



Government  
Services

# 2024-25 Council Budgets Summary

Local Government Victoria

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# 2024-25 Council Budgets

## Background

The *Local Government Act 2020* (the Act) requires all Victorian councils to prepare and adopt a budget for each financial year and the subsequent 3 financial years by 30 June.<sup>1</sup> For the 2024-25 budget year, 78 Victorian councils adopted their budget by 30 June 2024 in compliance with the legislation.<sup>2</sup>

Local Government Victoria (LGV) within the Department of Government Services (DGS) reviews and analyses all council budgets to understand the planned financial performance and position of the local government sector.

## State of sector finances 2024-25

Overall council finances remain sound. A large majority of councils are budgeting for operating surpluses, most have substantial cash and investments and debt levels remain low. 77 of 79 councils adopted a 2.75 per cent rate rise in line with the rate cap and all councils now have separate rates or charges for kerbside waste collection. Capital expenditure levels are consistent with the previous budget year.

### Operating results

To remain financially sustainable councils should aim for small operating surpluses on average over multiple years. This is because continued operating deficits consume and reduce council financial resources over time, resulting in an unsustainable financial position. 68 of 79 Victorian councils are budgeting for an accounting operating surplus in 2024-25, while the remaining 11 councils are budgeting for an accounting operating deficit. Eight of the 11 councils budgeting an operating deficit are small shires. This does suggest financial sustainability remains more challenging for small shires which are typically more reliant on grant funding and have limited rate bases and alternative revenue streams.

### Rate rises

The rate cap for 2024-25 was set at 2.75 per cent in December 2023, as required by the *Local Government Act 1989*.

Based on 2024-25 adopted budgets 77 of 79 Victorian councils have adopted a 2.75 per cent rate rise in line with the rate cap. The remaining two councils have adopted

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<sup>1</sup> Section 94(1), *Local Government Act 2020*

<sup>2</sup> Horsham Rural City Council adopted their 2024-25 budget on 22 July 2024 due to challenges related to the transition to new finance and rates systems.

<sup>3</sup> 2024-25 Council Budgets Summary

a rate rise below 2.75 per cent, with one of these councils (Ararat Rural City) adopting a zero per cent rate rise and the Mansfield Shire Council adopting a 2.25 per cent rate rise.

For comparative purposes, the 2023-24 rate cap was set at 3.50 per cent and 70 of 79 councils adopted a rate rise in line with the cap.

No councils applied to the ESC for a higher cap for 2024-25 and no councils have applied for a higher cap since the 2019-20 budget year. Of the 17 higher cap applications the ESC have assessed since 2016-17, 13 applications have been approved in full or in part.

Analysis of this and previous budget years is revealing that most councils use the rate cap figure as the basis for their revenue forecasting – rather than their actual determined revenue requirements for their own operational and capital expenditure. The lack of applications to the ESC for a higher cap for the past 5 years may suggest that council financial sustainability concerns are less dire than some would claim. Nevertheless, the budgeted accounting operating deficits noted in particular for small shire councils mean this cohort could legitimately consider a higher cap application if deemed warranted.

## Waste charges

The *Local Government Act 1989* allows councils to declare service rates or charges for waste, recycling or resource recovery services.<sup>3</sup> Since the introduction of rate capping most Victorian councils have levied separate service charges for waste from their general rates. The rate cap applies only to general rates and municipal charges, not to service rates or charges. For 2024-25 all 79 councils levy separate service rates or charges for kerbside waste collection.

The use of separate waste charges allows councils to employ a cost recovery approach to their waste services. This has become more important in recent years as the costs associated with the collection, management and disposal of waste have increased well beyond the rate of inflation. Total service rates and charges (almost entirely kerbside waste charges) are budgeted at over \$1.25 billion in 2024-25.

An emerging trend across the sector is the levying of 'public' waste charges on properties for services unrelated to kerbside waste collection. Such service charges are ostensibly being used to fund general public services such as street cleaning, graffiti removal, drain cleaning, public bins and environmental education. A few councils have opted to levy service *rates* for kerbside waste collection. While permissible, the use of a property's value to determine the amount levied on each property for kerbside waste collection is unorthodox, and may be difficult to explain to ratepayers as properties will be levied very different amounts for the identical service.

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<sup>3</sup> Section 162, *Local Government Act 1989*

## Capital expenditure

Collectively, Victorian councils are planning to spend \$4.15 billion on capital works in 2024-25, an amount largely consistent with 2023-24, though the aggregate numbers mask variability at individual council level. It is also important to note that underspend on capital works remains significant. The Victorian Auditor General identified that in 2023-24 the sector's actual capital expenditure totalled \$3.461 billion, which was 17 per cent or \$0.705 billion below budget.<sup>4</sup> The impacts of COVID-19 exacerbated this underspend however the trend preceded the pandemic.

## Cash and investments

Collectively, Victorian councils are budgeting to hold cash and investments worth \$6.2 billion as at 30 June 2025 (increased from \$5.99 billion as at 30 June 2024). The budgeted cash and investments position largely reflects the accumulation of rates and charges, user fees and bank interest. Improving treasury management practices remains an opportunity for many councils. This is especially so given the known and consistent timing of major cash inflows such as rates and charges.

## Debt

Victorian councils are planning to hold borrowings of \$1.71 billion at 30 June 2025 (\$1.70 billion as at 30 June 2024). The *Local Government (Planning and Reporting) Regulations 2020* also require councils to disclose their planned new borrowings for the budget year. The 36 councils who plan to borrow in 2024-25 collectively budgeted new borrowings of \$430.2 million. Budgeted new borrowings in 2023-24 totalled \$583.9 million.

Since 2021 Victorian councils have had access to borrowings from the Treasury Corporation of Victoria (TCV). As at 30 June 2024 around one quarter of councils had loan facilities under the TCV loans framework.

Overall debt levels remain very low, especially in the context of balance sheets that are dominated by fixed assets such as roads, footpaths, drains and buildings. Local governments are far more capital intensive than the federal or state governments yet remain conservatively geared.

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<sup>4</sup> Results of 2023-24 Audits: Local Government, VAGO, April 2025

<sup>5</sup> 2024-25 Council Budgets Summary

## Community engagement

Councils must adopt and maintain a community engagement policy, which must be capable of being applied in relation to the Council's budget and policy development.<sup>5</sup> The Act also requires a council's community engagement policy to give effect to the community engagement principles.<sup>6</sup>

The principles-based nature of the *Local Government Act 2020* represents a departure from the prescriptive public notice and submission requirements specified previously in the *Local Government Act 1989*. Under the previous settings councils were required to prepare a draft budget, advertise it for 28 days, and invite submissions from the local community.

For 2024-25 most councils (69 of 79) still prepared a draft budget (which is no longer required by legislation) before seeking formal adoption of the budget by council.

Ten councils did not issue a draft budget. These councils instead applied their community engagement policies to ensure community input into the budget development process, and then took their budget directly to council for adoption.

Early community consultation and engagement is a growing trend across the sector. Many councils undertook community engagement during late 2023 to inform the development of their 2024-25 draft budget. Some councils (for example Mitchell Shire Council) have initiated a year-round project input process to allow community members to contribute suggestions at any time of the year.

## Previous budget analysis

Previous analysis of council budgets by LGV, along with aggregated budget data, is available at:

<https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>.

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<sup>5</sup> Section 55(1) and 55(2)(d), *Local Government Act 2020*

<sup>6</sup> Section 55(2)(b), *Local Government Act 2020*

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