



Government  
Services

# 2025-26 Council Budgets Summary

Local Government Victoria

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# 2025-26 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 2025-26 budget year all 79 Victorian councils adopted their budget by 30 June 2025 in compliance with the legislation.

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 2025-26

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. 70 of 79 councils adopted a 3.00 per cent rate rise in line with the rate cap. Seven councils adopted a rate rise below the rate cap amount of 3.00 per cent, including two councils adopting a zero per cent rate rise. The Hepburn Shire Council (10 per cent rate rise) and the Indigo Shire Council (7.54 per cent rate rise) both successfully applied to the Essential Services Commission (ESC) for a higher rate cap for 2025-26. These were the first applications to the ESC for a higher cap since 2019. Capital expenditure levels are again 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. 72 of 79 Victorian councils are budgeting for an accounting operating surplus in 2025-26, while the remaining 7 councils are budgeting for an accounting operating deficit. Four of the 7 councils budgeting an operating deficit are small shires. This continues to 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.

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

## Rate rises

The rate cap for 2025-26 was set at 3.00 per cent in December 2024, as required by the *Local Government Act 1989*.

Based on 2025-26 adopted budgets 70 of 79 Victorian councils have adopted a 3.00 per cent rate rise in line with the rate cap. A further 7 councils have adopted a rate rise below the 3.00 per cent rate cap, including two (Ballarat and Bayside) adopting a zero per cent rate rise. The Hepburn Shire Council (10 per cent rate rise) and the Indigo Shire Council (7.54 per cent rate rise) both successfully applied to the Essential Services Commission for a higher rate cap for 2025-26.<sup>2</sup> Prior to 2025-26 no councils had applied for a higher cap since the 2019-20 budget year. Of the 19 higher cap applications the ESC have assessed since 2016-17, 15 applications have been approved in full or in part.

For comparative purposes, the 2024-25 rate cap was set at 2.75 per cent and 77 of 79 councils adopted a rate rise in line with the cap.

Analysis of this and previous budget years reveals 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 budgeted accounting operating deficits noted in particular for small shire councils mean this cohort could legitimately consider a higher cap application if deemed warranted. The approval of Hepburn Shire Council's 2025-26 higher cap application on grounds of financial sustainability further support this as an option.

## 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 2025-26 all 79 councils continue to 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 almost \$1.35 billion in 2025-26 (\$1.25 billion in 2024-25).

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<sup>2</sup> Hepburn Shire Council's application related to the financial viability and long-term sustainability of the Council. Indigo Shire Council's application related to facilitating a revenue-neutral transfer of the current Environmental Management Contribution into general rates.

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

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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 unusual and may be difficult to explain to ratepayers as properties will be levied very different amounts for the identical service.

## Capital expenditure

Collectively, Victorian councils are planning to spend \$4.10 billion on capital works in 2025-26 (\$4.15 billion in 2024-25), an amount largely consistent with 2024-25, 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 \$6.4 billion as at 30 June 2026 (increased from \$6.2 billion as at 30 June 2025). 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 \$1.62 billion at 30 June 2026 (\$1.71 billion as at 30 June 2025). The *Local Government (Planning and Reporting) Regulations 2020* also require councils to disclose their planned new borrowings for the budget year. The 42 councils who plan to borrow in 2025-26 collectively budgeted new borrowings of \$536.9 million. Budgeted new borrowings in 2024-25 totalled \$430.2 million.

Since 2021 Victorian councils have had access to borrowings from the Treasury Corporation of Victoria (TCV). As at 30 June 2025 over one third of councils had loan facilities under the TCV loans framework.

Overall debt levels remain relatively low, especially in the context of balance sheets that are dominated by fixed assets such as roads, footpaths, drains and buildings.

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

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Local governments are far more capital intensive than the federal or state governments yet remain conservatively geared.

## 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 2025-26 most councils (70 of 79) still prepared a draft budget (which is no longer required by legislation) before seeking formal adoption of the budget by council (69 of 79 councils prepared a draft budget in 2024-25).

Nine 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 remains a growing trend across the sector. Many councils undertook substantial community engagement during late 2024 to inform the development of their 2025-26 draft budget and other key strategic documents required following council elections. 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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