

Local government in Victoria 2001



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Ministerial foreword

On behalf of the Bracks Government, I am pleased to present the Local Government in Victoria 2001 report.

The Bracks Government recognises that strong local government is essential to the social and economic development of the State.

The Government has created an environment where councils are now better able to manage community assets responsibly, make decisions in an open and transparent manner, and deliver cost-effective and relevant services.

The delivery of this report demonstrates our commitment to providing decent and responsible government. It also demonstrates our commitment to building a stable and sustainable long-term agenda for the future of the State that balances economic, social and environmental goals.

The report brings together information from all councils' annual reports to assist the State in assessing the overall position of local government in Victoria. It is intended that the report will be published annually to enable the sector and the community to consider trends in the performance of Victorian local government.

From 2000–01, councils are including key indicators on their performance in their annual report.

Indicators help local communities ask questions about performance.

Differences between councils can be explained by a number of factors including a local government's size, alternative revenue sources available, its population, and policy decisions taken by a council. All these things can vary substantially. Importantly, however, this information can be used to compare councils with neighbours and other councils in a similar category.

The Bracks Government welcomes the support of Victorian local government for this report and their commitment to open and transparent government.

Bob Cameron MP
Minister for Local Government



Victorian local government – building stronger local communities

The Victorian Government is committed to working in consultation and partnership with the local government sector to provide strong, healthy and prosperous local communities.

In recent years, there have been a number of examples of the success of this partnership, including:

Improved reporting systems. Victorian local government has committed itself to providing additional information to communities through annual reports and the Victorian Local Government Indicators.

Clearer accountability. The legislative framework for local government is being updated and will be introduced into Parliament shortly. A central focus of the legislation is the creation of a clearer system of accountability for councils to their communities and the State.

Best Value Victoria. Best Value Victoria has removed the inflexible and rigid approach of Compulsory Competitive Tendering (CCT) while ensuring councils remain accountable for their expenditure and obtain value for money in the delivery of council services.

For rural and regional councils, Best Value is particularly useful as it provides the opportunity to source local employment when awarding contracts or determining service delivery options.

The Government has also allocated \$800,000 over four years to assist councils with the implementation of Best Value Victoria by providing an extensive education and skill development program.

Community satisfaction surveys. 2001 was the fourth year that State and local governments had conducted these surveys across Victoria. The surveys are an excellent opportunity for the community to provide feedback on councils' performance. The results of these surveys are included in this report.

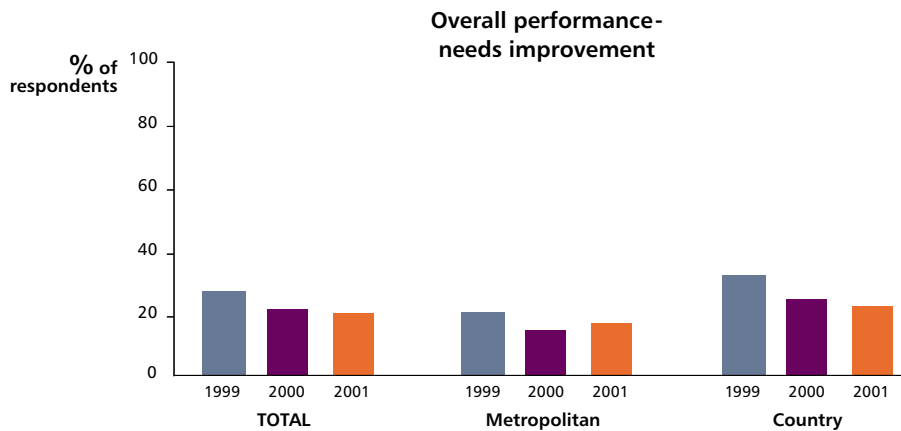
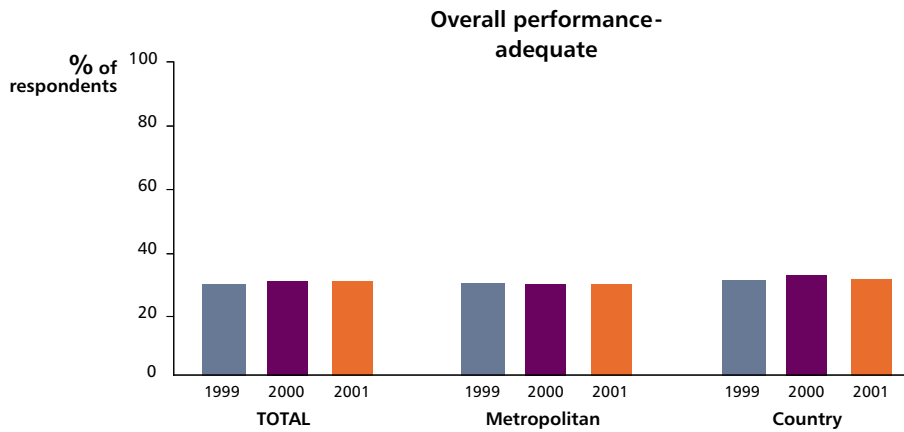
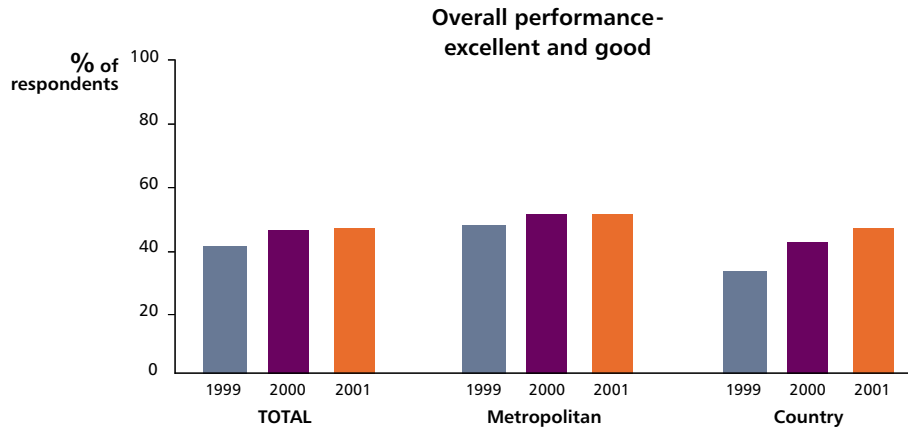
Infrastructure. The Bracks Government has allocated \$400,000 to support the vital work of local government in providing essential community infrastructure such as local roads, parks, buildings, bridges and footpaths.

Our aim is to work in partnership with local government to continue to deliver quality services, attract new investment and employment and build better infrastructure.

The following indicators provide a snapshot of the current position of the sector. These indicators cover community satisfaction, rates, operating and capital expenditure and debt.

Community satisfaction

The following graphs show the percentage of respondents who consider councils' performance to be 'excellent and/or good' 'adequate' and 'needs some or a lot of improvement'.



Community satisfaction cont.

The Annual Community Satisfaction Survey conducted jointly by State and local governments measures residents' satisfaction with the performance of their council. It measures a range of views from 'needs a lot of improvement' to 'excellent'.

It is pleasing to see an increase in the proportion of respondents who consider councils' performance to be 'excellent and/or good' rather than 'needing improvement'.

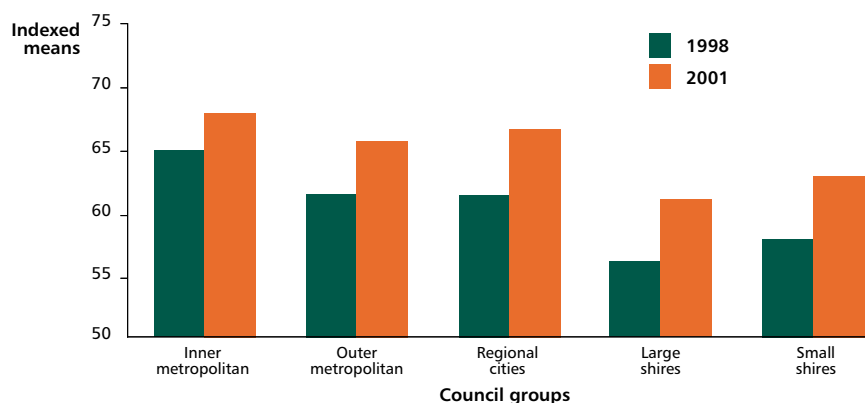
The graph for 'excellent and/or good' for country councils has highlighted strong improvement of some 9 per cent in the performance of country municipalities between 1999 and 2001. There has also been a corresponding decline in the proportion of country residents who consider that councils' performance 'needs improvement'.

Country councils have undergone particular improvements indicating that they have become more responsive to the needs of their community. Best Value, with its requirements for councils to engage their communities about service levels, has been a major factor behind this growth.

The 2001 results confirm that there are different factors that drive community satisfaction. In country Victoria, concern about the state of local roads was a large factor in determining community satisfaction with councils. However, metropolitan residents indicated that town planning policy and approvals were a driving force in determining levels of satisfaction. For all groups of councils, traffic management and parking policies was the one service area which showed a decline in satisfaction in comparison to the 2000 results. Overall, the results show that there is still room for improvement.

The Bracks Government is committed to maintaining the policy settings that have resulted in community satisfaction continuing to grow over the last two years. The updated Local Government Act will assist by requiring councils to consult their communities about their council plan. The council plan sets out the future directions for the municipality.

The following graph shows the overall level of community satisfaction with councils identified by annual surveys.

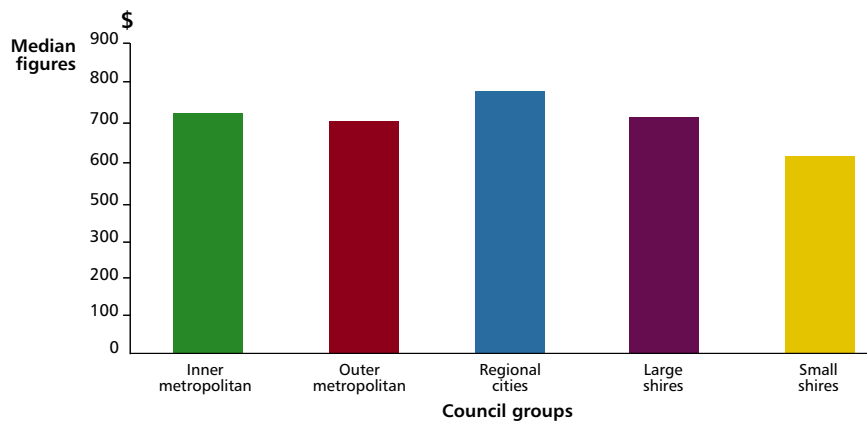


It shows the average rating of all respondents for overall community satisfaction with council performance and displays the same trends in performance improvement as the previous graphs.

Councils report the indexed mean in their annual reports, however, the *percentage of respondents that reported council overall performance to be 'excellent and/or good', 'adequate' and 'needs some or a lot of improvement'* was considered to be a more meaningful presentation of the survey findings.

All rates

This graph shows the median of the average rates paid by all properties, including residential, commercial and farms in 2000–01.

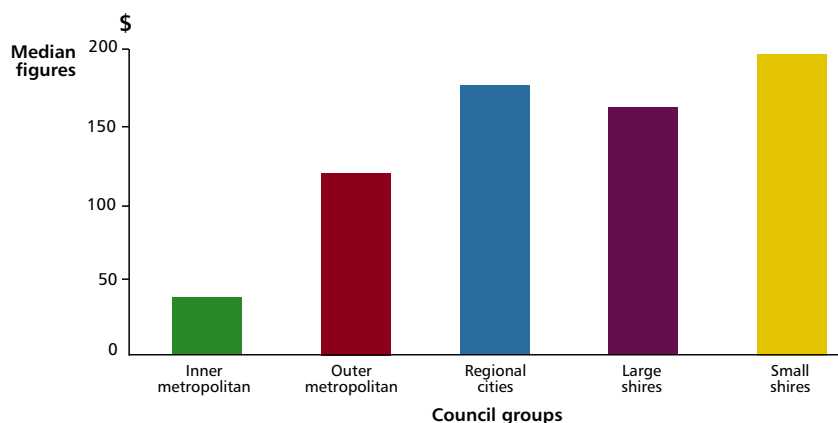


Rates are the most important source of income for councils, forming more than 50 per cent of their annual income. This percentage varies between councils. Generally, metropolitan councils receive up to 60 per cent of their income from rates, while the proportion falls to around 30 per cent for some small shires. The major reason for this variation is that non-metropolitan shires receive much higher proportions of their revenues in government grants.

Overall, 22 per cent of councils' funding comes from Commonwealth general purpose grants (including for local roads) and State specific allocations such as for libraries and home and community care services. For example, in 2001–02 the Bracks Government allocated a record \$24.6 million to public libraries, and provided \$9.85 million in National Competition Policy payments to Victorian councils – a \$5 million increase on the amount paid in 2000. Although there is no obligation for the Government to share these payments, the Victorian Government ensures that every council receives a minimum payment of \$100,000.

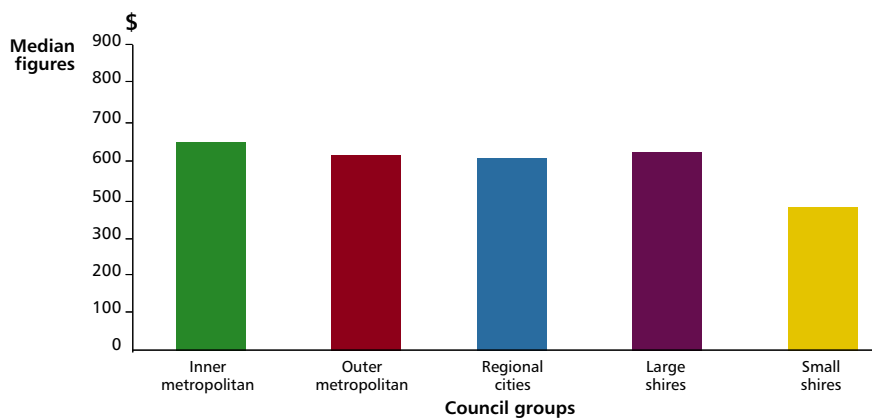
In addition to this, the Victorian Grants Commission (VGC) provides general purpose grants to each council based on a mix of population and need in accordance with Commonwealth guidelines.

This graph shows VGC general purpose grants per rating assessment.



Residential rates

This graph shows the median of the average amount of rates paid by residential households in 2000–01.



Within the above categories, average residential rates broadly show similar patterns to the average total rates figures.

Most metropolitan councils are predominantly residential, with their industrial and commercial properties typically having higher valuations than residential properties. Thus, the overall average rate paid for all properties is only slightly (15 per cent) higher than the average amount paid by residential households. Large country shires show similar figures.

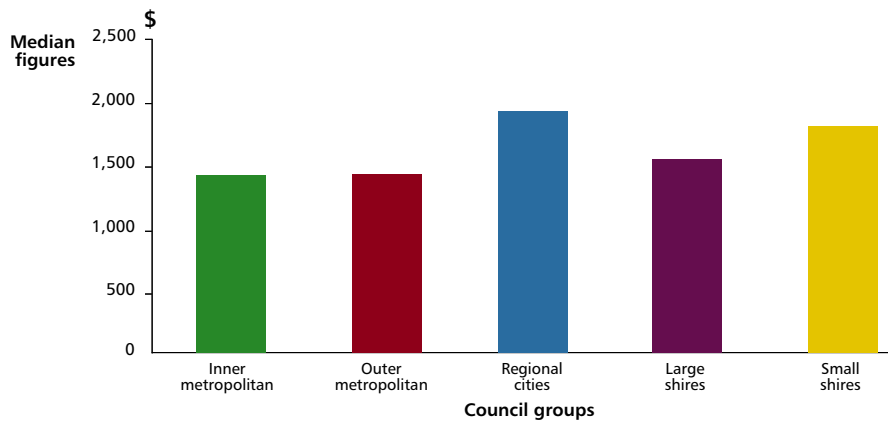
In regional cities and small shires, there is a more significant difference. The average rates paid for all properties, including farms, are 30 per cent higher than those paid by residential ratepayers.

In smaller country shires, most properties are farms, which are typically larger and have higher valuations than residential properties in small towns.

Regional cities are frequently surrounded by considerable numbers of higher-valued small intensive farms – this mix generally leads to lower rates for residential properties in the area.

Operating costs

This graph shows the median amount which councils spend per rating assessment on providing services to the community in 2000–01.

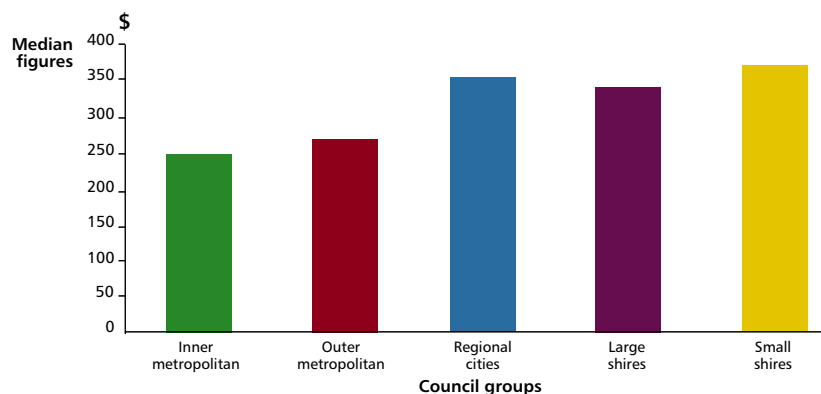


Non-metropolitan councils typically spend more per assessment on services than metropolitan councils, with regional cities spending the most. This may be due to regional and rural councils coping with the higher costs of providing services across a large geographic area. Metropolitan councils can have lower costs because it is more cost effective to provide services in densely populated communities.

With a renewed emphasis on community consultation under Best Value, local government can more effectively and efficiently provide public services to its communities without the restrictive and arbitrary requirements of CCT.

Infrastructure expenditure

This graph shows the amount which councils spend per rating assessment on renewing, replacing and providing new community facilities such as roads, bridges, buildings and parks in 2000–01.



Non-metropolitan councils spend the most per assessment on infrastructure. This expenditure could be due to the cost of maintaining an extensive network of local roads in rural areas. Inner metropolitan councils have some 9 km of sealed roads per 1,000 assessments, while rural councils have 88 km of sealed roads and 150 km of gravel roads per 1,000 assessments.

In early 2000, the Bracks Government released a study, which highlighted the need for improved asset management and planning by councils to ensure that future infrastructure needs of Victorian communities are met.

Although a matter for local councils, the Bracks Government wants to promote effective asset management in local government so that future communities benefit from adequate infrastructure. Asset management continues to be a key focus. This year the Bracks Government provided a \$292,000 grants program to local government to support the management of essential community infrastructure such as local roads, parks and buildings. The program will enable councils to build new expertise and infrastructure management practices.

Additional indicators on infrastructure will be reported in councils' annual reports for 2001–02 and this will assist in a better understanding of the sector's infrastructure management position.

Since 1999, the Government has committed more than \$1.46 billion to building infrastructure in country Victoria. In 2001–02, non-metropolitan infrastructure investment represented more than 45 per cent of the State Budget's \$2.13 billion infrastructure development program.

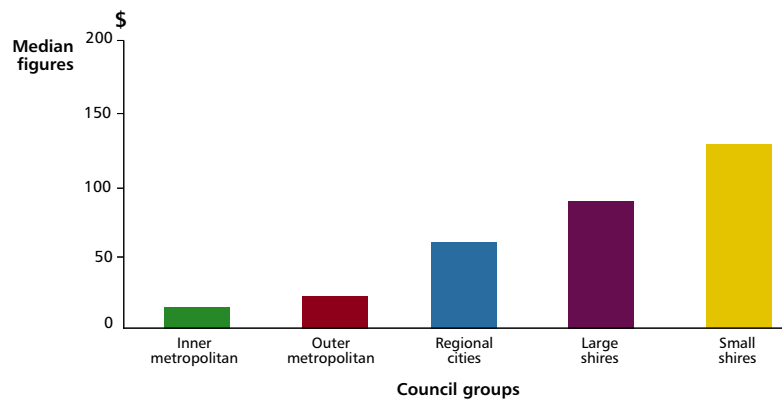
This commitment included part of the \$12 million Living Libraries program to assist councils directly with the renewal of library buildings.

Infrastructure expenditure cont.

Additionally, the VGC provides funding which may be used for local roads. The funding is provided on the basis of a formula developed by the VGC, which considers issues of road length, usage patterns and maintenance costs. However, this funding is constrained by Commonwealth allocations.

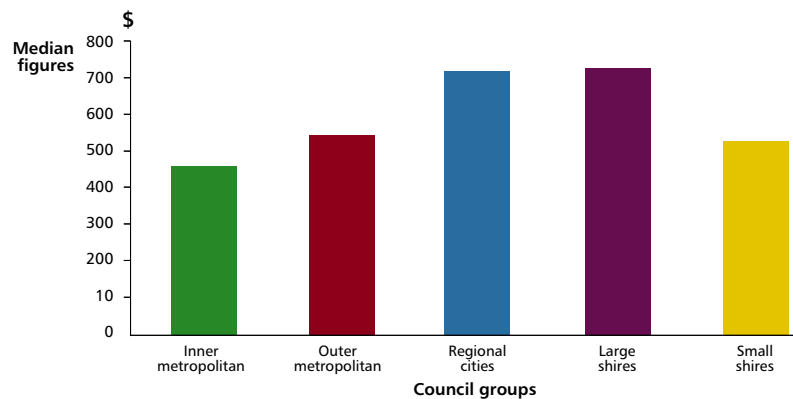
Roads funding to Victoria of \$84.2 million in 2000–01 was only 20.6 per cent of the national funding for local government roads, significantly less than Victoria's 24.9 per cent of the nation's population.

This graph shows the amount of VGC local roads funding per rating assessment.



Debts

This graph shows the median amount for councils debts and other liabilities in 2000–01 per assessment.



The sale of electricity businesses by some inner-metropolitan councils in the early 1990s has contributed to their low levels of debt.

The higher debt levels in regional cities and large shires have historically been influenced by loans which were acquired to build their more extensive road networks (per assessment) than in metropolitan councils. In small shires, much of the road network was built some time ago, and in recent years has required only maintenance, with few new loans.

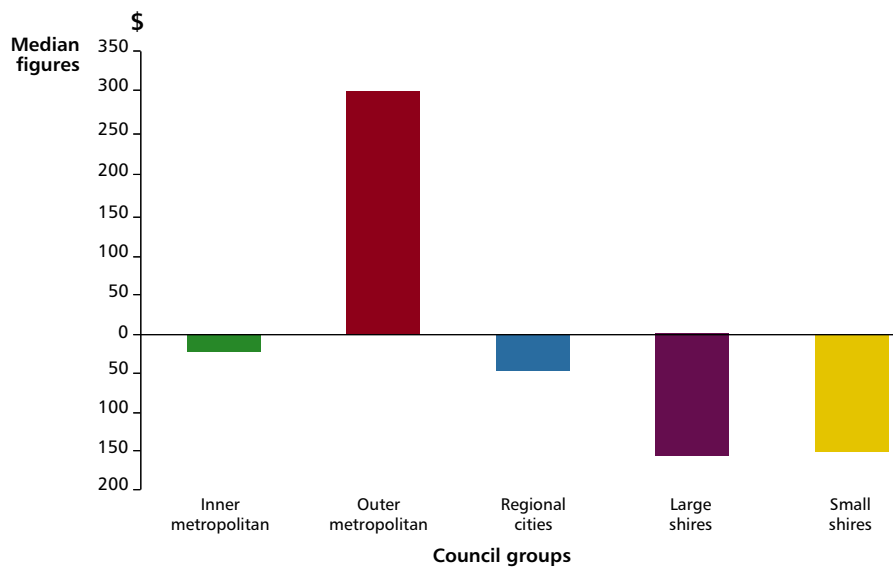
As noted elsewhere in this report, many councils have not been fully funding asset replacement (depreciation) in recent years. Tackling the backlog of works may require new borrowings for some councils in coming years.

The Government has worked with the sector to improve councillors' understanding of their governance role in managing for the future of their community. In 2001, a workshop on strategic governance was held for councillors and was attended by some 75 councils. This year the Government is working with the peak bodies to identify any gaps in good governance practices and approaches.

When borrowing funds, councils must conform to borrowing principles monitored by the Department of Infrastructure's Local Government Division.

Operating result (income – costs)

This graph shows the median end of year financial result for councils in 2000–01 distributing the result as an average over the number of assessments.



Inner metropolitan councils came closest to balancing their income with their costs in 2000–01.

Outer metropolitan councils, however, generally ended the financial year with surplus income. This may be explained by factors such as council's policy to build up community assets, the revaluation of assets and/or 'gifted' assets, which are common where councils are growing quickly. This year's results reflect adjustments due to updating asset valuations which may be significant. Gifted assets include the provision of roads and drainage by developers as part of housing developments.

Large and small shires generally had negative results in the year 2000–01, that is, the full cost of the services provided and depreciation was not covered by the income of that year. The primary reason for this appears to be underfunding of depreciation of assets, especially local roads, though it may be the result of council's policy to reduce councils' assets.

Operating result (income – costs) cont.

Given that local roads are generally funded through rates and specific grants by the VGC, councils will benefit from increased funds being allocated under the federal Roads to Recovery program. The extra funds will generally improve matters for large and small shires. Of course, issues remain unresolved with Victoria currently receiving less than 21 per cent of federal local road funding while contributing more than 25 per cent of the national fuel excise. Councils also remain unsure of what will occur once the Roads to Recovery program finishes in 2004.

The Government has taken a number of steps to assist local government to improve their financial management.

The proposed amendments to the Local Government Act will require councils to develop financial reporting statements that will be consistent across the three-year council plan, the annual budget and the annual reports. This consistency will enable the community to better understand their council's financial position.

Over the next year, the Government will be working with the local government sector on best practice approaches to more effectively manage and monitor their financial position in both the short and long term.

