTHERN GRAMPPIANS(S)	\$ 15,811,000	\$ 31,969,000	\$ 1,709	\$ 80	\$ 1,357	\$ 76	\$ 142,000	\$ 1,586
PORT PHILLIP(C)	\$ 113,146,000	\$ 195,206,000	\$ 1,635	\$ 75	\$ 1,071	\$ 45	\$ 530,000	\$ 1,130
PYRENEES(S)	\$ 8,347,151	\$ 19,067,000	\$ 1,427	\$ 70	\$ 1,192	\$ 46	\$ 173,000	\$ 1,303
QUEENSCLIFFE(B)	\$ 6,533,061	\$ 13,442,000	\$ 2,139	\$ 109	\$ 2,108	\$ 115	\$ 664,000	\$ 1,825
SOUTH GIPPSLAND(S)	\$ 38,275,453	\$ 62,056,567	\$ 1,978	\$ 123	\$ 1,347	\$ 79	\$ 263,000	\$ 1,557
SOUTHERN GRAMPPIANS(S)	\$ 18,088,973	\$ 42,131,000	\$ 1,664	\$ 65	\$ 1,127	\$ 49	\$ 178,000	\$ 1,215
STONNINGTON(C)	\$ 96,821,266	\$ 160,343,000	\$ 1,658	\$ 65	\$ 913	\$ 40	\$ 680,000	\$ 853
STRATHBOGIE(S)	\$ 17,031,204	\$ 27,189,000	\$ 2,362	\$ 88	\$ 1,657	\$ 71	\$ 227,000	\$ 1,984
SURF COAST(S)	\$ 45,732,329	\$ 66,484,000	\$ 2,253	\$ 117	\$ 1,602	\$ 80	\$ 549,000	\$ 1,943
SWAN HILL(RC)	\$ 24,673,280	\$ 55,978,000	\$ 2,078	\$ 55	\$ 1,134	\$ 56	\$ 171,000	\$ 1,479
TOWONG(S)	\$ 7,434,000	\$ 15,080,000	\$ 1,687	\$ 81	\$ 1,239	\$ 68	\$ 148,000	\$ 1,245
WANGARATTA(RC)	\$ 28,078,204	\$ 55,233,000	\$ 1,852	\$ 121	\$ 1,036	\$ 79	\$ 219,000	\$ 1,519
WARRNAMBOOL(C)	\$ 32,682,000	\$ 67,595,000	\$ 1,984	\$ 81	\$ 963	\$ 34	\$ 307,000	\$ 1,629

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WELLINGTON(S)	\$ 51,372,398	\$ 80,741,000	\$ 1,544	\$ 64	\$ 1,217	\$ 49	\$ 231,000	\$ 1,465
WEST WIMMERA(S)	\$ 6,706,784	\$ 18,194,304	\$ 1,432	\$ 75	\$ 1,508	\$ 93	\$ 82,500	\$ 703
WHITEHORSE(C)	\$ 103,990,852	\$ 173,899,052	\$ 1,483	\$ 95	\$ 623	\$ 46	\$ 635,000	\$ 1,367
WHITTLESEA(C)	\$ 124,950,000	\$ 192,924,000	\$ 1,619	\$ 11	\$ 656	\$ 5	\$ 393,000	\$ 1,314
WODONGA(C)	\$ 40,822,105	\$ 68,815,000	\$ 2,258	\$ 77	\$ 1,019	\$ 21	\$ 241,000	\$ 1,852
WYNDHAM(C)	\$ 163,421,794	\$ 303,375,000	\$ 1,984	\$ 100	\$ 796	\$ 38	\$ 387,000	\$ 1,625
YARRA (C)	\$ 95,300,000	\$ 169,901,000	\$ 1,910	\$ 62	\$ 1,094	\$ 48	\$ 650,000	\$ 1,502
YARRA RANGES(S)	\$ 122,203,112	\$ 170,903,000	\$ 1,917	\$ 45	\$ 815	\$ 24	\$ 405,000	\$ 1,680
YARRIAMBIA(C)	\$ 11,324,351	\$ 21,545,000	\$ 1,654	\$ 72	\$ 1,631	\$ 124	\$ 80,000	\$ 953
<b>Total</b>	\$ 5,160,284,310	\$ 8,398,730,382	\$ 1,819	\$ 67	\$ 867	\$ 33		

<sup>1</sup> Electricity generators and other rating agreement revenue are excluded from these data

<sup>2</sup> The high incidence of industrial and commercial assessments means average residential rates per assessment are well below the data presented

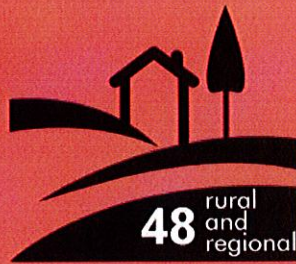
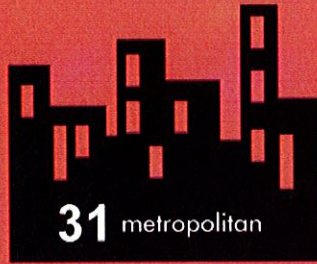
<sup>3</sup> Limited commercial and industrial activities in the municipality increase the average rates per assessment

Change per assessment (\$)	\$	67
Change per assessment (%)		3.83%
Change per head (\$)	\$	33
Change per head (%)		3.97%
Average per assessment (\$)	\$	1,819
Average per head (\$)	\$	867

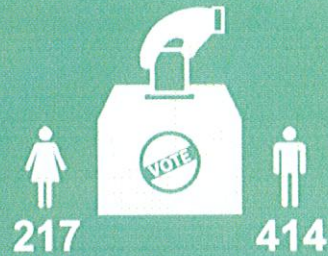
All data are provided by individual councils and collated by the MAV. The MAV does not calculate rate rise percentages for individual councils.

# Snapshot of Victorian Local Government

## 79 Municipalities



## 631 democratically elected councillors



## Land area varies from



10.8 sq km 22,000 sq km

## Employs 47,166



## Budgets

Each municipality manages significantly different budgets.



■ Average metro council  
■ Average rural council

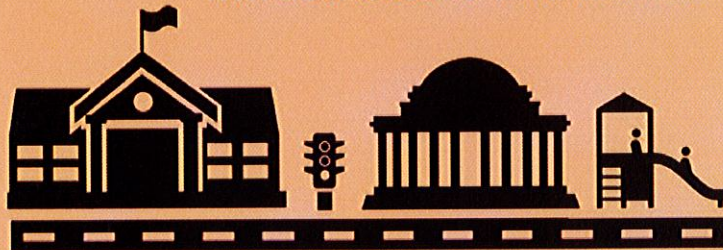
**\$7.99 billion**  
in annual revenue

## Populations

range from



## \$73 billion in community infrastructure and assets



This infographic was produced by the Municipal Association of Victoria in 2015. Municipality, land area, infrastructure, employee and vote icons by Freepik from [www.flaticon.com](http://www.flaticon.com) under a CC by 3.0 licence (<http://creativecommons.org/licenses/by/3.0/>).

**MAV**  
MUNICIPAL ASSOCIATION OF VICTORIA

# Service delivery statistics in local government

Local government in Victoria delivers the following services each year



**4.6 million hours**

of home assistance, property maintenance, personal and respite care



**306,600**

immunisations for preschool and secondary schools



**3.4 million**

meals delivered to home care recipients

**827,000**

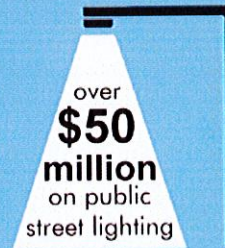
maternal and child health consultations



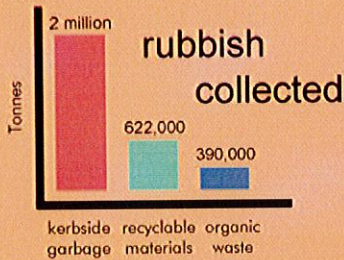
maintains **85%** (129,735km) of Victoria's roads and bridges



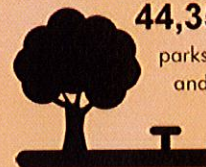
decides over **56,400** planning permit applications



over **\$50 million** on public street lighting



**48.5 million** items loaned from libraries to 1.1 million people



maintains **44,350** parks and reserves



manages over **15,000** sporting facilities



**12,711** smoking education visits\*



\* in 2013-14



registers over **44,600** fixed and mobile food businesses

This infographic was produced by the Municipal Association of Victoria in 2015. Maternal and child health, immunisation, meal, road, planning permit, library, park, sporting facility and food business icons made by Freepik from [www.flaticon.com](http://www.flaticon.com) under a CC by 3.0 licence (<http://creativecommons.org/licenses/by/3.0/>)

## LOCAL GOVERNMENT COST PRESSURES

**Local government nationally collects 3.4 per cent of the \$434 billion total taxes raised by all three levels of government.**

Financial pressure occurs for councils when Commonwealth and State programs transfer responsibilities to local government with insufficient funding or grants which don't keep pace with delivery costs.

A range of financial pressures influence the decisions each council makes about its annual budget and the rates it needs to collect. Some of the major cost pressures include:

- Core Financial Assistance Grants from the Commonwealth to local government have been frozen until 2017/18, resulting in a \$139 million hole in council budgets
- The State Government's Country Roads and Bridges program has been scrapped resulting in a \$160 million loss to 40 rural councils over three years
- State-set planning fees have not been indexed consistently since 2000, with ratepayers contributing \$22 million more to cover the revenue shortfall facing councils
- \$240 million from ratepayers to upgrade 1,100 kindergarten facilities to meet national reforms initiated by federal and state governments in 2013
- Council contributions have jumped from 25 per cent to 70 per cent for the school crossing supervisor program
- Cost pressures have also occurred in key community service areas of home and community care, public libraries, and emergency management.

## INFRASTRUCTURE RENEWAL GAP

Victorian councils are responsible for community infrastructure worth \$73 billion but if infrastructure is not adequately maintained, replacement costs will be much higher for future ratepayers. When assets deteriorate faster than councils can fund their maintenance and renewal there is an infrastructure renewal gap. A 2013 Auditor General report confirmed an annual underspend of \$225 million. As councils have a limited capacity to raise this additional revenue, they often use a range of funding options such as rate rises, lower service levels, and asset rationalisation.

## SUPERANNUATION SHORTFALL

By 1 July 2013 councils were required to pay a \$396.9 million shortfall to the closed Local Authorities Superannuation Fund Defined Benefit Plan following an actuary review by the scheme's trustee Vision Super.

A significant number of councils are still repaying this shortfall.

The former Defined Benefit Plan for local government employees was a compulsory scheme set up by the Victorian Government in 1982 and was closed in 1993. It must be fully funded to pay the benefits owed to members now and into the future, unlike state and federal public sector super funds which remain unfunded by \$29.8 billion and \$106 billion respectively. Councils have a legal obligation to fund these compulsory contributions, often using cash reserves, borrowing money, selling surplus assets or through rates.

## GOVERNMENT LEVIES & FEES

The Victorian Government requires councils to collect State levies, including landfill levies and the fire services property levy, which are paid by ratepayers but must be passed on in full to the government.



## 2015 Local Government Cost Index

The MAV Local Government Cost Index is a Consumer Price Index (CPI) comparison that forecasts the change in costs to deliver goods and services provided by Victorian local government.

### LG Cost Index vs CPI

Council rate increases are often compared to CPI, however the two are very different.

CPI measures a standard basket of household goods including bread, milk, electricity. A 'basket' of common council services is primarily affected by the growth in construction, material and wage costs, not CPI.

A majority of council spending is targeted towards maintaining and renewing more than \$73 billion worth of community infrastructure such as roads, bridges, sporting facilities and buildings; as well as delivering human services such as aged care programs, maternal and child health, and child care to communities.

The expenses of staff and contractors to deliver human-based services; and staff and materials needed to construct, maintain and upgrade assets and infrastructure means that local government costs are significantly affected by the Wage Price Index (WPI) and Australian Construction Industry Forum (ACIF) forecasts.

This means that council costs are substantially different to a basket of common household goods and services.

The MAV is currently in the process of developing an LG cost index for 2015 – however the figure is generally around 3-4 per cent.

**Over the past five years, the MAV Local Government Cost Index has been:**

Year	LG Cost Index
2014	3.4%
2013	3.4%
2012	3.9%
2011	3.5%
2010	3.4%

The Local Government Cost Index does not take into account growth in service delivery, any change in the type or mix of services to be provided, or other cost pressures facing a council.

**The LG Cost Index uses a combination of established government and industry indexes to reflect average wages, construction and material costs that best represent councils' spending profile.**

### Other Cost Pressures

Other external cost pressures may also be addressed in each council's budget. This may include additional rates revenue to reduce the infrastructure renewal gap, funding cuts from other levels of government, growth in demand for some services, expanding responsibilities and State levies which must be collected by councils.

## 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 are required by State legislation to 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:

- municipal charge (of not more than 20 per cent of a council's total rates revenue)
- waste management (garbage) charge
- 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 than 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 ( $40,000,000 \div 10,000,000,000$ ). The rates payable on a property valued at \$320,000 would be \$1280 ( $\$320,000 \times 0.004$ ).

**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 revenue neutral – they are used to distribute how much each ratepayer will pay, according to the value of their property compared to other properties within the municipality.**

## SETTING A COUNCIL BUDGET

**Local government has the most open and transparent budget-setting process compared to any other level of government. Councils seek community discussion and input into the development of council spending initiatives and priorities for the coming year.**

### Council Budget

Each council's budget is different to reflect its 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 revenue 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 by 30 June each year.

### Services and Infrastructure

**Victorian councils are responsible for \$73 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.**

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 3,100 people to more than 280,000.

- Road assets: local roads, drains, bridges, foot and bike paths, public street lighting, litter bins, school crossings, bus shelters, parking spaces.
- Community assets: libraries, internet services, sporting facilities, community halls, parks and gardens, swimming pools, playgrounds, animal shelters, public toilets, public art, cemeteries.
- Community services: removal of dumped rubbish, youth and family counselling, childcare programs, playgroup, preschools and kindergartens, school holiday programs, immunisations, food safety inspections, 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.

## HOW COUNCIL RATES DATA IS PRESENTED

### Why a rates survey?

Each year, we undertake a survey of predicted rate increases for all Victorian councils. This survey provides comparable data on the budgeted movement in local government taxes on a per head and per assessment basis.

In interpreting the data, it is important to note that both per head and per assessment measures should be examined to understand the average rates payable per person of the population and based on the number of properties within a municipality.

The survey is a critical component of the MAV's work to ensure councils' rate increases can be easily put in context.

### Median residential rates

Median data demonstrates the different rates payable on the mid-valued property for each council area. It isn't used to measure changes in rates from year to year. Instead this measure provides a more meaningful figure to be paid by households (as it excludes industrial, commercial, farm and other property types).

Median property values will differ widely between local government areas, which reflect the diversity of communities, property types, population and house sizes within each municipality.

### Rates per assessment

The MAV has used average rates, municipal charges and waste management charges per assessment to measure rate movements each year from 2005 to 2015. Average rates per assessment are the average rate bill received by all ratepayers (residents and businesses).

Demographic characteristics, plus 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. 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 from 2006 to 2015.

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 the Commonwealth and State Government 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 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 from 2003 to 2015 is available on the [MAV website](#).