

Horsham Rural City Council

Group: regional city

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 regional city councils. 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.

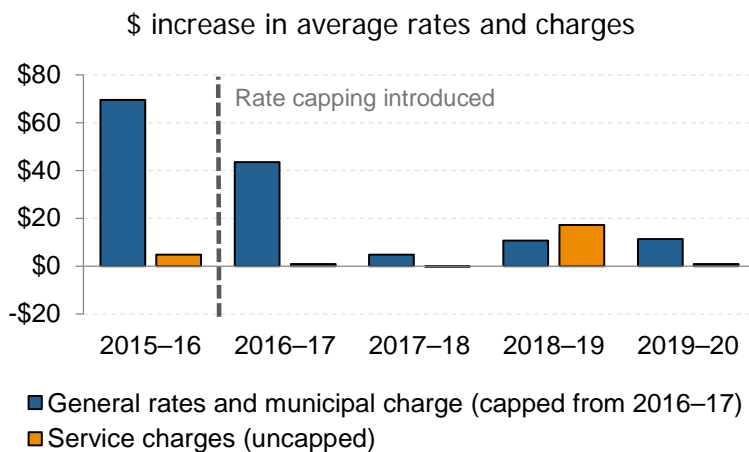


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| Key facts | |
|---|-----------------------|
| Population (June 2019): | 19,921 |
| Size (km ²): | 4,267 |
| Length of local roads (km): | 2,974 |
| Population per km of roads: | 7 |
| Council employees (FTE, 2019–20): | 216 |
| Submitted an application for a higher cap for any year between 2016–17 and 2019–20? | Yes (see table below) |

Rates

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



| Year | Average rates and charges | Applicable rate cap |
|---------|---------------------------|---------------------|
| 2015–16 | \$2,101 | n/a |
| 2016–17 | \$2,145 | 3.50% ^a |
| 2017–18 | \$2,150 | 2.00% |
| 2018–19 | \$2,177 | 2.25% |
| 2019–20 | \$2,190 | 2.50% |

^a Approved higher cap.

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 |

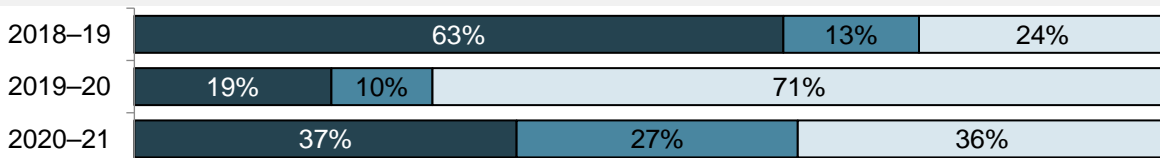
How have rates changed for different ratepayers?

Council's rating strategy 2020–21

Council levies 4 differential rates (for different types of property), a municipal charge and uses service charges to recover the cost of waste 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 |
|--|--|--|--|--|
| | 74% of ratepayers | 4% of ratepayers | 3% of ratepayers | 17% of ratepayers |
| | \$18m (65%) of rates and charges revenue in 2019–20 | \$2m (7%) of rates and charges revenue in 2019–20 | \$1.1m (4%) of rates and charges revenue in 2019–20 | \$6.6m (24%) of rates and charges revenue in 2019–20 |
| | 1% average annual increase between 2015–16 and 2019–20 | 0.9% average annual increase between 2015–16 and 2019–20 | 2.4% average annual increase between 2015–16 and 2019–20 | 1.6% 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.
 Note: The numbers in this fact sheet have been adjusted for inflation and are expressed in 2019–20 dollars.

Where is council's money coming from?

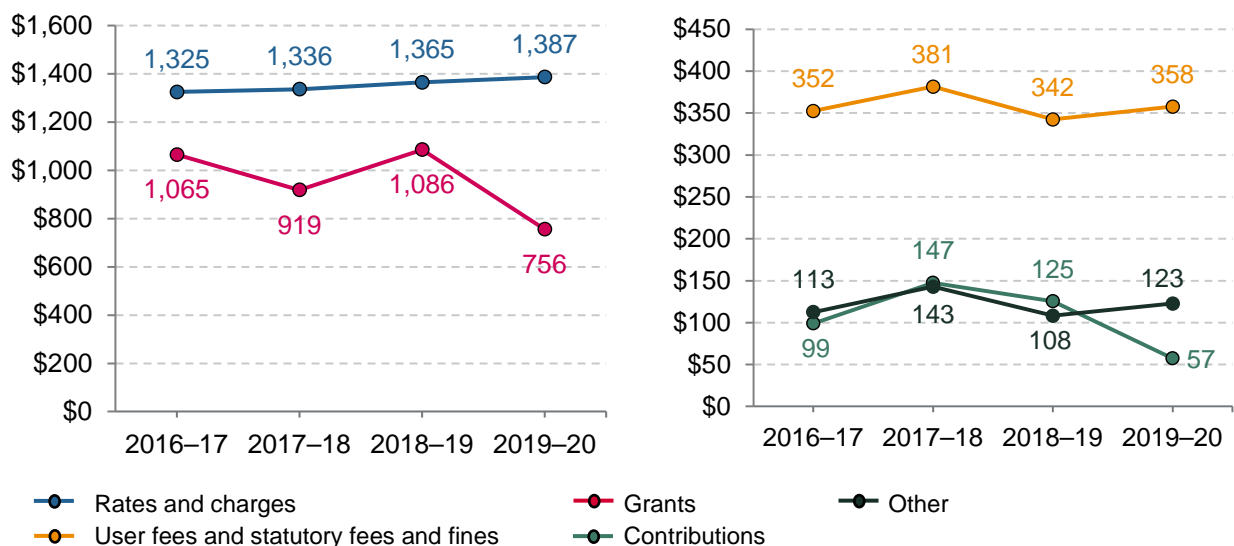
Revenue (2019–20 \$m and % of total revenue)

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | \$m | % | \$m | % | \$m | % | \$m | % |
| Rates and charges | 26.3 | (45%) | 26.6 | (46%) | 27.1 | (45%) | 27.6 | (52%) |
| User fees and statutory fees and fines | 7.0 | (12%) | 7.6 | (13%) | 6.8 | (11%) | 7.1 | (13%) |
| Grants | 21.2 | (36%) | 18.3 | (31%) | 21.6 | (36%) | 15.1 | (28%) |
| Contributions | 2.0 | (3%) | 2.9 | (5%) | 2.5 | (4%) | 1.1 | (2%) |
| Other | 2.2 | (4%) | 2.8 | (5%) | 2.1 | (4%) | 2.4 | (5%) |
| Total | 58.7 | | 58.2 | | 60.2 | | 53.4 | |

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

Rates and charges was the largest source of council's revenue, accounting for between 45 and 52 per cent of total revenue between 2016–17 and 2019–20.

Revenue per person (2019–20 dollars)



In terms of revenue per person (which adjusts for population growth), council's revenue from grants, and user fees and statutory fees and fines fluctuated between 2016–17 and 2019–20. Revenue per person from contributions peaked in real terms in 2017–18.

Expenditure



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

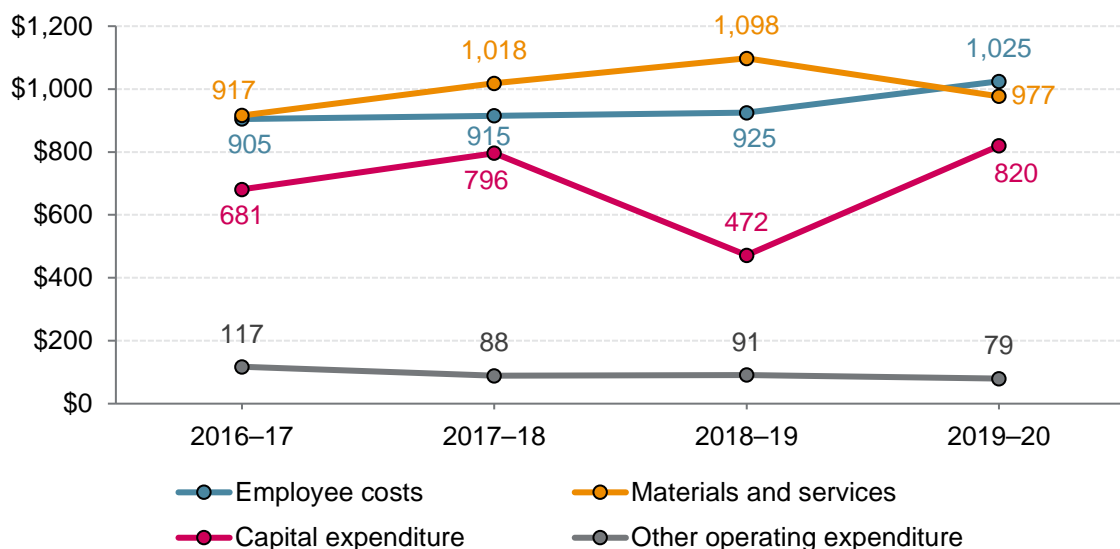
Expenditure (2019–20 \$m and % of total expenditure)

| | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
|-----------------------------|-------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| Operating expenditure | 38.5 (74%) | 40.2 (72%) | 42.0 (82%) | 41.5 (72%) |
| Employee costs | 18.0 (35%) | 18.2 (32%) | 18.4 (36%) | 20.4 (35%) |
| Materials and services | 18.2 (35%) | 20.3 (36%) | 21.8 (42%) | 19.5 (34%) |
| Other operating expenditure | 2.3 (4%) | 1.8 (3%) | 1.8 (4%) | 1.6 (3%) |
| Capital expenditure | 13.5 (26%) | 15.8 (28%) | 9.4 (18%) | 16.3 (28%) |
| Total | 52.1 | 56.0 | 51.4 | 57.8 |

In real terms, Horsham Rural City Council's total expenditure fluctuated between 2016–17 and 2019–20, reflecting changes in capital expenditure. Employee costs increased in real terms between 2016–17 and 2019–20, while expenditure on materials and services trended upwards despite a decrease in 2019–20 in real terms.

Between 2016–17 and 2018–19, materials and services was council's largest area of expenditure, however following the decrease in expenditure on materials and services in 2019–20, employee costs was council's largest area of expenditure in that year.

Expenditure per person (2019–20 dollars)



In terms of expenditure per person (which adjusts for population growth), capital expenditure fluctuated in real terms between 2016–17 and 2019–20. Expenditure per person on materials and services increased in real terms between 2016–17 and 2018–19, before decreasing in 2019–20. Employee costs per person trended upwards between 2016–17 and 2019–20 in real terms.



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Has council's capital expenditure pattern changed?

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

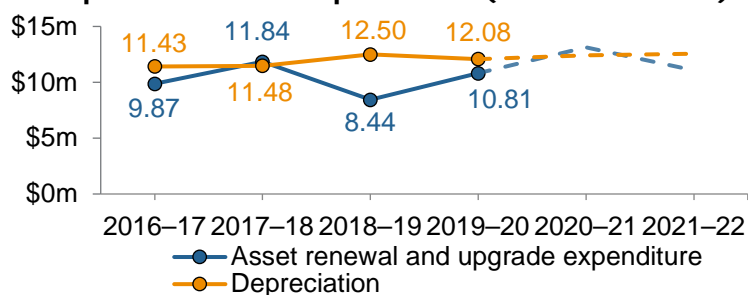
| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--------------|-------------|-------|-------------|-------|------------|-------|-------------|-------|
| | \$m | % | \$m | % | \$m | % | \$m | % |
| Renewal | 8.9 | (66%) | 9.5 | (60%) | 7.5 | (80%) | 9.5 | (58%) |
| Upgrade | 1.0 | (7%) | 2.3 | (15%) | 1.0 | (10%) | 1.3 | (8%) |
| Expansion | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) |
| New | 3.7 | (27%) | 4.0 | (25%) | 0.9 | (10%) | 5.5 | (34%) |
| Total | 13.5 | | 15.8 | | 9.4 | | 16.3 | |

In real terms, Horsham Rural City Council's spending on asset renewal, asset upgrades and new assets fluctuated between 2016–17 and 2019–20, with increases across each category in 2017–18 and 2019–20.

Asset renewal remained the highest share of total expenditure between 2016–17 and 2019–20 (accounting for 58 to 80 per cent of total capital expenditure).

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

Council assets: comparing renewal and upgrade expenditure with depreciation (2019–20 dollars)



Renewal & upgrade expenditure as a percentage of depreciation

| | |
|---------|----------------------|
| 2016–17 | 86% |
| 2017–18 | 103% |
| 2018–19 | 68% |
| 2019–20 | 89% |
| 2020–21 | 106% (forecast data) |
| 2021–22 | 88% (forecast data) |

Council's spending on the renewal and upgrade of its assets fluctuated in real terms between 2016–17 and 2019–20. This spending remained below the amount of depreciation (the decline in value of council's assets caused by age and use), except in 2017–18 when it increased above 100 per cent of depreciation.

Renewal and upgrade expenditure was forecast to increase above 100 per cent of depreciation in 2020–21 before dropping back below in 2021–22.

Services



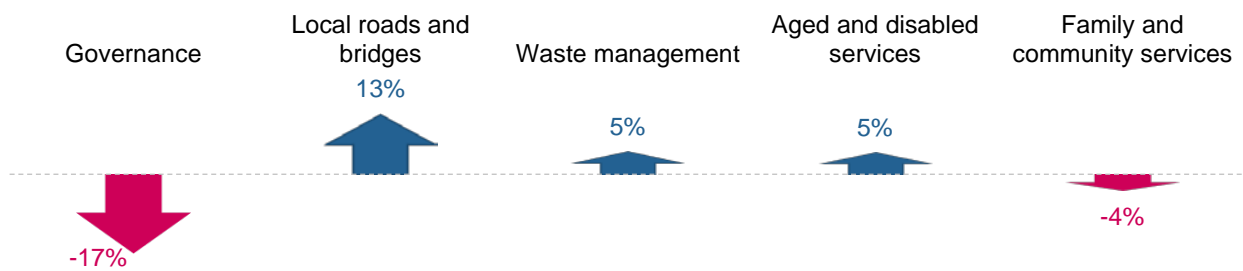
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Which service areas is council spending its money in?

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

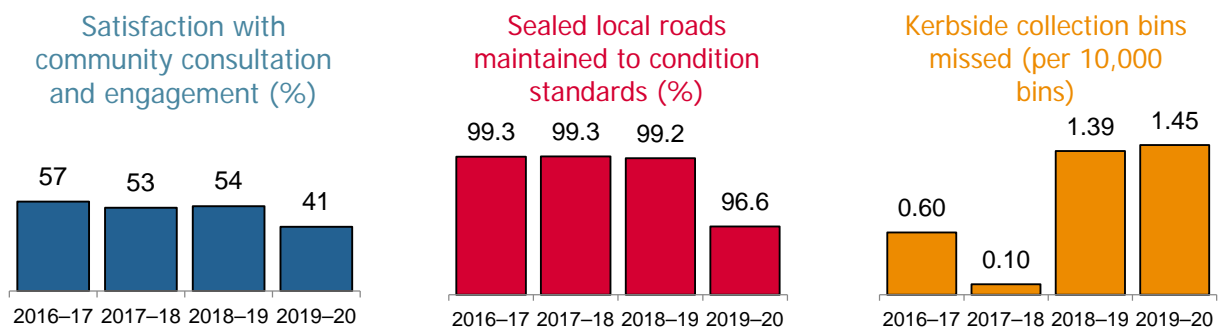
| | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
|--------------------------------|-------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| Aged and disabled services | 3.0 (6%) | 2.3 (5%) | 2.3 (4%) | 3.5 (7%) |
| Business and economic services | 5.4 (11%) | 5.2 (10%) | 5.7 (11%) | 5.7 (11%) |
| Environment | 1.5 (3%) | 1.7 (3%) | 2.1 (4%) | 1.9 (4%) |
| Family and community services | 3.3 (7%) | 2.8 (6%) | 2.9 (5%) | 3.0 (6%) |
| Governance | 5.0 (10%) | 6.8 (13%) | 7.7 (14%) | 2.8 (5%) |
| Local roads and bridges | 9.9 (20%) | 12.2 (24%) | 13.4 (25%) | 14.4 (27%) |
| Recreation and culture | 10.6 (22%) | 9.6 (19%) | 9.9 (18%) | 10.7 (20%) |
| Traffic and street management | 3.9 (8%) | 3.9 (8%) | 3.8 (7%) | 3.9 (7%) |
| Waste management | 5.6 (11%) | 5.0 (10%) | 5.5 (10%) | 6.5 (12%) |
| Other | 0.4 (1%) | 1.0 (2%) | 0.4 (1%) | 0.5 (1%) |
| Total | 48.4 | 50.6 | 53.7 | 52.8 |

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?

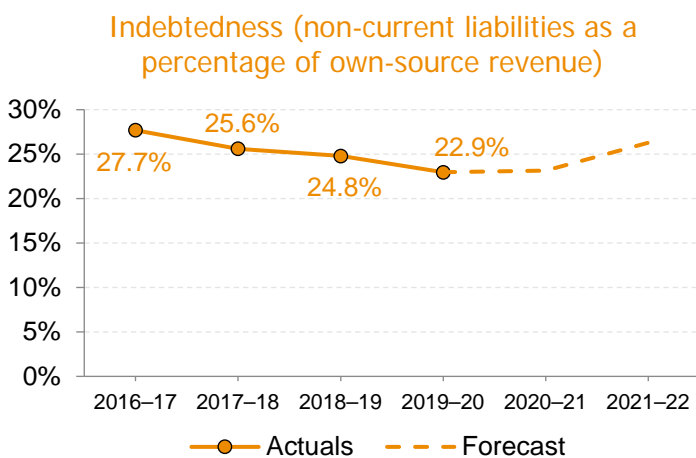
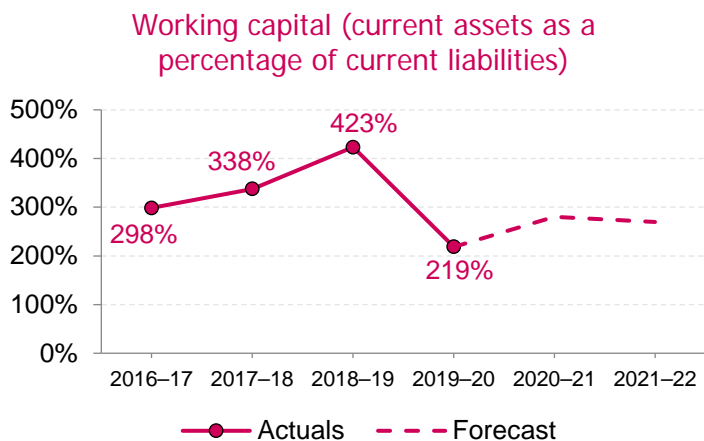
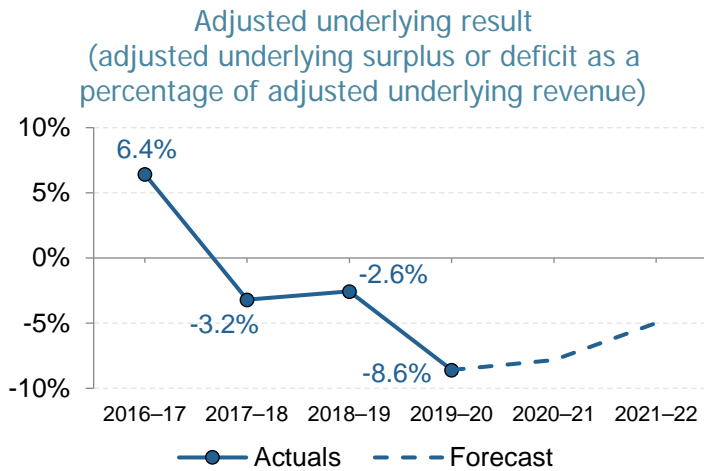


Financial position



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, Horsham Rural City Council reported an average **adjusted underlying result** of –2.0 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. The higher result in 2016–17 reflects early receipt of grants, and projects not completed in the year.

Council could meet its current financial obligations with a reported average **working capital ratio** of 319 per cent between 2016–17 and 2019–20. The decrease in 2019–20 reflects an increase in current liabilities (due to a change in accounting standards relating to recognition of leases and grants).

The reported average **indebtedness ratio** of 25.2 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.