

# Ararat Rural City Council

Group: small shire

This fact sheet uses graphs and data to examine this council's revenue, expenditure and financial sustainability over recent years. This information is intended to help readers understand the impacts of rate capping, which was introduced in 2016–17 to restrict the amount councils can increase their general rates and municipal charges in each financial year.

You can compare this council's data against its 'group' by looking at the fact sheet for small shires. Further information is available at <http://www.esc.vic.gov.au/outcomes-reports>, including an interactive version of this fact sheet, a reader's guide to help you understand key terms used in this fact sheet, and information about the sector as a whole.

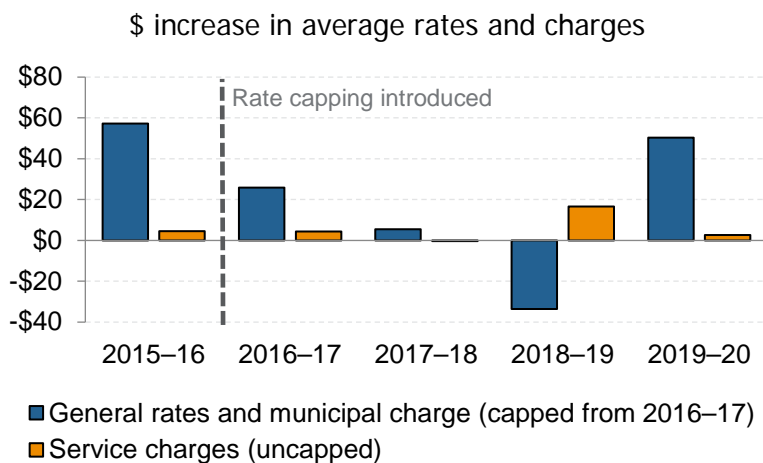


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Key facts	
Population (June 2019):	11,845
Size (km <sup>2</sup> ):	4,211
Length of local roads (km):	2,390
Population per km of roads:	5
Council employees (FTE, 2019–20):	137
Submitted an application for a higher cap for any year between 2016–17 and 2019–20	No

## Rates

### What has happened to average rates and charges (2019–20 dollars)?



Year	Average rates and charges	Applicable rate cap
2015–16	\$2,314	n/a
2016–17	\$2,344	2.50%
2017–18	\$2,349	2.00%
2018–19	\$2,332	2.25%
2019–20	\$2,386	2.50%

# Rates (continued)



See the reader's guide for data sources and useful information.  
 Note: The numbers in this fact sheet have been adjusted for inflation and are expressed in 2019–20 dollars.

## Have council's average rates complied with the applicable rate caps?

2018–19 (2.25%)	2019–20 (2.50%)	2020–21 (2.00%)
Yes	Yes	Yes

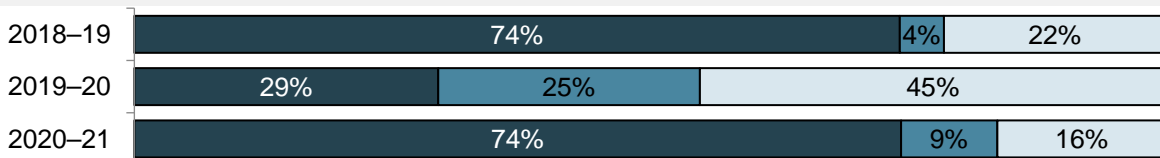
## How have rates changed for different ratepayers?

### Council's rating strategy 2020–21

Council levies 3 differential rates (for different types of property), a municipal charge and uses service charges to recover the cost of waste, drainage and water supply services. More information about council's differential rate categories and charges can be found in council's adopted budget.

### Distribution of rates increases and decreases

The applicable rate cap is applied to council's average rate, which means some individual rates increased by more and some increased by less than the applicable cap (or even decreased).



- % of rates notices decreasing
- % of rates notices increasing by less than the applicable cap
- % of rates notices increasing by more than the applicable cap

## Ratepayers by property class (2019–20 dollars)

	Residential ratepayers	Commercial ratepayers	Industrial ratepayers	Rural ratepayers
	<b>72%</b> of ratepayers	<b>5%</b> of ratepayers	<b>1%</b> of ratepayers	<b>22%</b> of ratepayers
	<b>\$9.6m</b> (56%) of rates and charges revenue in 2019–20	<b>\$1.1m</b> (7%) of rates and charges revenue in 2019–20	<b>\$0.3m</b> (2%) of rates and charges revenue in 2019–20	<b>\$6m</b> (35%) of rates and charges revenue in 2019–20
	<b>0.1%</b> average annual increase between 2015–16 and 2019–20	<b>-4.8%</b> average annual increase between 2015–16 and 2019–20	<b>1.7%</b> average annual increase between 2015–16 and 2019–20	<b>5.3%</b> average annual increase between 2015–16 and 2019–20

**Source:** Victorian Local Government Grants Commission (unaudited data). Includes both capped and uncapped rates and charges. 'Other' category of property class has been omitted.

# Revenue



See the reader's guide for data sources and useful information.  
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## Where is council's money coming from?

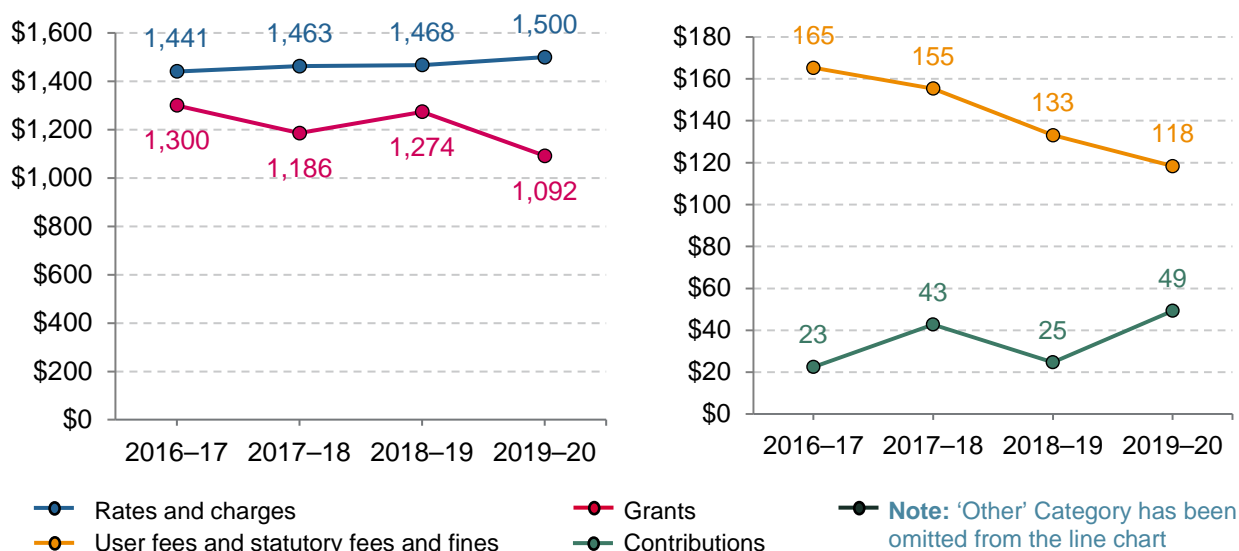
**Revenue** (2019–20 \$m and % of total revenue)

	2016–17		2017–18		2018–19		2019–20	
	\$m	%	\$m	%	\$m	%	\$m	%
Rates and charges	16.9	(49%)	17.2	(51%)	17.3	(50%)	17.8	(54%)
User fees and statutory fees and fines	1.9	(6%)	1.8	(5%)	1.6	(5%)	1.4	(4%)
Grants	15.3	(44%)	13.9	(42%)	15.0	(43%)	12.9	(39%)
Contributions	0.3	(1%)	0.5	(2%)	0.3	(1%)	0.6	(2%)
Other	0.5	(1%)	-0.1	(0%)	0.6	(2%)	0.4	(1%)
<b>Total</b>	<b>34.9</b>		<b>33.4</b>		<b>34.8</b>		<b>33.1</b>	

In real terms, Ararat Rural City Council's total revenue fluctuated between 2016–17 and 2019–20, reflecting changes in revenue from grants, including an advance payment of Commonwealth financial assistance grants in 2016–17, and the receipt of one-off natural disaster grants in 2018–19.

Rates and charges, and grants were the largest sources of council's revenue, and together these sources accounted for 93 per cent of total revenue between 2016–17 and 2019–20. With revenue from grants fluctuating from year to year and decreasing in real terms between 2016–17 and 2019–20, the proportion of revenue council received through rates and charges increased.

## Revenue per person (2019–20 dollars)



In terms of revenue per person (which adjusts for population growth), council's revenue from user fees and statutory fees and fines, and grants, trended downwards in real terms between 2016–17 and 2019–20. This compares with an upward trend in revenue per person from rates and charges, and contributions.

# Expenditure



See the reader's guide for data sources and useful information.  
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## How much money is council spending?

**Expenditure** (2019–20 \$m and % of total expenditure)

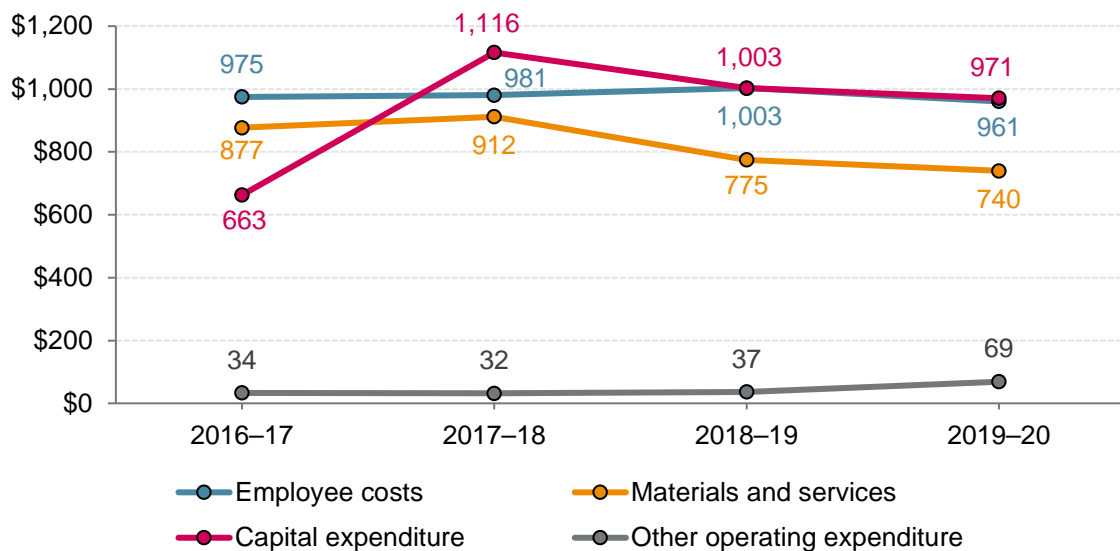
	2016–17		2017–18		2018–19		2019–20	
	\$m	%	\$m	%	\$m	%	\$m	%
Operating expenditure	22.1	(74%)	22.6	(63%)	21.4	(64%)	21.0	(65%)
Employee costs	11.4	(38%)	11.5	(32%)	11.8	(36%)	11.4	(35%)
Materials and services	10.3	(34%)	10.7	(30%)	9.1	(27%)	8.8	(27%)
Other operating expenditure	0.4	(1%)	0.4	(1%)	0.4	(1%)	0.8	(3%)
Capital expenditure	7.8	(26%)	13.1	(37%)	11.8	(36%)	11.5	(35%)
<b>Total</b>	<b>29.9</b>		<b>35.7</b>		<b>33.2</b>		<b>32.5</b>	

In real terms, Ararat Rural City Council's expenditure increased between 2016–17 and 2019–20, due to a spike in capital expenditure in 2017–18, and elevated capital spending in subsequent years.

In real terms, expenditure on materials and services has decreased over the period while employee costs have remained stable.

This increase in council's capital expenditure and decrease in expenditure on materials and services is reflected in changes in the composition of council's expenditure.

## Expenditure per person (2019–20 dollars)



In terms of expenditure per person (which adjusts for population growth), expenditure on materials and services has trended downward in real terms, as has capital expenditure (after the initial spike in 2017–18).



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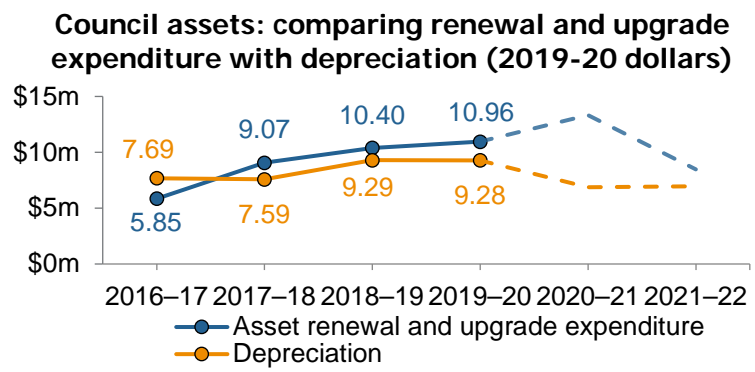
## Has council's capital expenditure pattern changed?

**Capital expenditure** (2019–20 \$m and % of total capital expenditure)

	2016–17		2017–18		2018–19		2019–20	
	\$m		\$m		\$m		\$m	
Renewal	3.9	(51%)	4.2	(32%)	8.7	(74%)	8.0	(70%)
Upgrade	1.9	(25%)	4.9	(37%)	1.7	(14%)	2.9	(25%)
Expansion	0.0	(0%)	0.0	(0%)	0.0	(0%)	0.0	(0%)
New	1.9	(25%)	4.1	(31%)	1.4	(12%)	0.5	(5%)
<b>Total</b>	<b>7.8</b>		<b>13.1</b>		<b>11.8</b>		<b>11.5</b>	

Ararat Rural City Council's spending on asset renewal in 2018–19 and 2019–20 was more than double that in the previous two years, with asset renewal increasing to 74 per cent of capital expenditure in 2018–19 and 70 per cent in 2019–20. This follows a spike in spending on new assets and upgrade projects in 2017–18.

## Is council renewing its assets (such as roads, parks and buildings)?



**Renewal & upgrade expenditure as a percentage of depreciation**

2016–17	76%
2017–18	119%
2018–19	112%
2019–20	118%
2020–21	194% (forecast data)
2021–22	122% (forecast data)

Council's spending on the renewal and upgrade of its assets trended upwards in real terms between 2016–17 and 2019–20. Renewal and upgrade expenditure increased above the amount of depreciation (the decline in value of council's assets caused by age and use) from 2017–18 and was forecast to remain above 100 per cent of depreciation in 2020–21 and 2021–22 (despite a forecast fall in renewal and upgrade expenditure in real terms in 2021–22).

# Services



See the reader's guide for data sources and useful information.  
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## Which service areas is council spending its money in?

**Expenditure by function** (2019–20 \$m and % of total services expenditure)

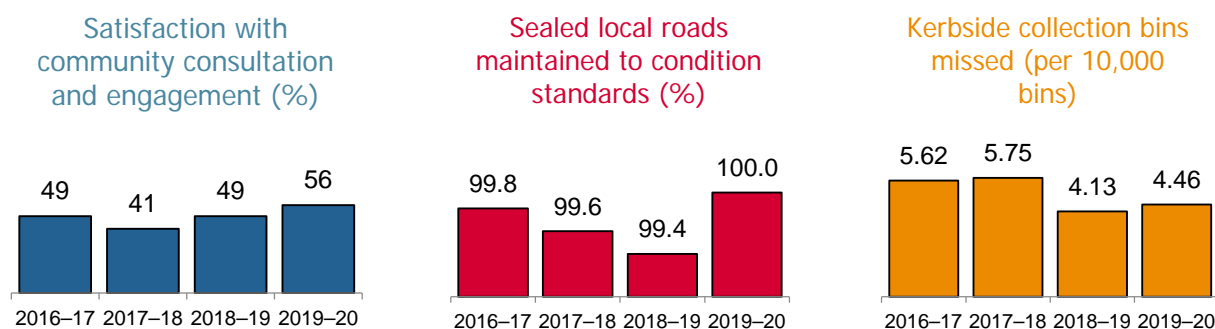
	2016–17	2017–18	2018–19	2019–20
	\$m	\$m	\$m	\$m
Aged and disabled services	1.2 (4%)	1.3 (4%)	0.9 (3%)	0.9 (3%)
Business and economic services	2.7 (9%)	2.4 (8%)	2.3 (8%)	1.8 (6%)
Environment	0.4 (1%)	0.7 (2%)	0.9 (3%)	0.6 (2%)
Family and community services	0.6 (2%)	0.6 (2%)	0.3 (1%)	0.3 (1%)
Governance	4.7 (16%)	4.9 (16%)	4.9 (16%)	4.5 (15%)
Local roads and bridges	11.0 (37%)	10.7 (35%)	11.3 (37%)	12.0 (40%)
Recreation and culture	5.8 (19%)	6.2 (21%)	6.8 (22%)	6.5 (22%)
Traffic and street management	1.1 (4%)	1.2 (4%)	1.2 (4%)	1.1 (4%)
Waste management	2.3 (8%)	2.2 (7%)	2.0 (7%)	2.0 (7%)
Other	0.0 (0%)	0.0 (0%)	0.0 (0%)	0.0 (0%)
<b>Total</b>	<b>29.8</b>	<b>30.2</b>	<b>30.7</b>	<b>29.8</b>

## Which service areas have experienced the biggest changes in spending?



**Source:** Victorian Local Government Grants Commission (unaudited). Council Annual Reports may provide further explanation of these expenditure changes.

## Has there been a change in service quality and community satisfaction?

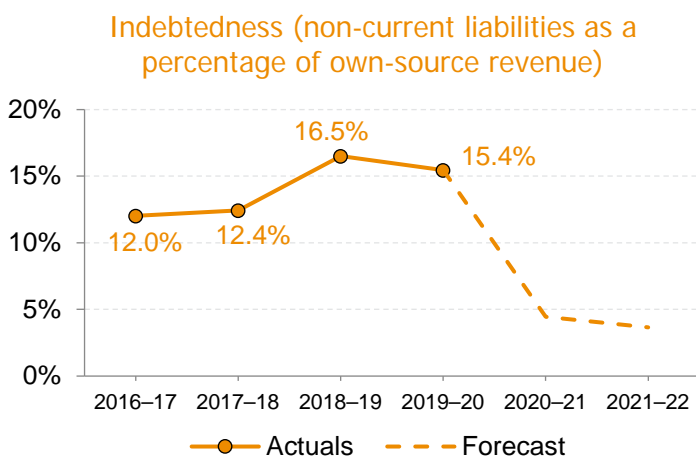
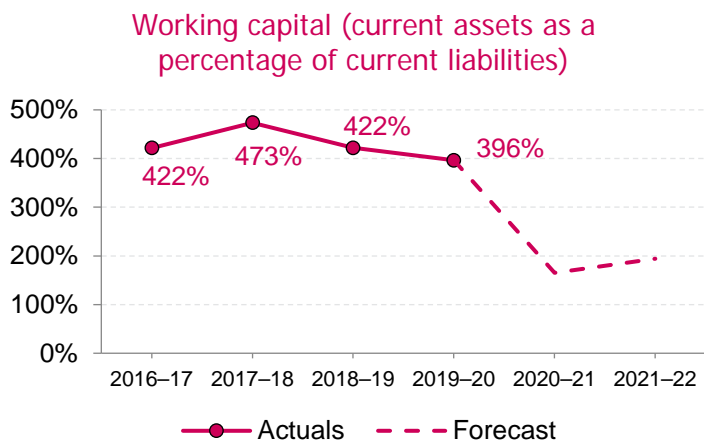
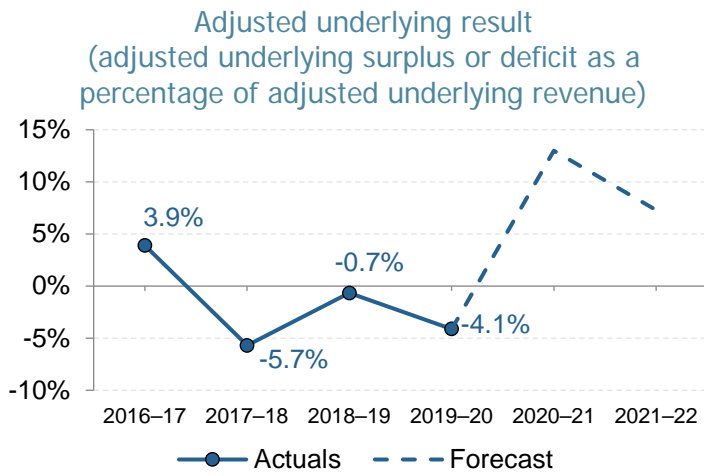


# Financial position



See the reader's guide for data sources and useful information.  
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## Is council operating sustainably?



Between 2016–17 and 2019–20, Ararat Rural City Council reported an average **adjusted underlying result** of -1.6 per cent. An ongoing negative result, or deficit, suggests that, without the receipt of one-off grants or increases in ongoing revenue, the council may not have sufficient revenue to fund the range and level of services it has been providing.

Council could meet its short-term financial obligations with a reported average **working capital ratio** of 428 per cent between 2016–17 and 2019–20.

The reported average **indebtedness ratio** of 14.1 per cent between 2016–17 and 2019–20 places the council in the Victorian Auditor-General's low risk category for this indicator, which means there is no concern over council's ability to repay debt from the revenue it controls.

**Note:** Some of the year-on-year changes in these financial indicators may be due to the advance payment of Commonwealth grants (particularly in 2016–17) and changes to accounting standards or the impact of coronavirus (in 2019–20). See the reader's guide for more information.