The services provided by councils must be funded and delivered in ways that meet community standards and State and Commonwealth laws.

Funding council services

Delivering services and facilities rely on the rates collected from ratepayers within a council's boundaries. Council rates are a form of taxation, and as the main source of funding for councils, they are essential in enabling them to deliver all of the services and facilities that your community relies on. Council rates make up about 70% of the revenue received by councils. The remaining 30% is made up of:

- Statutory charges
- User charges grants and subsidies
- Investment income
- Reimbursements & other

Council rates are less than 4% of the total taxes paid by Australians.

Meanwhile, the Federal Government collects approximately 80% of the taxes that Australians pay, while State Government collect about 16%.

Local government is responsible for less than 4% of the total tax collected nationally.

Some of the tax revenue that is collected by federal, state and local government is shared or passed on between the different spheres of government. For example, councils receive Financial Assistance Grants from the Federal Government to support local communities, and the State Government supports councils through a range of grant programs. Some of the revenue collected by councils, such as the Regional Landscapes Levy (RLL), is required to be passed back to the state government.

Even with support from federal and state government, councils still only receive around 4% of all taxes collected.

Did you know?

Replacing one kilometre of urban road can cost between $500,000 to $1 million dollars depending on the level of footpath, kerbing, stormwater drainage and street-scaping required.

Consumer Price Index

Sometimes a council's revenue growth is compared with the Consumer Price Index (CPI) which measures the cost of products like bread and milk that residents buy each week. The CPI does not reflect what councils buy which includes construction items, bitumen, labour, waste disposal costs, and library books. It also does not reflect council budget challenges.

To improve information available to councils, the public and other interested parties, the South Australian Local Government Financial Management Group in conjunction with the Australian Bureau of Statistics (ABS) developed a Local Government Price Index (LGPI). It is important to note that the LGPI addresses only changes in the costs of existing services and does not address issues such as required changes in standards. It also does not address community demands for improved services from upgraded infrastructure nor expansion of existing services or any proposals for new services or major projects. Equally it does not address efficiency gains or cuts to services.

The use of Debt

Councils in South Australia have low debt levels considering the value and lifecycles of the assets they manage. There are times where it is prudent for a council to borrow, mostly to invest in timely maintenance of infrastructure assets.

Optimal timed maintenance can minimise long-term costs because, if properly designed and maintained, infrastructure assets can last several generations. As such, it is not unusual for a council to borrow money to improve infrastructure and spread the cost equitably over present and future generations.

Councils are providing more services to a higher standard than ever before (see Council Services Fact Sheet 1).

Council services are also better planned and delivered to their communities and meet higher safety and environmental standards than they did 15 or 25 years ago. Councils have also worked hard to drive efficiencies in the way they operate both locally and by working collaboratively across council boundaries.

Councils borrow and invest together, buy electricity for street lighting together, buy public liability cover, work on public and worker safety together and buy many things such as library books together. It saves millions of dollars a year in delivering services to the community.

Funding council services

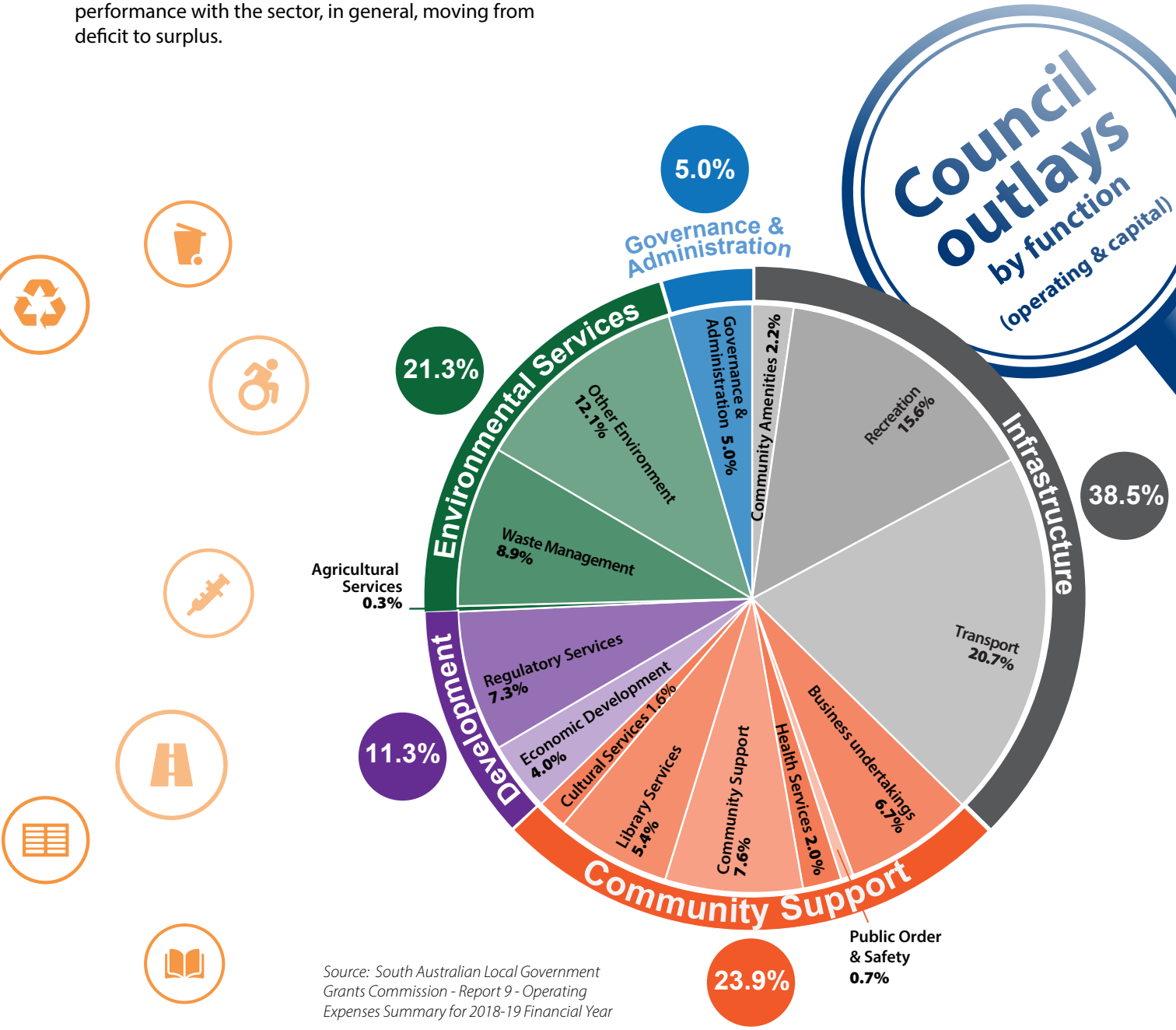
Financial Sustainability

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

In 2005 an Independent Inquiry into Financial Sustainability of Local Government found that (at the time) councils were putting community needs and demands for services ahead of their own financial sustainability and that this could not continue.

The LGA, with the support of Councils, then embarked on a comprehensive Financial Sustainability Program to implement the Inquiry's recommendations and support improved Council performance.

The financial sustainability of councils has steadily improved over recent years. There has been a turnaround in the aggregate level of local government's financial performance with the sector, in general, moving from deficit to surplus.



Source: South Australian Local Government Grants Commission - Report 9 - Operating Expenses Summary for 2018-19 Financial Year