

Hobsons Bay City Council

Group: metropolitan

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 metropolitan 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.



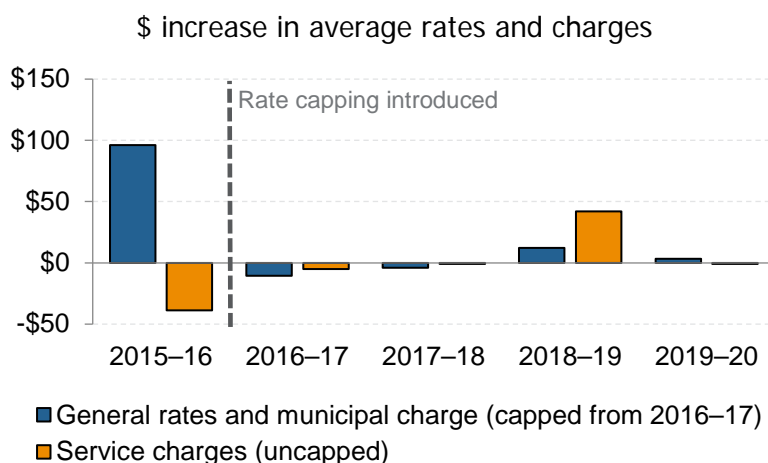
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Key facts

| | |
|--|--------|
| Population (June 2019): | 97,751 |
| Size (km ²): | 64 |
| Length of local roads (km): | 431 |
| Population per km of roads: | 227 |
| Council employees (FTE, 2019–20): | 500 |
| 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 | \$2,532 | n/a |
| 2016–17 | \$2,516 | 2.50% |
| 2017–18 | \$2,511 | 2.00% |
| 2018–19 | \$2,566 | 2.25% |
| 2019–20 | \$2,568 | 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%) |
|---|-----------------|-----------------|
| Immaterially non-compliant (0.03 above the cap) | Yes | Yes |

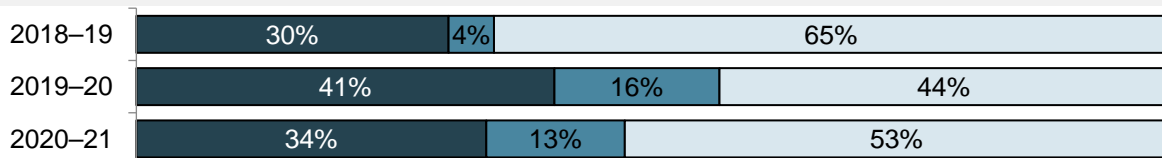
How have rates changed for different ratepayers?

Council's rating strategy 2020–21

Council levies 6 differential rates (for different types of property) 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 |
|--|--|---|---|--|
| | 92% of ratepayers | 3% of ratepayers | 4% of ratepayers | 0% of ratepayers |
| | \$76.9m (69%) of rates and charges revenue in 2019–20 | \$8m (7%) of rates and charges revenue in 2019–20 | \$26.3m (24%) of rates and charges revenue in 2019–20 | \$0m (0%) of rates and charges revenue in 2019–20 |
| | 1.7% average annual increase between 2015–16 and 2019–20 | -2.6% average annual increase between 2015–16 and 2019–20 | -3.5% average annual increase between 2015–16 and 2019–20 | 0% 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?

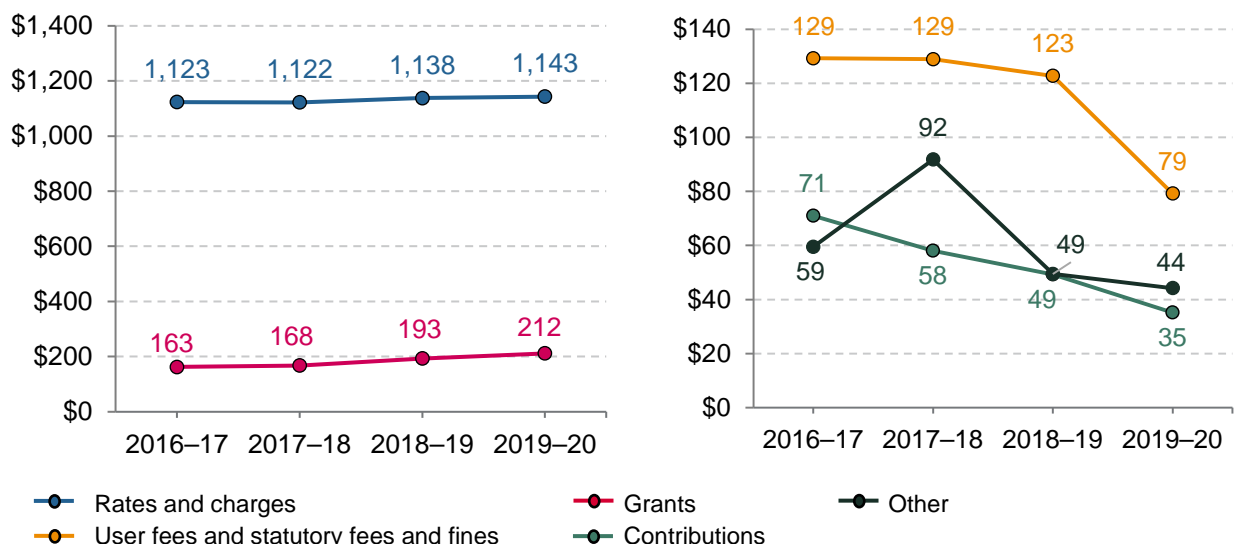
Revenue (2019–20 \$m and % of total revenue)

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| | \$m | % | \$m | % | \$m | % | \$m | % |
| Rates and charges | 105.0 | (73%) | 106.7 | (72%) | 109.8 | (73%) | 111.8 | (76%) |
| User fees and statutory fees and fines | 12.1 | (8%) | 12.3 | (8%) | 11.8 | (8%) | 7.7 | (5%) |
| Grants | 15.2 | (11%) | 15.9 | (11%) | 18.6 | (12%) | 20.7 | (14%) |
| Contributions | 6.6 | (5%) | 5.5 | (4%) | 4.7 | (3%) | 3.4 | (2%) |
| Other | 5.6 | (4%) | 8.7 | (6%) | 4.8 | (3%) | 4.3 | (3%) |
| Total | 144.4 | | 149.1 | | 149.8 | | 148.0 | |

In real terms, Hobsons Bay City Council's total revenue increased between 2016–17 and 2019–20, reflecting increases in revenue from rates and charges, and grants. In 2019–20, council's revenue from user fees and statutory fees and fines decreased in real terms due to the closure of leisure facilities and the refund of some fees and charges during the coronavirus pandemic.

Rates and charges was the largest source of council's revenue, accounting for 73 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 rates and charges, and grants increased in real terms between 2016–17 and 2019–20. Revenue per person from user fees and statutory fees and fines was stable in real terms until a decrease in 2019–20.

Expenditure



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

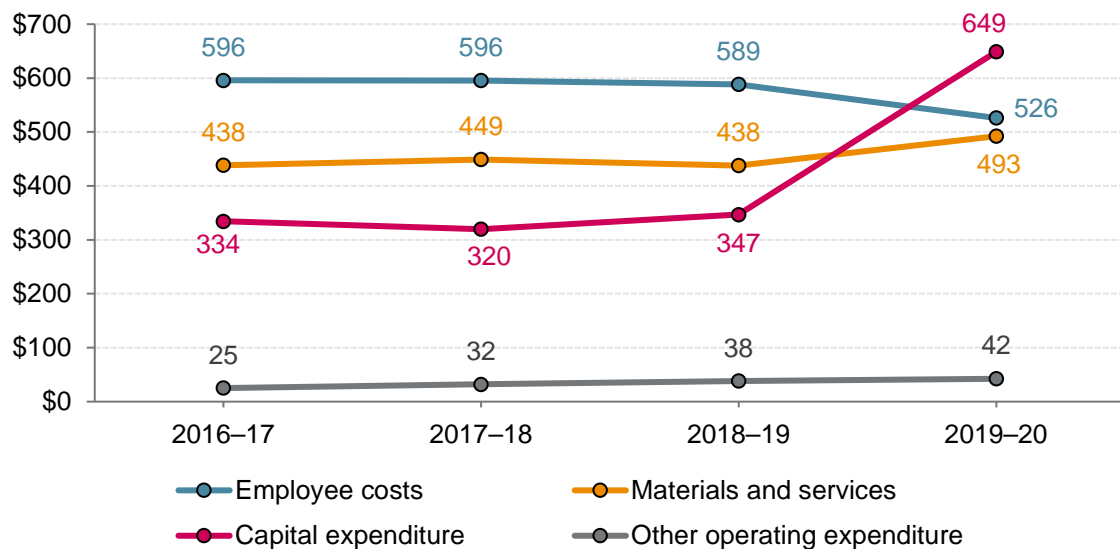
Expenditure (2019–20 \$m and % of total expenditure)

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|-----------------------------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| | \$m | (%) | \$m | (%) | \$m | (%) | \$m | (%) |
| Operating expenditure | 99.0 | (76%) | 102.3 | (77%) | 102.7 | (75%) | 103.7 | (62%) |
| Employee costs | 55.7 | (43%) | 56.6 | (43%) | 56.8 | (42%) | 51.5 | (31%) |
| Materials and services | 41.0 | (31%) | 42.7 | (32%) | 42.3 | (31%) | 48.1 | (29%) |
| Other operating expenditure | 2.3 | (2%) | 3.0 | (2%) | 3.7 | (3%) | 4.1 | (2%) |
| Capital expenditure | 31.2 | (24%) | 30.4 | (23%) | 33.5 | (25%) | 63.4 | (38%) |
| Total | 130.3 | | 132.7 | | 136.2 | | 167.2 | |

In real terms, Hobsons Bay City Council's total expenditure increased between 2016–17 and 2019–20, with a significant increase in 2019–20 reflecting a near doubling of capital expenditure in that year.

Between 2016–17 and 2018–19, employee costs was council's largest area of expenditure (accounting for 42 per cent of total expenditure over that time). However, a reduction in employee costs in 2019–20, combined with the increase in capital expenditure, resulted in capital expenditure becoming council's largest area of expenditure in 2019–20.

Expenditure per person (2019–20 dollars)



In terms of expenditure per person (which adjusts for population growth), all areas of council's expenditure were relatively stable in real terms between 2016–17 and 2018–19. In 2019–20, both capital expenditure per person and expenditure per person on materials and services increased in real terms, while employee costs per person decreased.



See the reader's guide for data sources and useful information.
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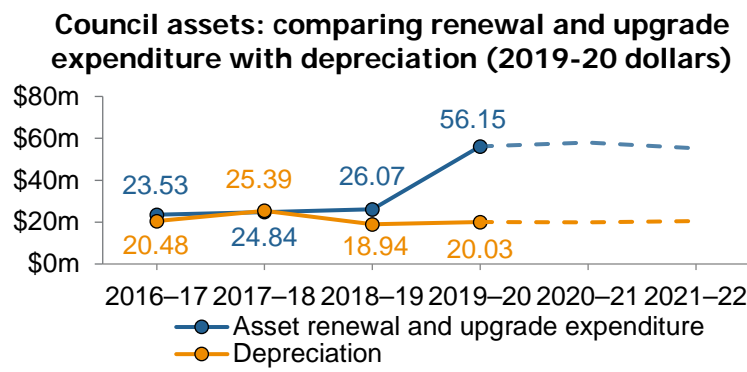
Has council's capital expenditure pattern changed?

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

| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | \$m | | \$m | | \$m | | \$m | |
| Renewal | 20.9 | (67%) | 18.4 | (61%) | 23.4 | (70%) | 21.5 | (34%) |
| Upgrade | 2.6 | (8%) | 6.4 | (21%) | 2.7 | (8%) | 34.6 | (55%) |
| Expansion | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) | 0.0 | (0%) |
| New | 7.7 | (25%) | 5.6 | (18%) | 7.4 | (22%) | 7.3 | (11%) |
| Total | 31.2 | | 30.4 | | 33.5 | | 63.4 | |

In real terms, Hobsons Bay City Council's capital expenditure remained relatively consistent from 2016–17 to 2018–19, with a focus on asset renewal (which accounted for over 60 per cent of capital expenditure in each of these years).
 However, in 2019–20 council's capital expenditure almost doubled in real terms, due to an increase in spending on asset upgrades. In real terms, spending on asset renewal, new assets and asset expansion remained at similar levels to the previous years.

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



Renewal & upgrade expenditure as a percentage of depreciation

| | |
|---------|----------------------|
| 2016–17 | 115% |
| 2017–18 | 98% |
| 2018–19 | 138% |
| 2019–20 | 280% |
| 2020–21 | 290% (forecast data) |
| 2021–22 | 270% (forecast data) |

In real terms, council's spending on the renewal and upgrade of its assets trended upwards between 2016–17 and 2019–20, with an increase in 2019–20 due to spending on asset upgrades. Renewal and upgrade expenditure remained above the amount of depreciation (the decline in value of council's assets caused by age and use), except in 2017–18 when there was an increase in depreciation.
 Renewal and upgrade expenditure was forecast to remain above 100 per cent of depreciation in 2020–21 and 2021–22.

Services



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.

Which service areas is council spending its money in?

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

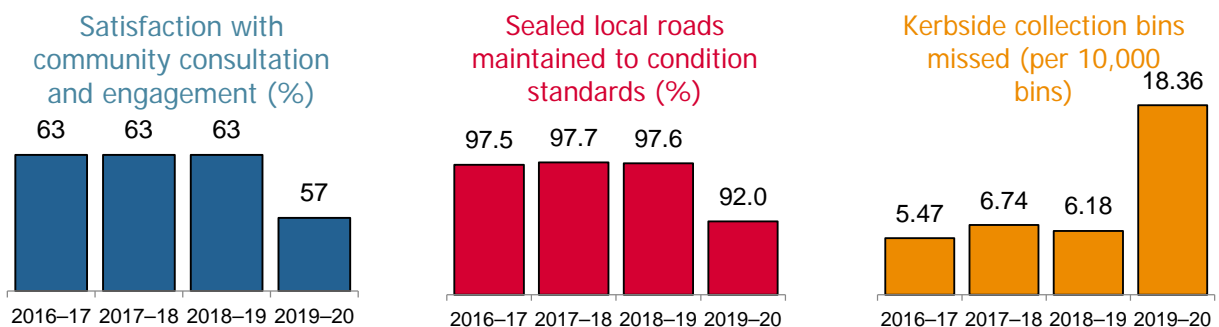
| | 2016–17 | | 2017–18 | | 2018–19 | | 2019–20 | |
|--------------------------------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| | \$m | | \$m | | \$m | | \$m | |
| Aged and disabled services | 12.2 | (10%) | 10.6 | (8%) | 10.6 | (9%) | 7.3 | (6%) |
| Business and economic services | 11.2 | (9%) | 12.3 | (10%) | 13.2 | (11%) | 12.6 | (10%) |
| Environment | 6.7 | (6%) | 8.4 | (7%) | 12.3 | (10%) | 13.4 | (11%) |
| Family and community services | 12.4 | (10%) | 12.3 | (10%) | 11.4 | (9%) | 11.3 | (9%) |
| Governance | 12.7 | (11%) | 13.2 | (10%) | 14.3 | (12%) | 14.3 | (12%) |
| Local roads and bridges | 9.0 | (8%) | 16.7 | (13%) | 7.6 | (6%) | 7.8 | (6%) |
| Recreation and culture | 27.1 | (23%) | 30.0 | (24%) | 28.9 | (24%) | 29.5 | (24%) |
| Traffic and street management | 17.9 | (15%) | 13.5 | (11%) | 11.7 | (10%) | 12.6 | (10%) |
| Waste management | 7.7 | (6%) | 8.0 | (6%) | 8.3 | (7%) | 11.5 | (9%) |
| Other | 2.6 | (2%) | 2.5 | (2%) | 2.4 | (2%) | 2.3 | (2%) |
| Total | 119.5 | | 127.2 | | 120.7 | | 122.7 | |

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?



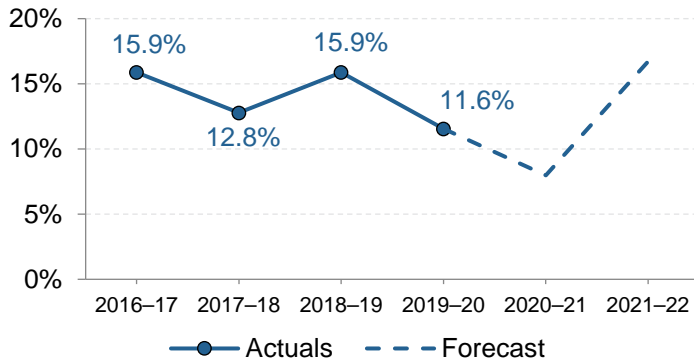
Financial position



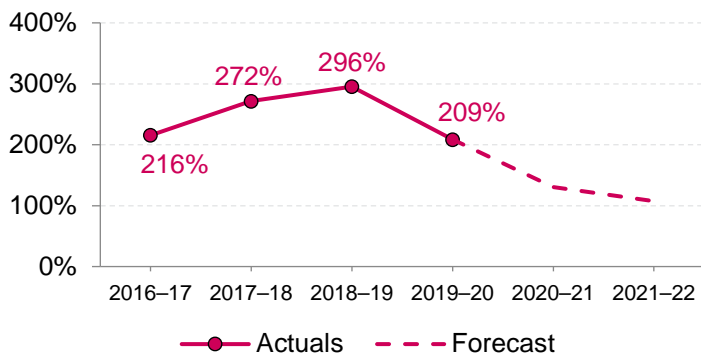
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Is council operating sustainably?

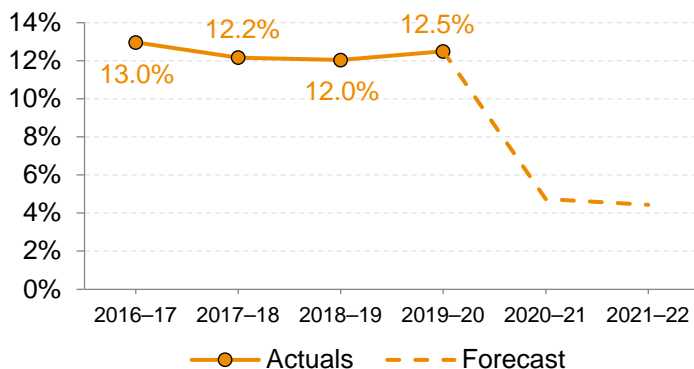
Adjusted underlying result
 (adjusted underlying surplus or deficit as a percentage of adjusted underlying revenue)



Working capital (current assets as a percentage of current liabilities)



Indebtedness (non-current liabilities as a percentage of own-source revenue)



Between 2016–17 and 2019–20, Hobsons Bay City Council reported an average **adjusted underlying result** of 14.0 per cent. An ongoing positive result suggests there is enough ongoing revenue to continue to fund the current level of service provision. The decrease in the result in 2019–20 reflects the impact of coronavirus.

Council could meet its short-term financial obligations with a reported average **working capital ratio** of 248 per cent between 2016–17 and 2019–20. The decrease in 2019–20 reflects council's use of cash reserves to fund capital works and repay loans.

The reported average **indebtedness ratio** of 12.4 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.