

Colac Otway Shire Council

Group: large 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 large 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.

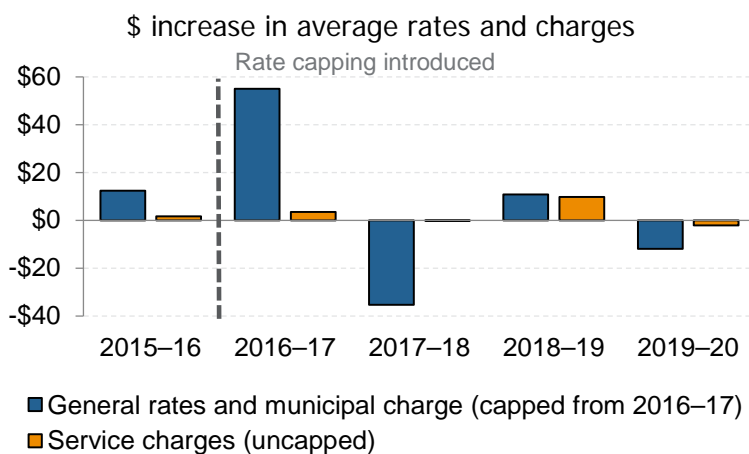


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| Key facts | |
|---|--------|
| Population (June 2019): | 21,564 |
| Size (km ²): | 3,438 |
| Length of local roads (km): | 1,632 |
| Population per km of roads: | 13 |
| Council employees (FTE, 2019–20): | 226 |
| Submitted an application for a higher 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 | \$1,971 | n/a |
| 2016–17 | \$2,030 | 2.50% |
| 2017–18 | \$1,995 | 2.00% |
| 2018–19 | \$2,015 | 2.25% |
| 2019–20 | \$2,001 | 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 |

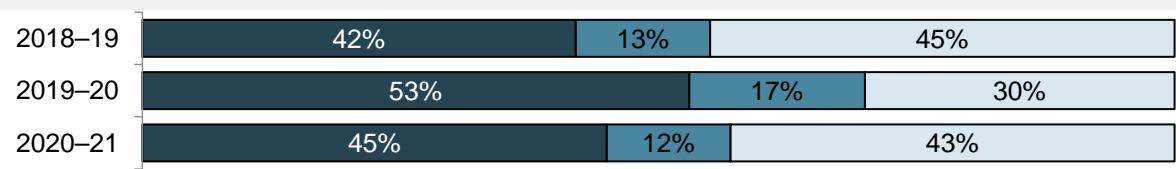
How have rates changed for different ratepayers?

Council's rating strategy 2020–21

Council levies 5 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 & Industrial ratepayers | Rural ratepayers |
|--|---|--|---|
| | 75% of ratepayers | 6% of ratepayers | 18% of ratepayers |
| | \$21m (68%) of rates and charges revenue in 2019–20 | \$3.8m (12%) of rates and charges revenue in 2019–20 | \$6.1m (20%) of rates and charges revenue in 2019–20 |
| | -0.1% average annual increase between 2015–16 and 2019–20 | 2.7% average annual increase between 2015–16 and 2019–20 | -0.1% 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?

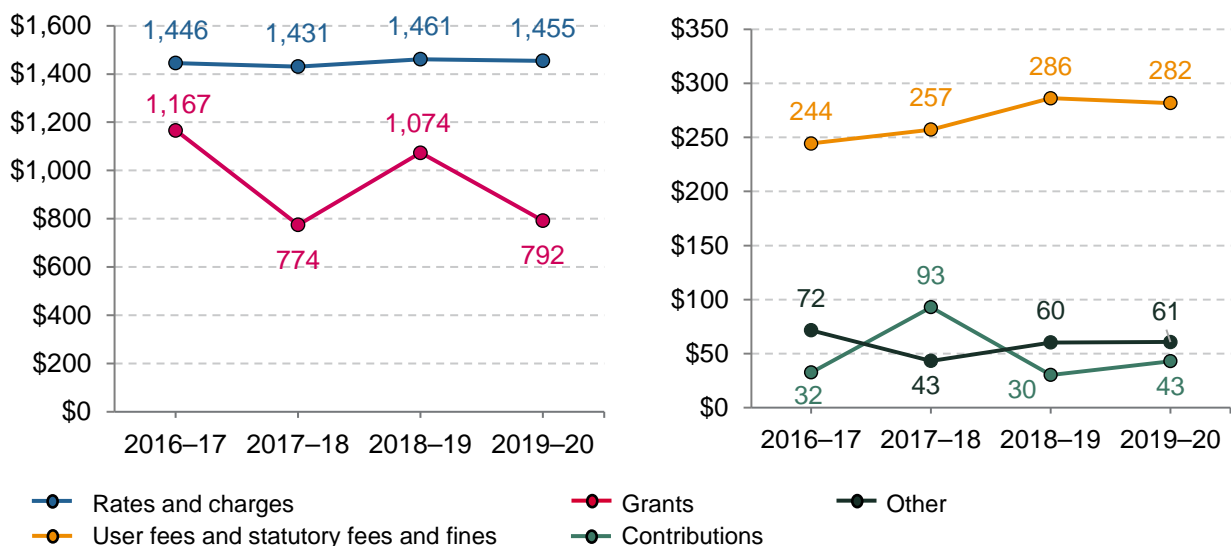
Revenue (2019–20 \$m and % of total revenue)

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | \$m | % | \$m | % | \$m | % | \$m | % |
| Rates and charges | 30.9 | (49%) | 30.7 | (55%) | 31.4 | (50%) | 31.4 | (55%) |
| User fees and statutory fees and fines | 5.2 | (8%) | 5.5 | (10%) | 6.2 | (10%) | 6.1 | (11%) |
| Grants | 24.9 | (39%) | 16.6 | (30%) | 23.1 | (37%) | 17.1 | (30%) |
| Contributions | 0.7 | (1%) | 2.0 | (4%) | 0.6 | (1%) | 0.9 | (2%) |
| Other | 1.5 | (2%) | 0.9 | (2%) | 1.3 | (2%) | 1.3 | (2%) |
| Total | 63.2 | | 55.7 | | 62.6 | | 56.8 | |

In real terms, Colac Otway Shire 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 natural disaster grants in 2016–17 and 2018–19.

Rates and charges, and grants were the largest sources of council's revenue, and together these sources accounted for 86 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 fluctuated in real terms between 2016–17 and 2019–20. This compares with an upward trend in revenue per person from user fees and statutory fees and fines.

Expenditure



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

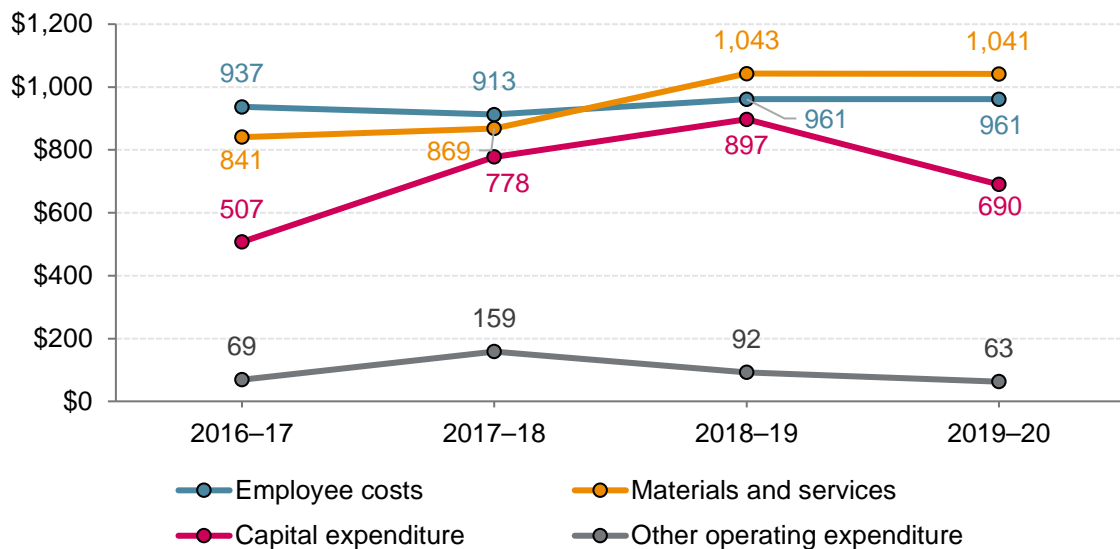
Expenditure (2019–20 \$m and % of total expenditure)

| | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
|-----------------------------|-------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| Operating expenditure | 39.5 (78%) | 41.6 (71%) | 45.1 (70%) | 44.5 (75%) |
| Employee costs | 20.0 (40%) | 19.6 (34%) | 20.7 (32%) | 20.7 (35%) |
| Materials and services | 18.0 (36%) | 18.6 (32%) | 22.4 (35%) | 22.5 (38%) |
| Other operating expenditure | 1.5 (3%) | 3.4 (6%) | 2.0 (3%) | 1.4 (2%) |
| Capital expenditure | 10.8 (22%) | 16.7 (29%) | 19.3 (30%) | 14.9 (25%) |
| Total | 50.3 | 58.2 | 64.4 | 59.4 |

In real terms, Colac Otway Shire Council's total expenditure increased between 2016–17 and 2019–20, reflecting increases in capital expenditure and expenditure on materials and services. Employee costs remained relatively stable in real terms between 2016–17 and 2019–20.

In 2016–17 and 2017–18, employee costs was council's largest area of expenditure. However, following increases in expenditure on materials and services in 2018–19 and 2019–20, materials and services was council's largest area of expenditure in these years.

Expenditure per person (2019–20 dollars)



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



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Has council's capital expenditure pattern changed?

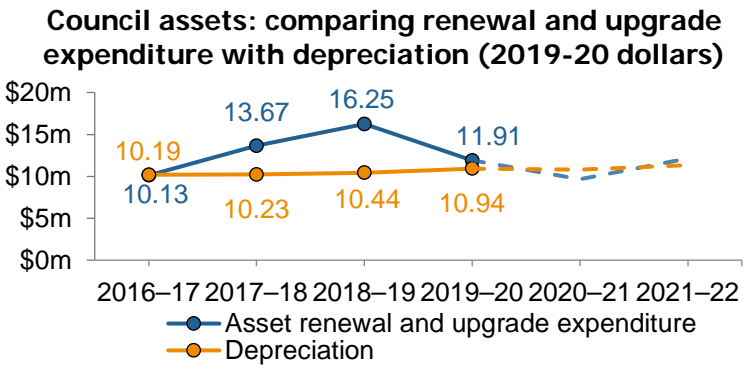
Capital expenditure (2019–20 \$m and % of total capital expenditure)

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | \$m | % | \$m | % | \$m | % | \$m | % |
| Renewal | 10.0 | (92%) | 11.8 | (71%) | 13.1 | (68%) | 11.2 | (75%) |
| Upgrade | 0.2 | (2%) | 1.8 | (11%) | 3.1 | (16%) | 0.7 | (5%) |
| Expansion | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) |
| New | 0.7 | (7%) | 3.0 | (18%) | 3.0 | (16%) | 3.0 | (20%) |
| Total | 10.8 | | 16.7 | | 19.3 | | 14.9 | |

In real terms, Colac Otway Shire Council's spending on asset renewal and upgrades trended upwards between 2016–17 and 2018–19, before decreasing in 2019–20. There was also a jump in council's spending on new assets in 2017–18.

Asset renewal remained the highest share of council's capital expenditure between 2016–17 and 2019–20 (accounting for 68 to 92 per cent of total capital expenditure).

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



Renewal & upgrade expenditure as a percentage of depreciation

| | |
|---------|----------------------|
| 2016–17 | 99% |
| 2017–18 | 134% |
| 2018–19 | 156% |
| 2019–20 | 109% |
| 2020–21 | 89% (forecast data) |
| 2021–22 | 107% (forecast data) |

Council's spending on the renewal and upgrade of its assets trended upwards in real terms, prior to a decrease in 2019–20. This spending increased above the amount of depreciation (the decline in value of council's assets caused by age and use) from 2017–18.

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

Services



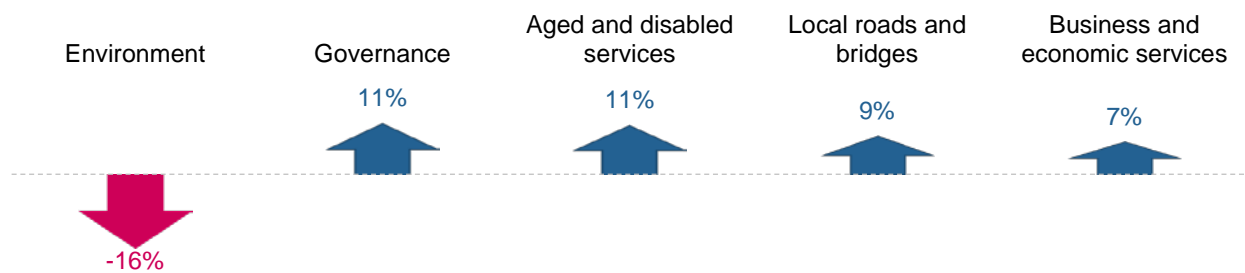
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Which service areas is council spending its money in?

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

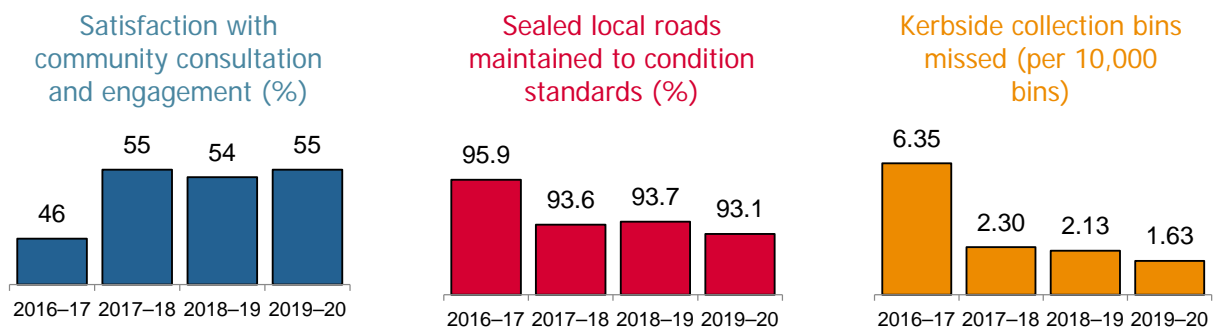
| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--------------------------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | \$m | | \$m | | \$m | | \$m | |
| Aged and disabled services | 2.5 | (5%) | 2.6 | (5%) | 3.1 | (6%) | 3.4 | (6%) |
| Business and economic services | 4.9 | (10%) | 6.0 | (11%) | 6.1 | (11%) | 6.0 | (11%) |
| Environment | 6.2 | (13%) | 2.3 | (4%) | 2.8 | (5%) | 3.6 | (6%) |
| Family and community services | 1.9 | (4%) | 2.1 | (4%) | 1.3 | (2%) | 1.4 | (2%) |
| Governance | 9.1 | (19%) | 11.4 | (22%) | 14.5 | (26%) | 12.7 | (23%) |
| Local roads and bridges | 10.2 | (21%) | 9.7 | (19%) | 13.0 | (23%) | 13.1 | (24%) |
| Recreation and culture | 7.8 | (16%) | 9.8 | (19%) | 8.2 | (15%) | 9.1 | (16%) |
| Traffic and street management | 2.8 | (6%) | 2.7 | (5%) | 2.4 | (4%) | 2.6 | (5%) |
| Waste management | 3.4 | (7%) | 5.3 | (10%) | 4.1 | (7%) | 3.7 | (7%) |
| Other | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) |
| Total | 48.7 | | 51.8 | | 55.5 | | 55.6 | |

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?

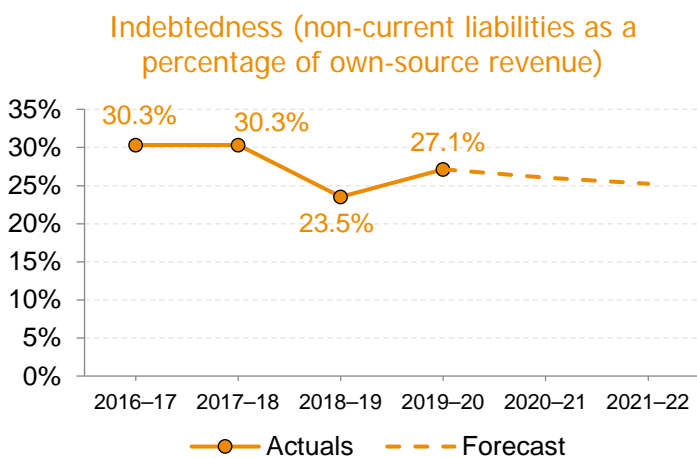
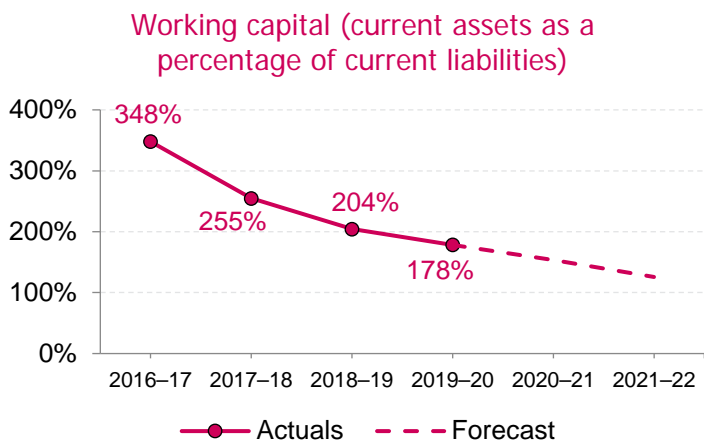
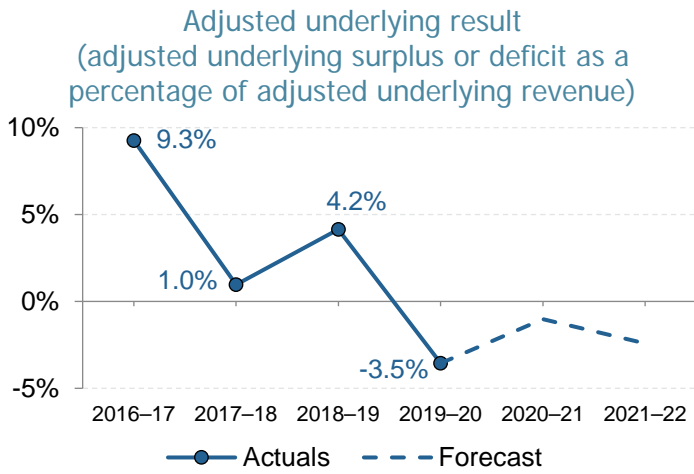


Financial position



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, Colac Otway Shire Council reported an average **adjusted underlying result** of 2.7 per cent. An ongoing positive result suggests there is enough ongoing revenue to continue to fund the current level of service provision. The higher results in 2016–17 and 2018–19 reflect the receipt of higher levels of operating grants in these years. The result in 2019–20 reflects the impacts of coronavirus (both reduced revenue and increased costs) and a budgeted average rate increase of 0.5 per cent (lower than the 2.5 per cent rate cap), and lower revenue due to a change in accounting standards.

Council could meet its current financial obligations with a reported average **working capital ratio** of 246 per cent between 2016–17 and 2019–20. The decrease in 2017–18 reflects an increase in landfill provisions and payments for capital works.

The reported average **indebtedness ratio** of 27.8 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. The increase in 2019–20 reflects lower revenue related to the budgeted low rate increase and the impacts of coronavirus

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.