Department of Jobs, Precincts and Regions

Analysis of the 2021-22 adopted budgets of Victorian councils

BY LOCAL GOVERNMENT VICTORIA

TABLE OF CONTENTS

1 Acronyms

AAS	Australian Accounting Standards
COVID-19	Coronavirus (COVID-19) Pandemic
DJPR	Department of Jobs, Precincts and Regions
FinPro	Local Government Finance Professionals
FTE	Full Time Equivalent
FY	Financial Year
FGRS	Fair Go Rates System
LGMFR	Local Government Model Financial Report
LGPRF	Local Government Performance Reporting Framework
LGV	Local Government Victoria
OSR	Own Source Revenue
SRP	Strategic Resource Plan
VAGO	Victorian Auditor-General's Office

2 Executive Summary – Whole of Sector Analysis

This report identifies key financial trends across the local government sector based on analysis of the 2021-22 adopted budgets of all 79 Victorian councils. This is the first year that councils have prepared four-year budgets under the *Local Government Act 2020*.

As has been the experience of Commonwealth and State Governments, COVID-19 continues to impact on the finances of Victorian councils. Collectively the local government sector entered the pandemic in a relatively strong financial position based on solid financial performance in recent years. Following signs of economic recovery in late 2020 councils are budgeting for continued improvements in their adopted budgets for FY 2021-22. This is reflected in a collective budgeted capital works program in excess of $14.0 billion over the next four years. Almost 67% of these capital works are funded by council's own source revenue.

Councils in aggregate are budgeting for total revenue of $11.98 billion and total operating expenditure of $10.02 billion during FY 2021-22. Collectively, Victorian councils will generate an accounting operating surplus of $1.96 billion in 2021-22 ($1.38 billion in 2020-21) but an adjusted underlying deficit of $242.86 million ($365.2 million in 2020-21).

Individually, 8 out of 79 councils are budgeting for an accounting operating deficit whilst 55 out of 79 councils are reporting an adjusted underlying deficit.

After a modest increase of 2.22% in FY 2020-21, councils are budgeting for an increase of 9.41% in the overall budgeted revenue for FY 2021-22. Total revenue from rates and charges has increased by 4.80% in adopted budgets for FY 2021-22 (3.08% in 2020-21) after factoring in the rate rise, new assessments and increases in any charges not covered by the rate cap.

Seventy-four of the 79 councils are proposing a rate rise in line with the 1.50% rate cap. Three councils are proposing to freeze their rates while one council is proposing a rate rise of between 0% and 1.5%. One council has adopted a 1.5% reduction in rate revenue. The details of individual rate rises by council are listed in **Appendix A**.

COVID-19 severely affected budgeted revenue from statutory fees and fines and from user fees during last financial year. While the budgeted revenue from these two sources was collectively reduced by $238.9 million in FY 2020-21 compared to the previous year, councils are budgeting a partial recovery in FY 2021-22. Councils are budgeting for $1.43 billion in revenue from these sources which is an increase of $218.85 million from FY 2020-21 adopted budgets.

Overall budgeted operating expenditure in FY 2021-22 is expected to increase by 4.62% consistent with pre-pandemic increases in recent years. Employee costs, the largest expense for Victorian councils, will increase by 4.21% (4.01% in FY 2020-21). Materials and services expenses will increase by 5.74% (7.31% in FY 2020-21).

Capital works in FY 2021-22 represent a significant increase of 19.09% compared to a slight increase of 0.79% in adopted budgets for FY 2020-21. There is a long-term increase of 7.48% in the combined four-year budgets, resulting in planned overall capital works of $14.0 billion over the next four years. This compares favourably to the $13.0 billion committed in the four-year strategic resource plans for FY 2020-21.

At 30 June 2022 councils collectively are budgeting to manage non-current assets worth $115.9 billion. The sector is also budgeting to employ staff in excess of 39,666 FTE. In 2021-22, budgeted total cash and financial assets of $4.62 billion against budgeted total debt of $1.71 billion indicates that collectively councils remain in a relatively strong and stable liquidity position. 42 out of 79 councils carry interest bearing loans of less than $10 million as budgeted at the end of 2021-22 while 24 out of 79 councils remain debt free during the period. Councils carrying debt in excess of $10 million are mostly metropolitan and interface councils.

All 79 councils adopted their 2021-22 budgets by the statutory deadline of 30 June. The subsequent outbreaks of the delta variant of the coronavirus in Victoria and any adverse financial impacts of lockdowns may result in councils considering adopting a revised budget. A table snapshot of the finances of the 79 councils in Victoria from 2021-22 adopted budgets against 2020-21 adopted budgets is available in **Appendix B**.

3 Introduction and context

Section 94 of the *Local Government Act 2020* (the Act) requires that councils prepare a budget for each financial year and the subsequent 3 financial years.[1]

The 4-year budget is council's key medium term resource planning document and supports longer term planning requirements such as the 10+ year financial plan and 10+ year asset plan. Councils must develop a community engagement policy which, amongst other requirements, is capable of being applied in relation to the council's budget and policy development.[2]

The development of 2021-22 budgets has again occurred in the context of the unprecedented health and economic challenges presented by the coronavirus (COVID-19) pandemic. The pandemic continues to impact the finances of Victorian councils and the uncertainty of future events makes planning and budgeting difficult.

This report is focused on the 79 budgets adopted by Victorian councils following community consultation and submissions.

The Act also allows for the preparation of a revised budget in specific circumstances[3]. Given the ongoing economic impacts of the coronavirus pandemic, it is possible that some councils will issue a revised 2021-22 budget.

3.1 Coronavirus (COVID-19) pandemic

On 2 August 2020 Victoria entered a State of Disaster and metropolitan Melbourne moved to stage four restrictions. The so-called 'second wave' of the pandemic impacted the whole Victorian community, including councils. Across Victoria, there were again mandated closures of key community facilities including libraries and museums, sport and recreation centres, child and family day care, senior citizen centres and leisure and arts facilities. Many critical community services (e.g. maternal and child health, environmental health, home-based community care) were affected but continued to operate.

Despite the disruptions in the first six months of the 2020-21 financial year, there was a sharp economic recovery in the later part of the year and into 2021. Many of the councils' impacted services returned to normal. The 2021-22 council budgets were largely prepared during this time of recovery and all councils adopted their budgets by 30 June 2021.

While councils were comparatively more aware of the pandemic impacts when developing 2021-22 budgets, there remained a level of uncertainty about future events. Councils were better prepared to respond to the financial hardships facing some members of their community, but budgets were also largely prepared based on the assumption of a continued economic recovery.

The economic impact of the subsequent outbreak of the Delta variant in Victoria is expected to again impact council finances during the 2021-22 financial year. Councils have again been forced to close community facilities and Victoria has experienced further lockdowns during parts of May, June, July, August and September 2021.

Councils will be hoping for another economic recovery similar to the previous financial year to aid in the delivery of their budgeted capital works programs. They will also need to balance maintaining their financial sustainability with continuing to support local communities.

1 Section 94(1) of the *Local Government Act 2020* requires all councils to adopt a budget by 30 June each year, or any date fixed by the Minister by notice published in the Government Gazette

2 Section 55(1) and 55(2)(d) of the *Local Government Act 2020*

3 Section 95 of *the Local Government Act 2020*

3.2 Financial sustainability of Victorian councils

The finances of Victorian councils prior to COVID-19 were generally considered to be sound. As a result, councils have broadly remained financially resilient during the early stages of the pandemic.

VAGO tabled their report titled “Results of 2019-20 Audits: Local Government” in Parliament in March 2021. The report summarised the results of VAGO’s 2019-20 audits and included an assessment of all councils against a suite of 7 financial sustainability indicators. VAGO concluded that generally, Victorian councils continue to be financially sound. The report stated,

“Councils’ financial position remained resilient in 2019–20, despite the uncertain operating and economic environment caused by the pandemic. But the full year effect on their operations and finances will only become apparent in 2020–21.”[4]

The report further added,

“With the COVID-19 pandemic continuing to affect the sector’s revenue and expenses into 2020–21, it is important that councils monitor their adjusted underlying surplus to ensure they can generate sufficient funds to deliver service levels based on community needs.”

The financial performance and position of individual councils varies considerably across the State. Rural shires continue to face financial sustainability challenges as a consequence of responsibility for maintaining relatively large road networks, static or declining populations and the impacts of distance and dispersion on service delivery costs.

3.3 Local Government Act 2020

Victorian councils 2021-22 budgets are the first prepared under the *Local Government Act 2020*. The Act introduced a requirement for councils to prepare and adopt a 4-year budget. Previously, councils were required to prepare an annual budget and typically included an extract of their 4-year Strategic Resource Plan (SRP) within the budget.

The 4-year budget outlines how resources will be allocated across initiatives, programs, services and capital works. It also provides comprehensive information on planned expenditure, assets, obligations and the budgeted income to be derived from rates, fees and charges, grants, and other revenue.

For the purposes of the detailed analysis in the subsequent sections, the budget year (financial year 2021-22) is the primary focus as it effectively represents the financial plans of councils in the most immediate future.

3.4 Budget Analysis

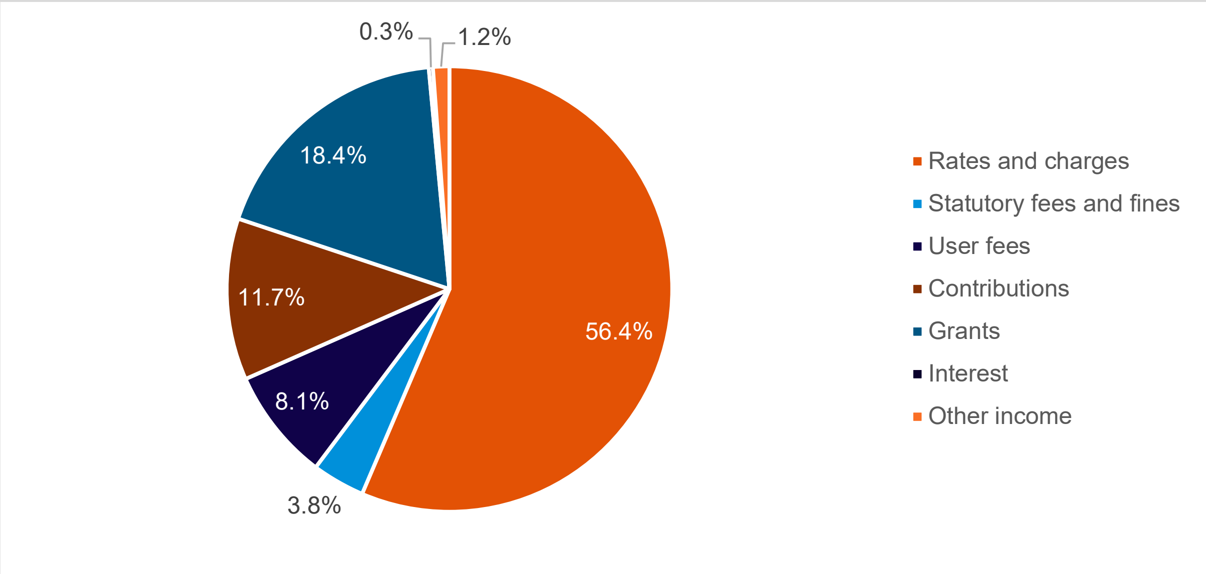
The sections below present commentary on and analysis of the planned revenue, expenditure, cash and financial assets, debt and capital works included in the financial statements of council 2021-22 adopted budgets.

[4] Results of 2019-20 Audits: Local Government, VAGO, March 2021

4 Revenue

Councils in aggregate are budgeting for total revenue of $11.98 billion ($10.96 billion in 2020-21). The composition of this total budgeted revenue is shown in ***Figure 1***. The largest revenue items are rates and charges with $6.76 billion ($6.45 billion in FY 2020-21 adopted budgets) representing 56.4% of overall 2021-22 budgeted revenue. Grants of $2.2 billion ($1.82 billion in FY 2019-20 adopted budgets) represent 18.4% of annual budgeted revenue. User fees and contributions are also key sources of revenue for councils, accounting for 8.1% and 11.7% of forecast total revenue, respectively.

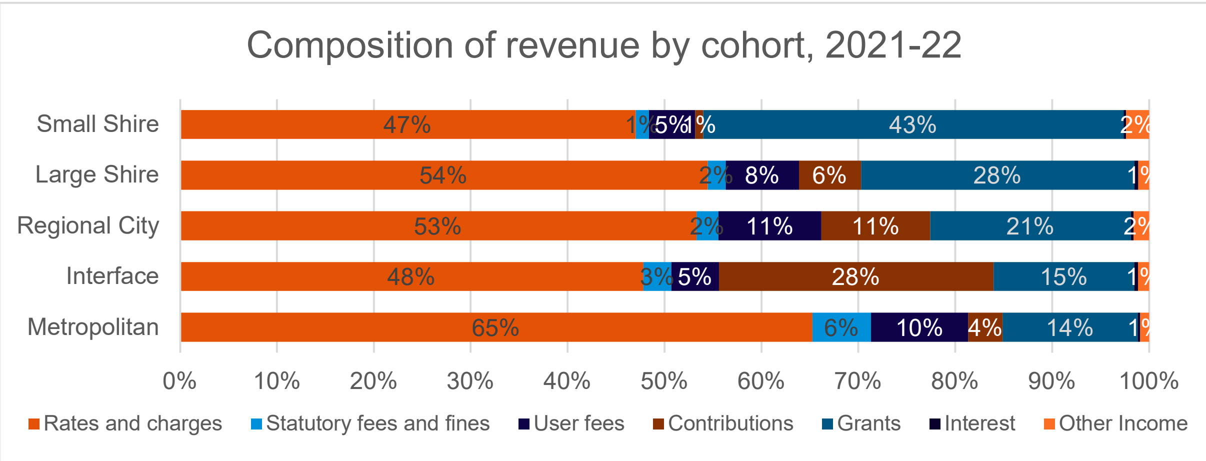
Figure 1 Composition of total 2021-22 budgeted revenue



Source: 2021-22 adopted budgets

The composition of total revenue varies significantly between cohorts, as shown in ***Figure 2***. Small rural councils have a greater dependency on government grants (43% of total revenue) whilst rates and charges represent 47% of total revenue. This reflects the fewer revenue raising options for small rural councils and their significant dependence upon external grant funding.

Figure 2 Composition of aggregated council budgeted revenue by cohort, 2021-22



Source: 2021-22 adopted budgets

Interface councils are recipients of significant developer contributions of 28% of total revenue (both monetary and gifted assets) and also receive 15% of total revenue by way of government grants. General rates and charges contribute 48% of the total revenue in this cohort.

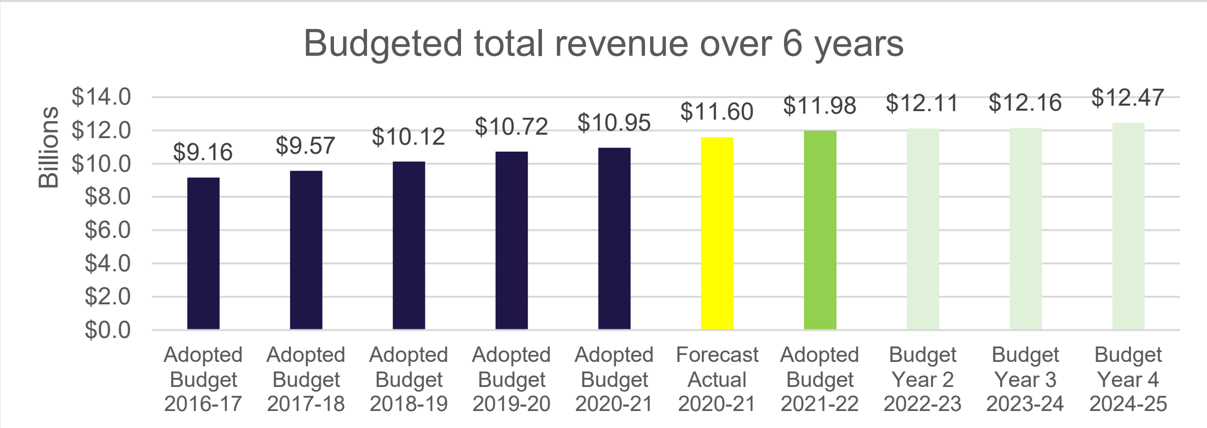
Figure 2 shows that 65% of metropolitan council revenue is raised through rates and charges. The proportion of revenue raised by rates and charges for all other cohorts is lower. Across all five cohorts at least half of total revenue is generated through their own-source revenue (OSR) streams of rates and charges, statutory fees and fines and user fees.

Council OSR was negatively impacted by COVID-19, particularly in metropolitan councils. However, the total budgeted revenue from statutory fees and fines and user fees in FY 2021-22 of $1.43 billion is closer to the pre-pandemic level ($1.2 billion in FY 2020-21 and $1.45 billion in FY 2019-20).

Figure 2 also shows the extent of reliance on revenue from user fees and statutory fees and fines in the metropolitan cohort (16%), regional cities (13%) and large shires (10%). Small shires (6%) and interface councils (8%) are relatively less reliant on these revenue streams.

Figure 3 shows total budgeted revenue over the past 6 years from adopted budgets (2016-17 to 2021-22). Growth in total revenue exceeded $411 million in 2017-18, $549 million in 2018-19 and $593 million in 2019-20. The 2020-21 budgets, which were the first budgets prepared during the pandemic, included lower growth in total revenue of only $238 million. However, the forecast actual results for 2020-21 (included in the 2021-22 budgets) show a forecast growth in revenue of $887 million instead. This growth trend continues in 2021-22 budgets, which show total revenue growth of $1.03 billion compared to 2020-21 budgeted total revenue. **Figure 3** also shows that beyond 2021-22 councils have budgeted for a slow-down in total revenue growth over the next 4 years.

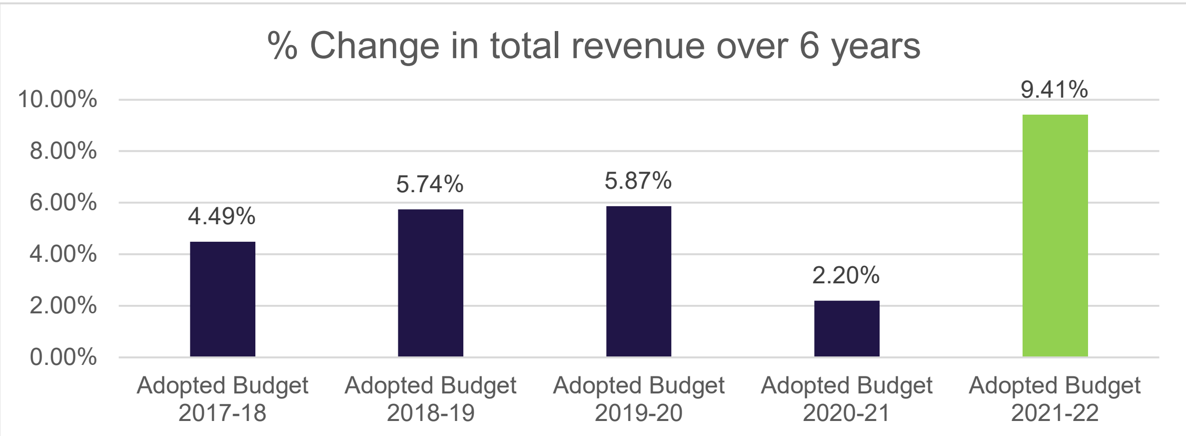
Figure 3 Budgeted total revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

The change in the rate of growth in total revenue between 2016-17 and 2021-22 is shown in percentage terms in **Figure 4**. While the 2020-21 rate of growth is lower when compared to the rates of growth in previous years, the councils are budgeting for a larger increase in revenue growth in 2021-22 of 9.41%. This is explored further in subsequent sections.

Figure 4 Percentage change in budgeted total revenue 2016-17 to 2021-22

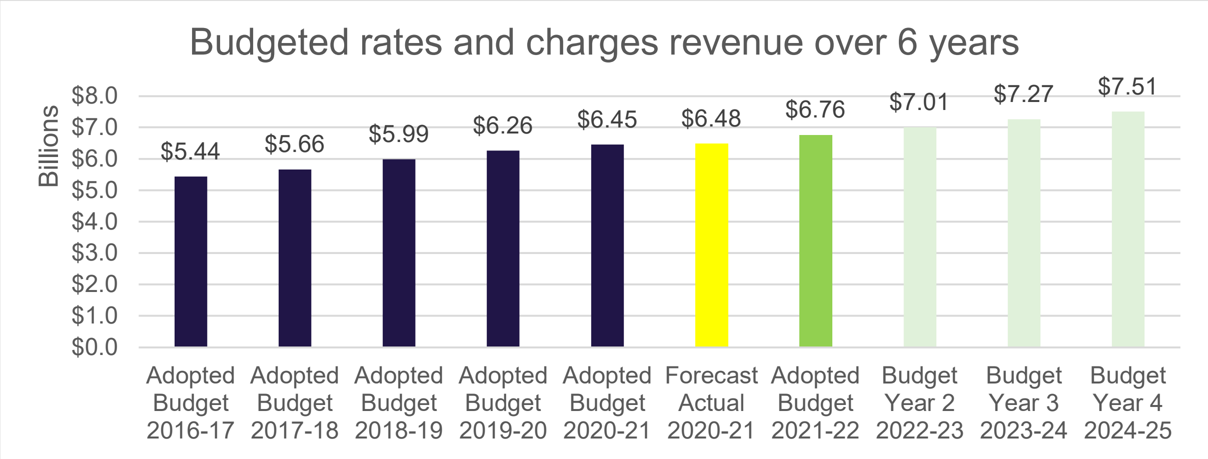


Source: 2016-17 - 2021-22 adopted budgets

4.1 Rates and charges

Rates and charges remain the primary revenue stream for Victorian councils. Councils are budgeting for total rates and charges revenue of $6.76 billion ($6.45 billion in 2020-21). **Figure 5** shows that the forecast actual rates and charges revenue for 2020-21 is $6.48 billion.

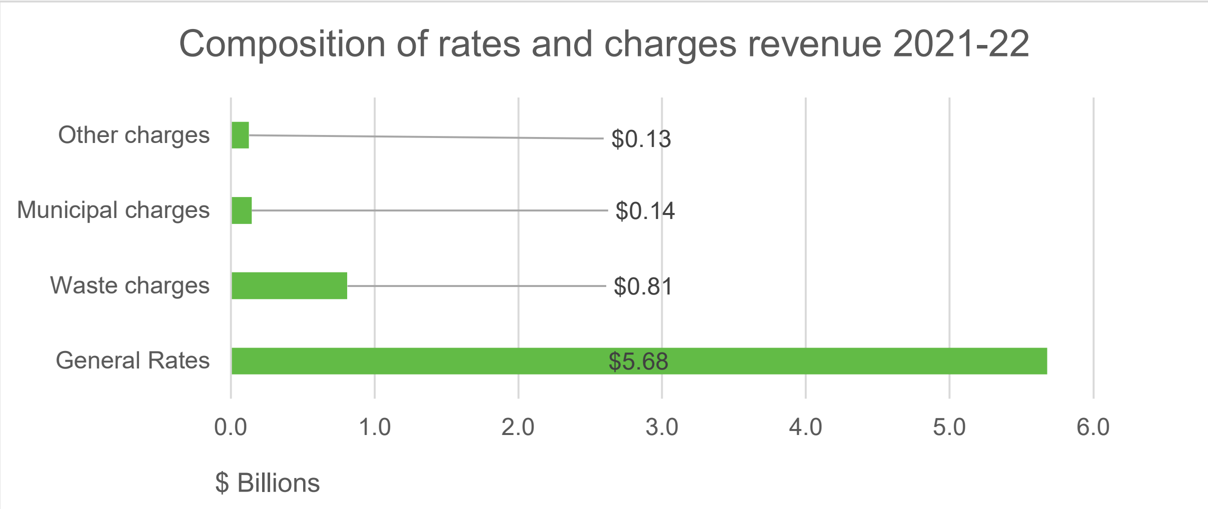
Figure 5 Budgeted rates and charges revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

It is important to note that in referring to 'rates and charges' in this context it includes general rates, municipal charges and waste charges. **Figure 6** shows the composition of budgeted rates and charges revenue in FY 2021-22. $5.68 billion (85.4%) of total rates and charges revenue was budgeted to be raised through general rates, while the rest was budgeted to be raised through waste, municipal and other charges.

Figure 6 Composition of rates and charges revenue – FY 2021-22

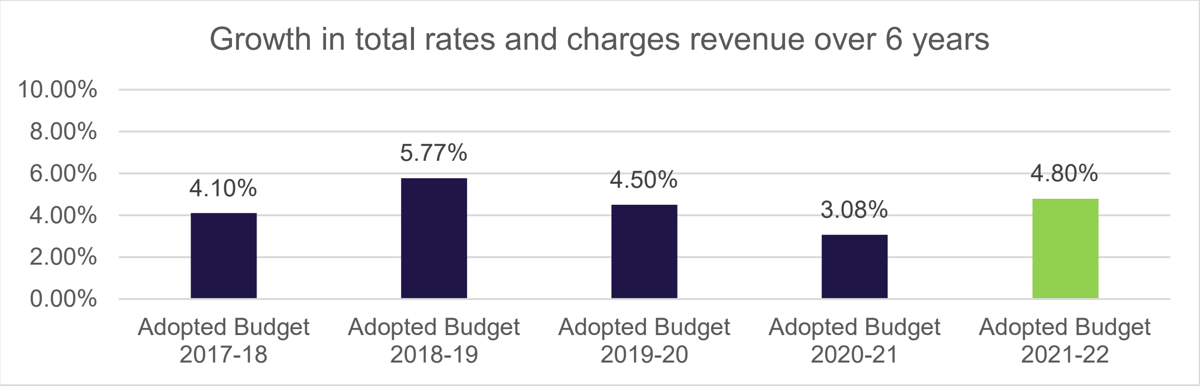


Source: 2021-22 adopted budgets

The growth in rates and charges revenue since FY 2016-17 is due to a combination of the rate increase allowed under the FGRS rate cap, the growth in waste charges and the growth in the number of rateable assessments.

Figure 7 shows the rate of growth in budgeted rates and charges revenue between 2016-17 and 2021-22. The additional revenue budgeted for 2021-22 from rates and charges is $309.6 million which represents a 4.80 per cent increase on the total from 2020-21 adopted budgets.

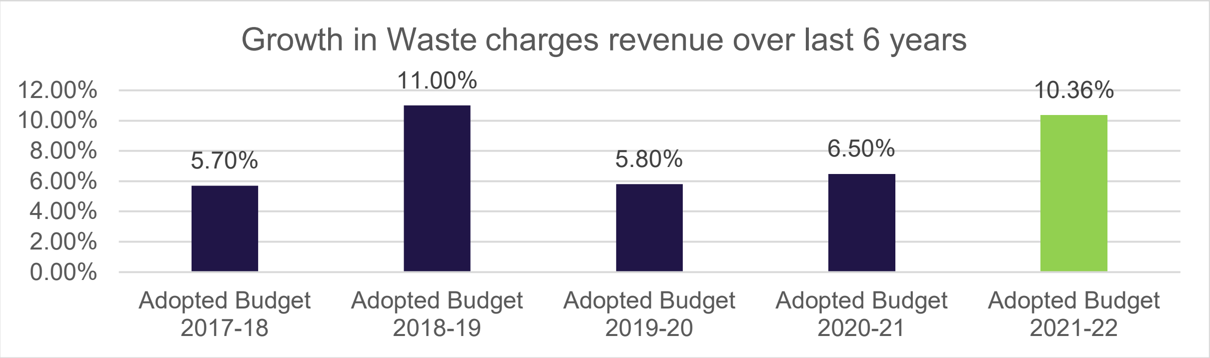
Figure 7 Growth in budgeted rates and charges revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

Figure 8 shows the rate of growth in budgeted waste charges between 2016-17 and 2021-22. The increase in budgeted waste charges revenue over the last five years has been substantially higher than both budgeted general rates revenue and consumer price index increases. Budgeted waste charges revenue grew 5.7% in 2017-18, 11.0% in 2018-19, 5.8% in 2019-20 and 6.50% in 2020-21. For 2021-22 budgeted waste charges will increase by 10.36%. The main driver of increased waste charges in recent years has been the change in China's policy in 2018 to stop the import of low quality mixed recyclable materials.

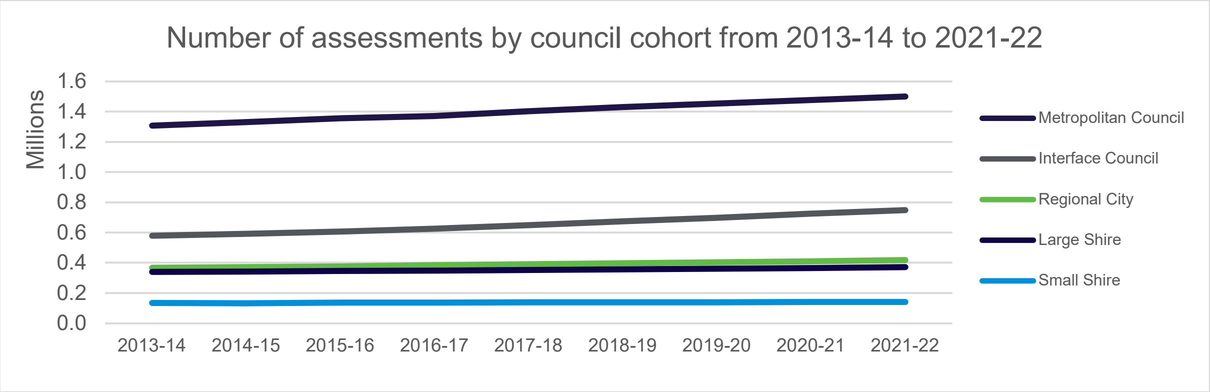
Figure 8 Growth in budgeted waste charges revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

Figure 9 shows the increasing trend in new rateable properties (assessments) from 2013-14 to 2021-22 by cohort. The steady growth in assessments is also reflected in the percentage increase in total rates and charges revenue in **Figure 7** above.

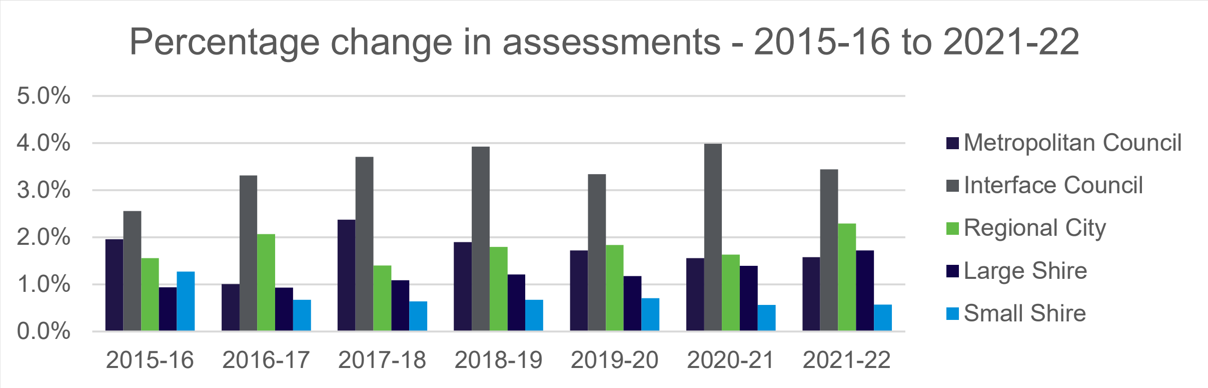
Figure 9 Number of assessments by council cohort from 2013-14 to 2021-22



Source: 2013-14 - 2021-22 adopted budgets

The collective growth in number of assessments has averaged around 2% per annum over the past seven years. **Figure 9a** shows the change in number of assessments between 2015-16 and 2021-22 by cohort.

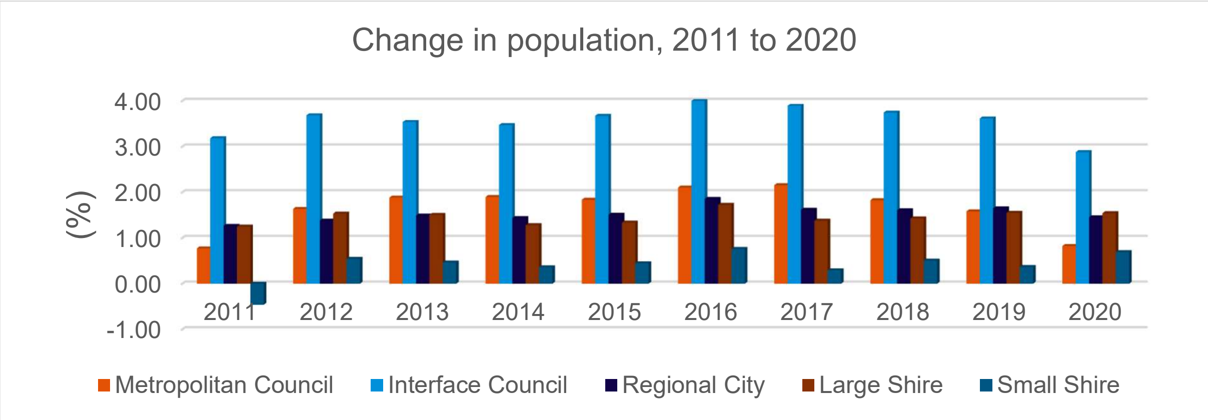
Figure 9a Percentage change in assessments by council cohort from 2013-14 to 2021-22



Source: 2014-15 - 2021-22 adopted budgets

The average growth in local government assessments is broadly consistent with Victoria's population growth between 2011 and 2020, which also averaged an increase of 2% per annum.

Figure 9b Percentage change in population from 2011 to 2020



Source: ABS estimated residential population (ERP) by LGA (ASGS 2020), 2001 to 2020

Victorian councils 2020-21 budgets included strong support for local communities, including measures such as economic recovery packages, direct business and community support and rate waivers. The 2021-22 budgets have largely been prepared on the assumption that communities and businesses, to a large extent, have recovered from the extended lockdown periods in 2020.

It is important to note that the 2021-22 council budgets were prepared and adopted before the latest outbreak of the Delta variant of coronavirus in Victoria during July and August 2021. However, many councils have indicated that financial hardship policies adopted as part of the initial response to the pandemic will be continued, to support ratepayers experiencing financial hardship. Councils also have the option to adopt a revised budget in certain circumstances.[5]

As the third tier of government in Australia councils are responsible for assisting and supporting their communities, particularly those in financial distress. Legally, rates represent a first charge against a property so councils can ultimately collect this revenue stream. Given the significance of rates and charges to total council revenues the sector will need to continue to monitor their cash flows closely to ensure they remain able to meet their own financial obligations as and when they fall due.

[5] Section 95 of *the Local Government Act 2020* outlines the circumstances in which a council must prepare and adopt a revised budget

4.2 Fair Go Rates System

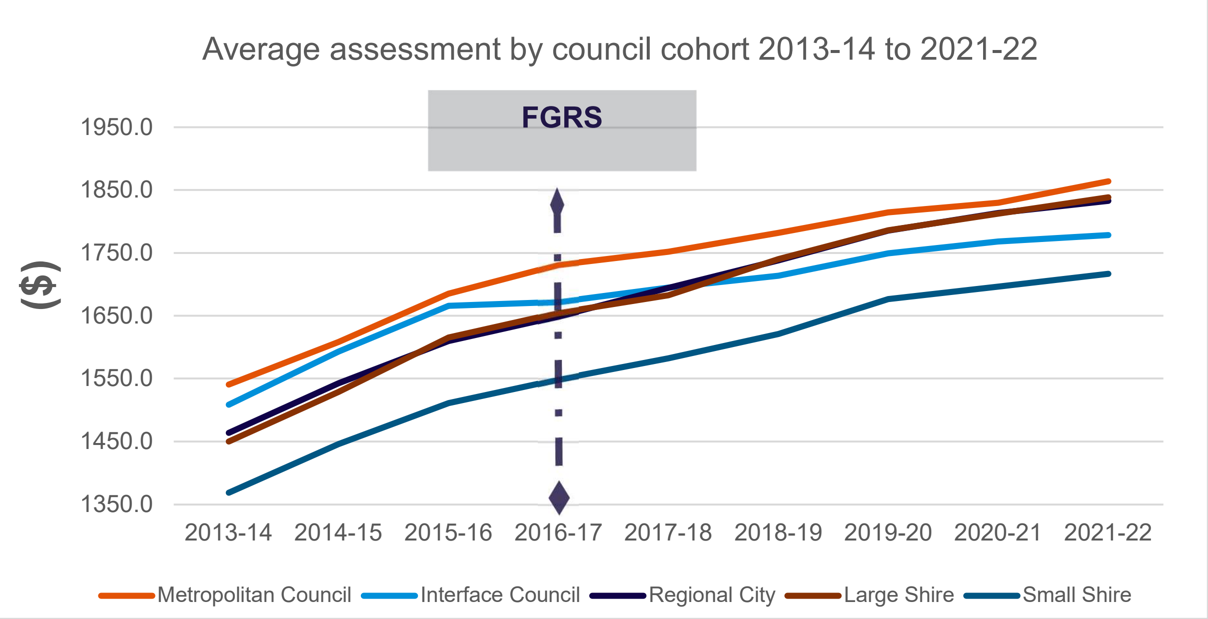
The Fair Go Rates System (FGRS) was introduced in the 2016-17 financial year and caps council rate rises. The Victorian Government set the rate cap for 2021-22 at 1.50 per cent. The cap applies to general rates and municipal charges but does not currently apply to service charges (commonly levied to cover the cost of waste and recycling).

Average Assessments

An indicator of the change in rates and charges over time is the calculation of an average assessment by cohort as shown in **Figure 10**. The average assessment represents the total (by cohort) of general rates and municipal charges divided by the total number of assessments. When considered over time this calculation of the average amount raised per assessment can be used to measure the change in rates and charges.

Figure 10 shows the average assessment has risen steadily in all council cohorts between 2013-14 and 2021-22. It also shows that following the introduction of the Fair Go Rates System (FGRS) in 2016-17 the original trajectory of the year on year increase of the average assessment has flattened for all council cohorts, showing the effect of the rate cap.

Figure 10 Rate rises from 2021-22 adopted budgets by council cohort



Source: 2013-14 - 2021-22 adopted budgets

For 2021-22 most councils (74 of 79) are proposing a rate rise in line with the 1.50 per cent rate cap. Three councils are proposing to freeze their rates while one council is proposing a rate rise of between 0 and 1.50 per cent. One council has adopted a 1.50 per cent reduction in rate revenue. The adopted rate rises are summarised by cohort in **Figure 11**.

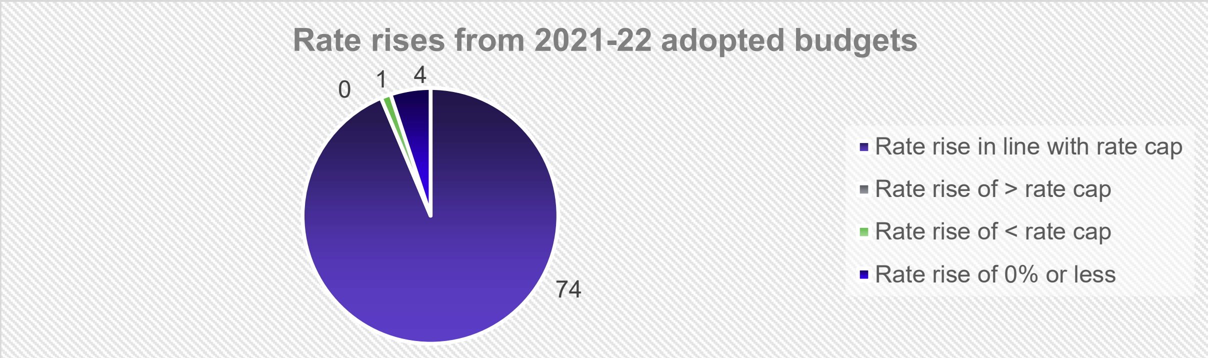
Figure 11 Rate rises from 2021-22 adopted budgets by council cohort

	Overall	Metropolitan	Interface	Regional City	Large Shire	Small Shire
Adopted rate rise of 1.50% (rate cap)	**74**	21	9	9	18	17
Adopted rate rise of > 1.50%	**0**	0	0	0	0	0
Adopted rate rise of < 1.50%	**1**	0	0	0	1	0
Adopted rate rise of 0%	**3**	1	0	1	0	1
Adopted rate rise of < 0%	**1**	0	0	0	0	1
	79	**22**	**9**	**10**	**19**	**19**

Source: 2021-22 adopted budgets

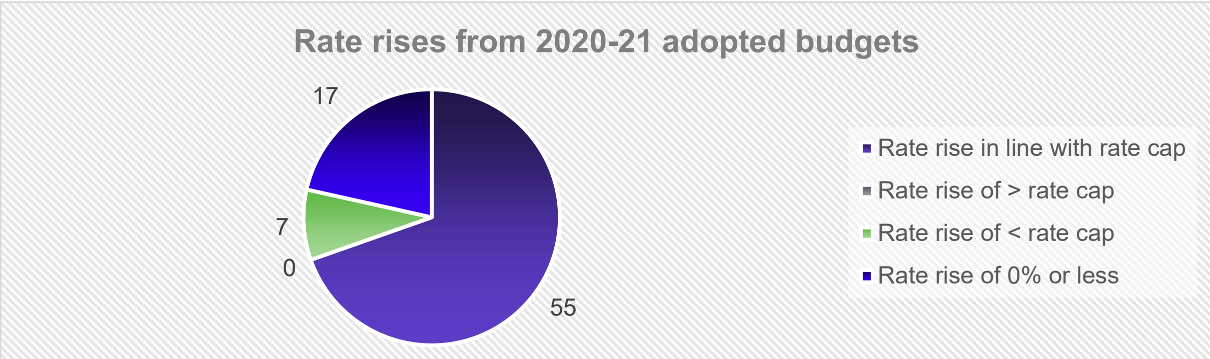
Figure 12a below presents the rate rise data in a pie chart, allowing comparison with the rate rises in 2020-21 adopted budgets in **Figure 12b**. The 2020-21 adopted budgets, mainly prepared during the second wave of the COVID-19 outbreak in Victoria, reflect the many council decisions to freeze their rates (17 councils adopted a rate rise of zero per cent or lower). In 2021-22 budgets, which were prepared during the period of recovery in the early part of 2021, only 4 Victorian councils have adopted a rate increase of zero per cent or lower. No councils have sought to raise rates beyond the rate cap in 2021-22.

Figure 12a Rate rises in 2021-22



Source: 2021-22 adopted budgets

Figure 12b Rate rises in 2019-20



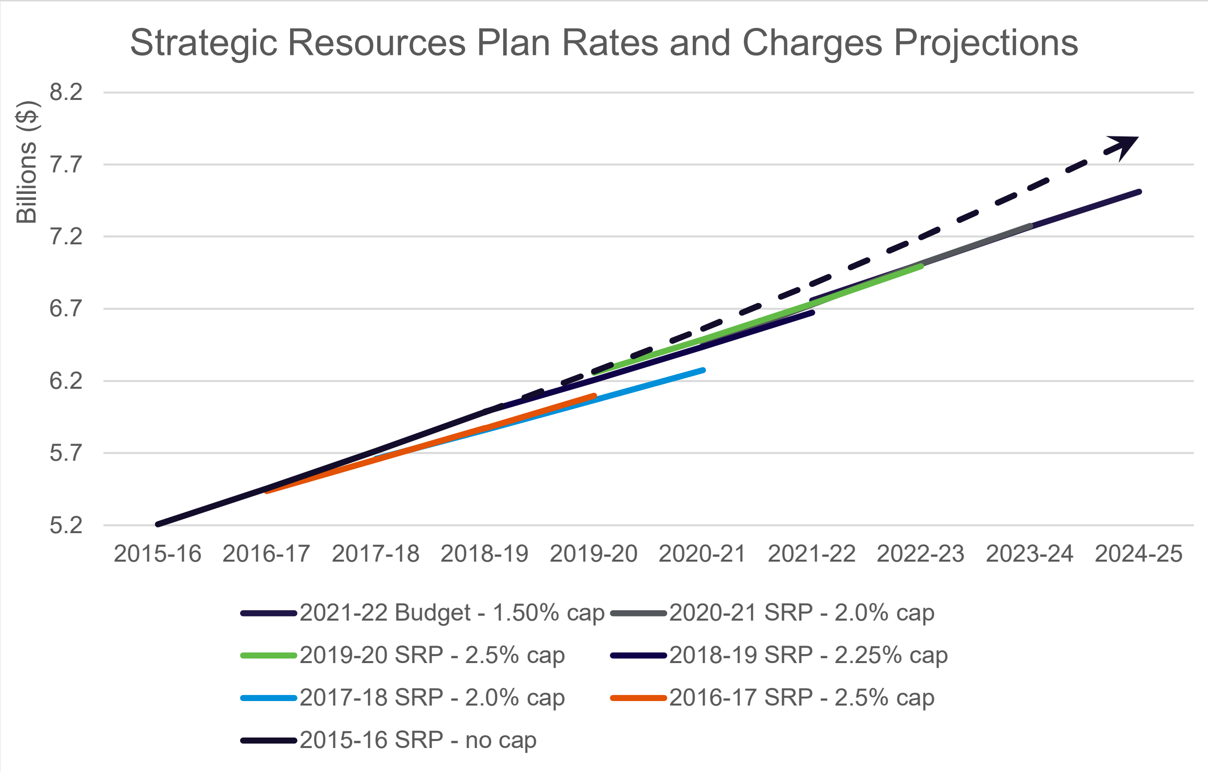
Source: 2019-20 adopted budgets

The *Local Government Act 1989* allows councils to defer or waive rates and charges. Councils can also offer rebates and concessions within the legislative parameters. In the 2020-21 financial year, most Victorian councils offered some form of rates and charges relief to select groups of ratepayers, however the approach and processes varied in line with local priorities.

As the third tier of government in Australia there is an expectation that councils will take all necessary actions to continue to support their communities and local economies through the pandemic. While some councils have resolved not to increase rates for 2021-22, effectively treating this as a form of waiver, others have applied a more targeted approach. The majority of councils have indicated that financial hardship arrangements adopted in prior year(s) will remain in place to support local business and communities.

2021-22 is the sixth year since the implementation of FGRS. **Figure 13** demonstrates that in the forward projections of councils for the first 6 years there is a trend of lower growth in forecast income from rates and charges as compared to 2015-16 (prior to cap) projections. The dotted line represents the projected increase in rates and charges based on 2015-16 budget projections.

Figure 13 SRP Projections



Source: Council adopted budgets 2015-16 to 2021-22

Municipal charges

Some councils may declare a municipal charge to cover some of the administrative costs of the council. In 2021-22 the budgeted total to be collected is $144.9 million, an increase of $3.35 million or 2.4 per cent on 2020-21 levels. In 2021-22 municipal charges are being levied by 37 councils, six of which are metropolitan councils.

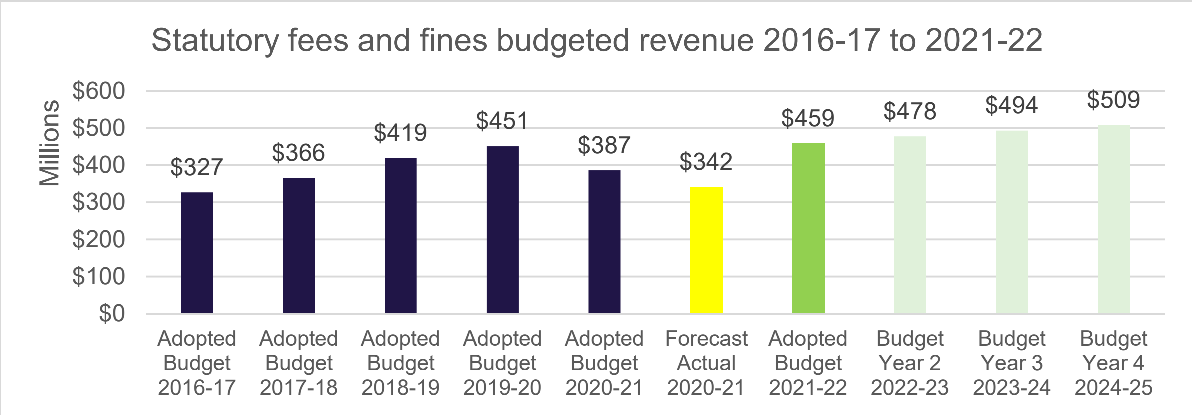
Waste charges

Service charges are most commonly raised in relation to waste services. Service charges are not currently subject to the capping provisions of the FGRS. Across the sector there is a great diversity in waste service charges. The revenue collected by way of waste charges can also be determined by the service level chosen by the ratepayer. Any comparisons should therefore be mindful of the increased service offerings of some councils in response to the needs of their community. Separate waste charges are levied by 75 of the 79 Councils. This effectively means that the waste services provided by the remaining councils are funded ‘by way of general rates’. In 2021-22 the budgeted total to be collected through service charges is $810.2 million, an increase of $76 million or 10.36 per cent on 2020-21 levels.

4.3 Statutory fees and fines and user fees

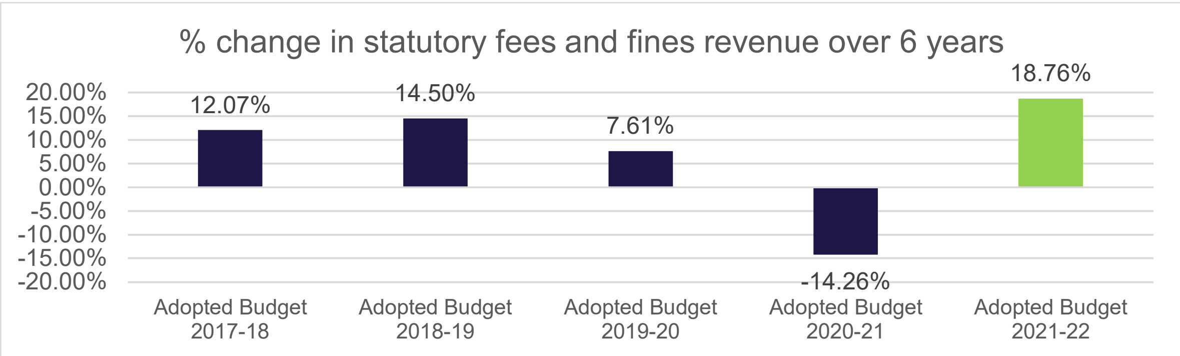
Statutory fees and fines include items such as building and planning fees, animal registrations, infringements and permits. **Figure 14a** shows that total budgeted revenue from statutory fees and fines for 2021-22 is $459.34 million (386.7 million in 2020-21). This represents an increase of $72.56 million or 18.76 per cent as shown in **Figure 14b**. The forecast actual revenue from this revenue steam for 2020-21 of $342 million is lower than the original budgeted amount of $387 million. This is mainly attributable to the extended lockdown during the coronavirus second wave in Victoria in 2020. Councils are budgeting a recovery in fees and fines revenue in 2021-22 with budgeted revenue expected to return to pre-pandemic levels.

Figure 14a Statutory fees and fines budgeted revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

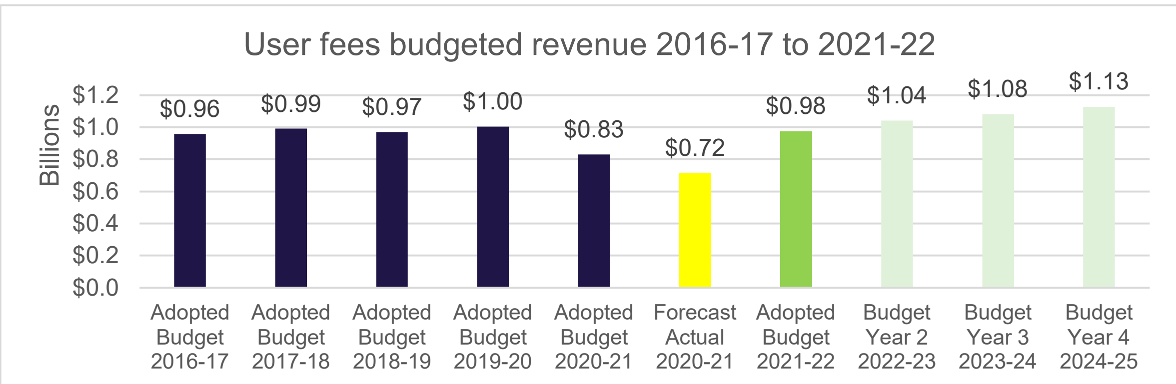
Figure 14b Percentage change in statutory fees and fines budgeted revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

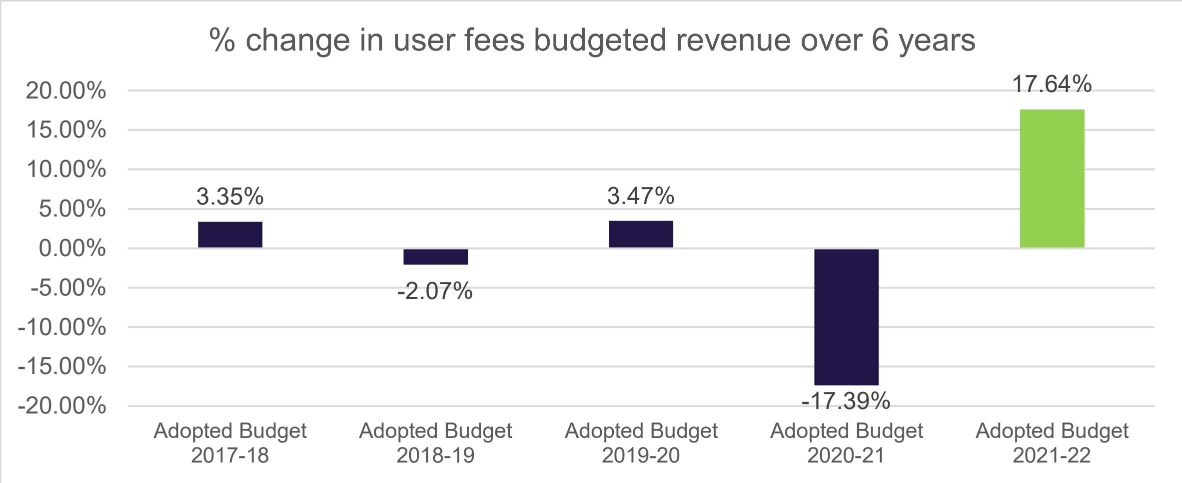
User fees include items such as parking fees, charges for use of leisure and recreation centres, childcare and children's program costs and fees related to aged and health services. **Figure 15a** shows that total budgeted revenue from user fees for 2021-22 is $975.64 million ($829.35 million billion in 2020-21). This represents an increase of $146.28 million or 17.64 per cent as shown in **Figure 15b**.

Figure 15a User fees budgeted revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

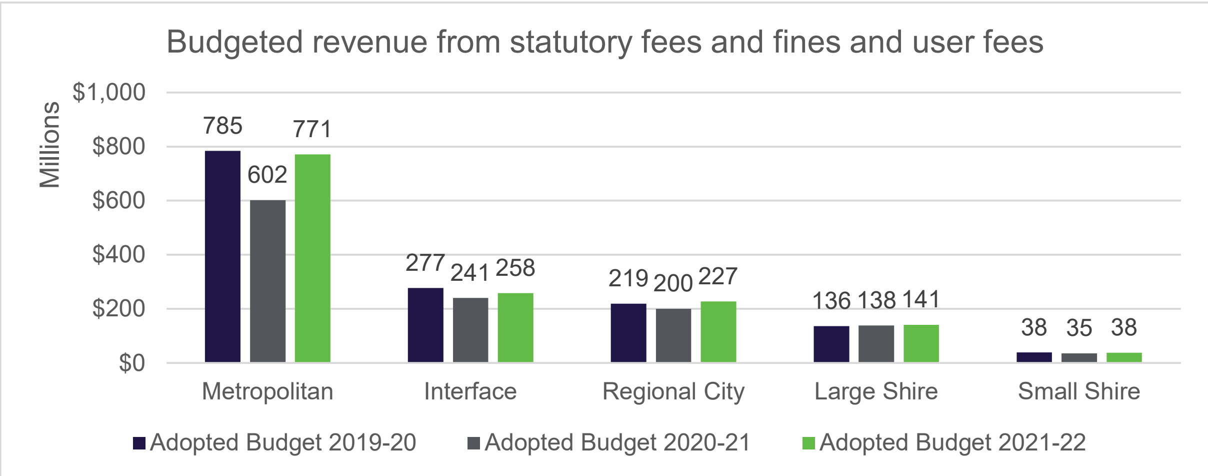
Figure 15b Percentage change in user fees budgeted revenue 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

Revenue generated through statutory fees and fines and user fees represents a significant component of Own Source Revenue (OSR). This is particularly true for metropolitan councils who have made significant investments in aquatic and leisure centres and other cultural facilities. **Figure 16** highlights the budgeted recovery in 2021-22 after the revenue reduction impact in the previous financial year, particularly for metropolitan councils. **Figure 16** represents the 2021-22 budgeted revenue from both statutory fees and fines and user fees by council cohort against previous budgets in FY 2020-21 and FY 2019-20.

Figure 16 Council budgeted revenue from statutory fees and fines and user fees by cohort



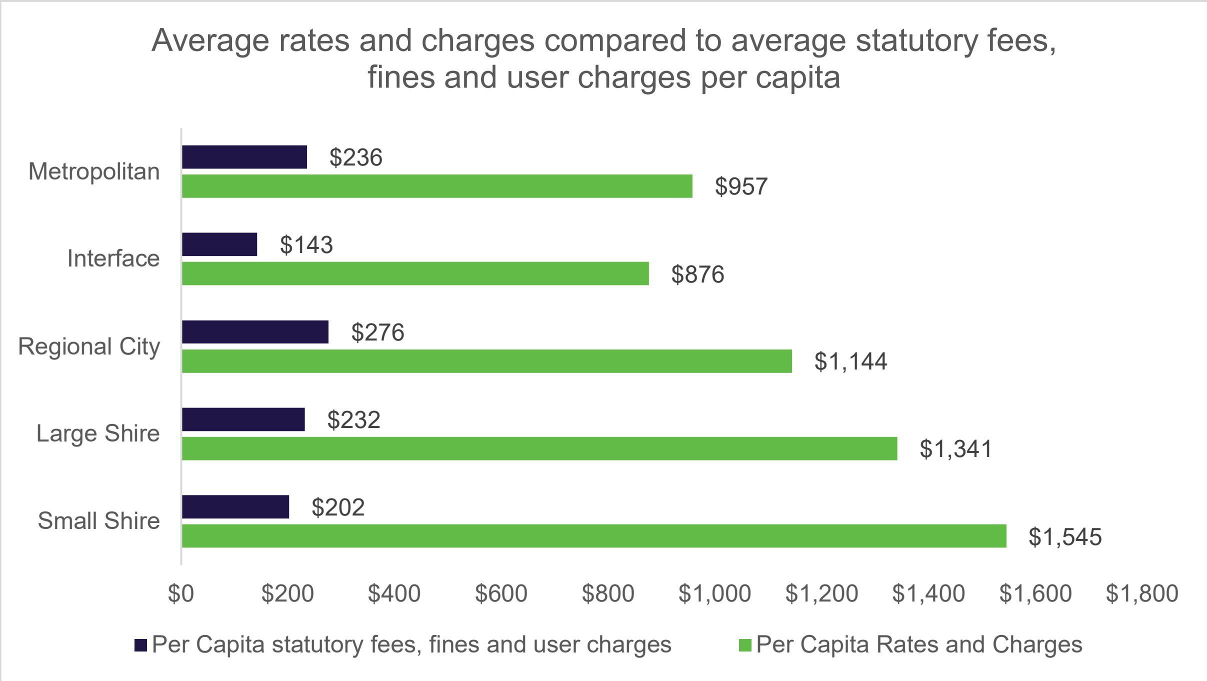
Source: 2016-17 - 2021-22 adopted budgets

The budgeted revenue from statutory fees and fines and user fees in FY 2020-21 collectively reduced by $238.9 million when compared to adopted budget FY 2019-20. This has reversed in adopted budgets for FY 2021-22 with a collective increase of $218.85 million from these revenue sources across the sector. Indeed, all cohorts are projecting an increase in revenue from these sources. 2021-22 budgets prepared mainly before the outbreak of the Delta variant of coronavirus in Victoria do not factor in any adverse impact of extended periods of lockdown as a result of the outbreak. It is expected that the closure of council facilities and associated slowdown in economic activity due to COVID-19 will have impacts on council revenues from statutory fees and fines and user fees.

Revenue from these sources represented 13.6% of total revenue in 2019-20 (pre-pandemic) but this falls to only 12% in 2021-22. This proportion still remains higher than the 11.1% in FY 2020-21.

Figure 17 shows the per capita distribution of rates and charges revenue against statutory fees, fines and user charges. It highlights the relatively higher dependence of small shires on revenue from rates and charges on a per capita basis. The gap in relation to combined per capita income from statutory fees and fines and user fees and charges between council cohorts is noticeably narrow as compared to per capita rates and charges.

Figure 17 Average per capita revenue by cohort



Source: 2021-22 adopted budgets

4.4 Grants

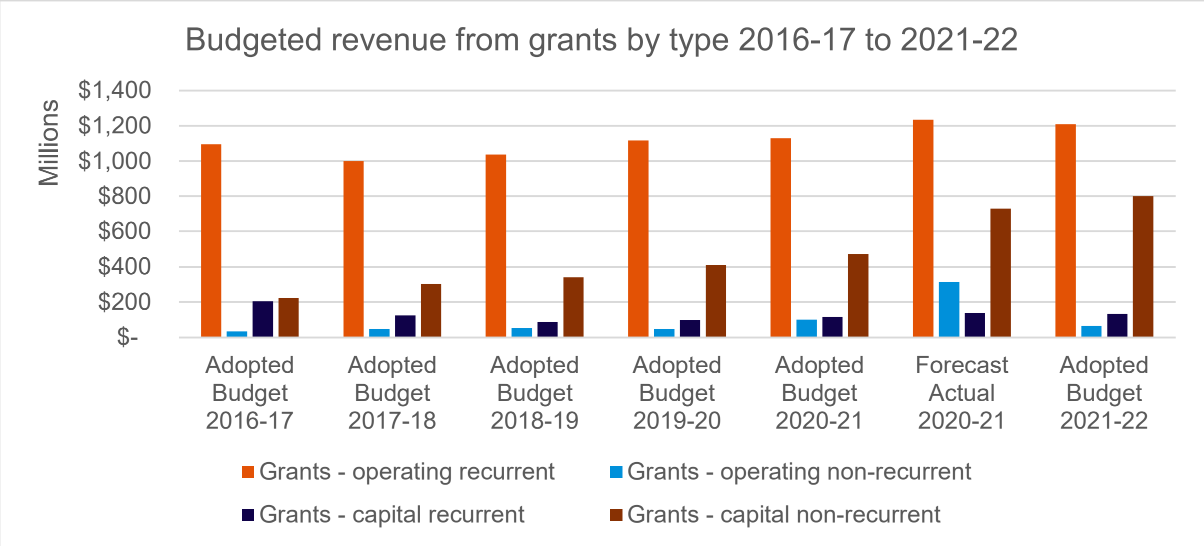
Total budgeted revenue from grants for 2021-22 is $2.2 billion ($1.8 billion in 2020-21). This represents an increase of approximately $390.2 million or 21.5 per cent. **Figure 18** shows the budgeted revenue from grants between 2016-17 and 2021-22 by type of grant. It is worth noting that the forecast actual grants revenue for FY 2020-21 is in excess of $2.4 billion which is $599.57 million more than the original budgeted grants for FY 2020-21.

Effectively, the additional grants revenue surpassed the shortfall of revenue from council's own revenue sources and enabled the sector to collectively report a surplus financial result despite the economic impacts of COVID-19. Overall grant revenue remains relatively stable, particularly recurrent operating grants which are the primary source of grant funding for councils.

The forecast actual results for 2020-21 in **Figure 18** indicate a threefold increase in non-recurrent operating grants and a $257.3 million or 54.5 per cent increase in non-recurrent capital grants. This largely reflects the economic stimulus and support packages introduced by other tiers of government in response to the pandemic. The Victorian Government's $1.7 billion *Economic Survival Package* and $2.7 billion *Building Works Package,* which provide additional financial support to Victorian councils, are examples of the increased support.

The Australian Government has again brought forward the payment of 50 per cent of the 2021-22 Financial Assistance Grants (FAGs). This early payment was made to states and territories on 7 June 2021. Collectively, Victorian councils receive over $600 million in FAGs funding annually.

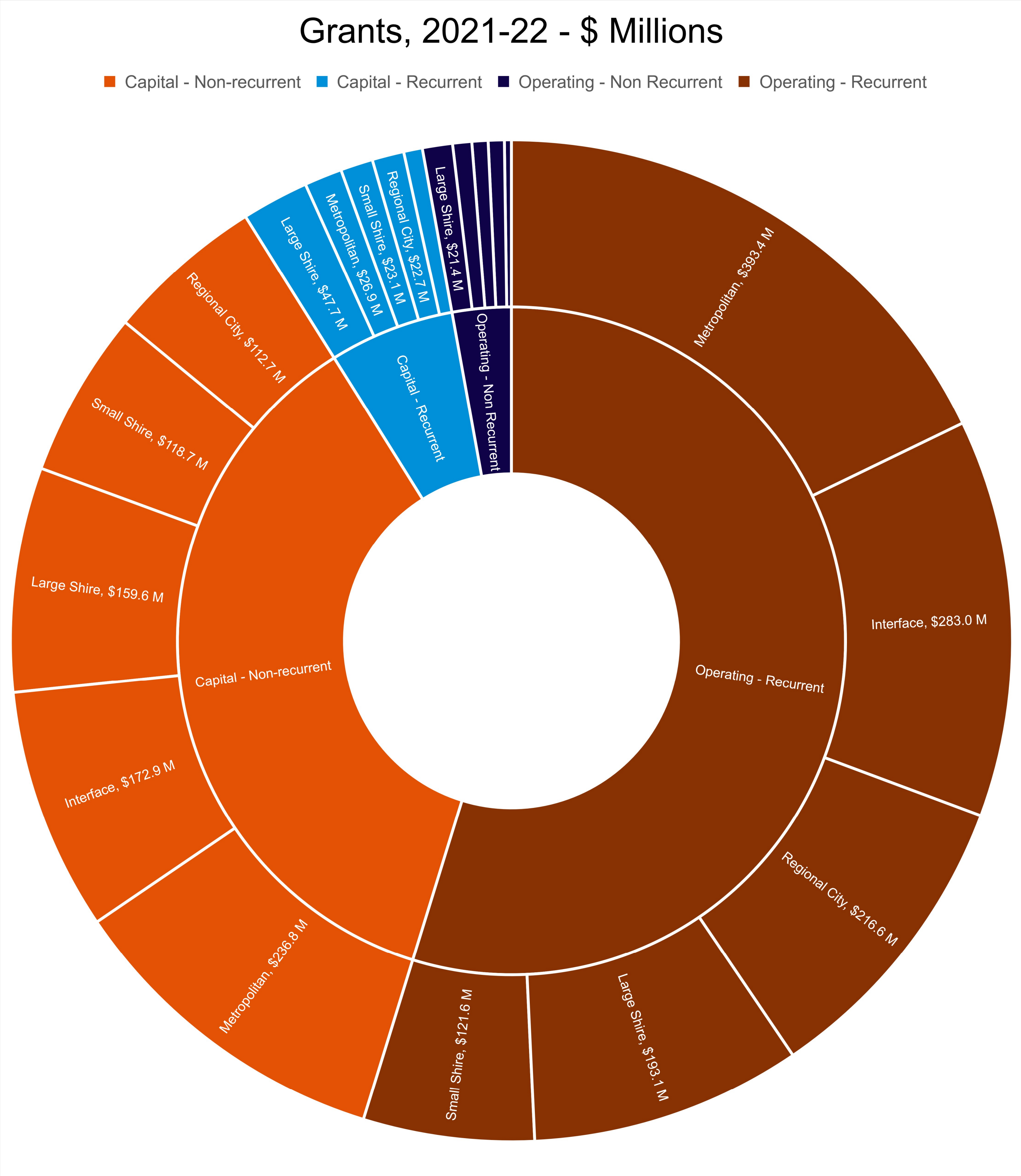
Figure 18 Budgeted revenue from grants by type 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

Small and large rural councils have a greater dependency on government grants. When combined with relatively lower population levels this means that 'grants per capita' in small and large rural councils are greater compared to metropolitan and interface councils. **Figure 19** below shows the distribution of the grant types by council cohort.

Figure 19 2021-22 Budgeted revenue from grants by cohort

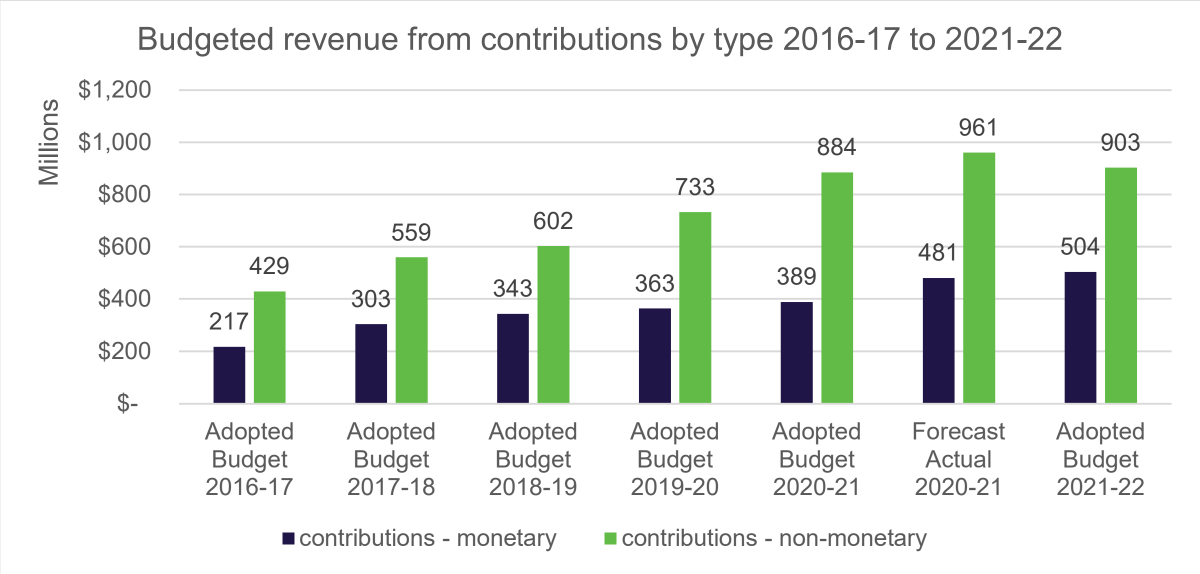


Source: 2021-22 adopted budgets

4.5 Contributions

Total budgeted revenue from contributions for 2021-22 is $1.4 billion ($1.27 billion in 2020-21). This represents an increase of approximately $133.79 million or 10.5 per cent. Monetary contributions represent cash provided by developers to councils as part of the planning process to ensure valuable community assets are funded and constructed. In some circumstances developers construct community assets such as roads, footpaths and drainage on behalf of council and transfer ownership back to council upon finalisation. These gifted assets are known as non-monetary contributions and are required under AAS to be recognised as revenue upon receipt. **Figure 20** shows the budgeted revenue from contributions between 2016-17 and 2021-22 broken down by monetary and non-monetary contributions.

Figure 20 Budgeted revenue from contributions by type 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

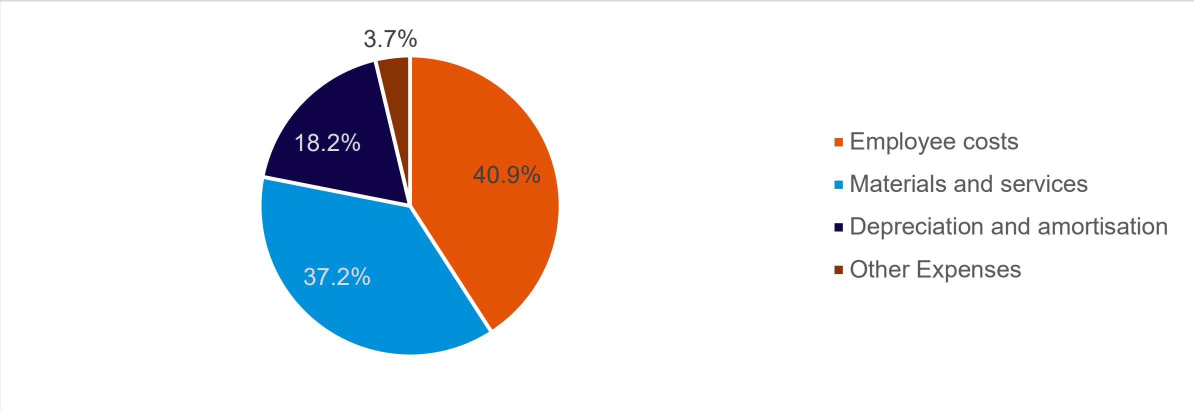
Of the total $903.23 million in budgeted revenue from gifted assets in 2021-22, $675.2 million or 75 per cent is from interface councils. Similarly, $262.3 million or 52 per cent of the budgeted revenue from monetary contributions is from interface councils. These budget estimates are clearly based on continued growth and development in these municipalities and largely follow the trend of increases over time since 2016-17.

5 Expenditure

Councils are budgeting for total operating expenditure of $10.1 billion in 2021-22 ($9.58 billion in 2020-21) resulting in an operating surplus across the sector of $1.96 billion ($1.38 billion in 2020-21).

Figure 21 shows the composition of council budgeted total expenditure for 2021-22. Employee costs ($4.09 billion or 40.9%) are the largest cost to councils followed closely by materials and services ($3.73 billion or 37.2%). Another significant expenditure item is depreciation ($1.82 billion or 18.2%). Depreciation is the allocation of the cost of an asset over its useful life and reflects the pattern of consumption of the asset (i.e. wear and tear) over time. Depreciation is a significant expense of local government due to the asset intensive nature of the sector, particularly in relation to the management of fixed assets such as roads, bridges, drains and buildings.

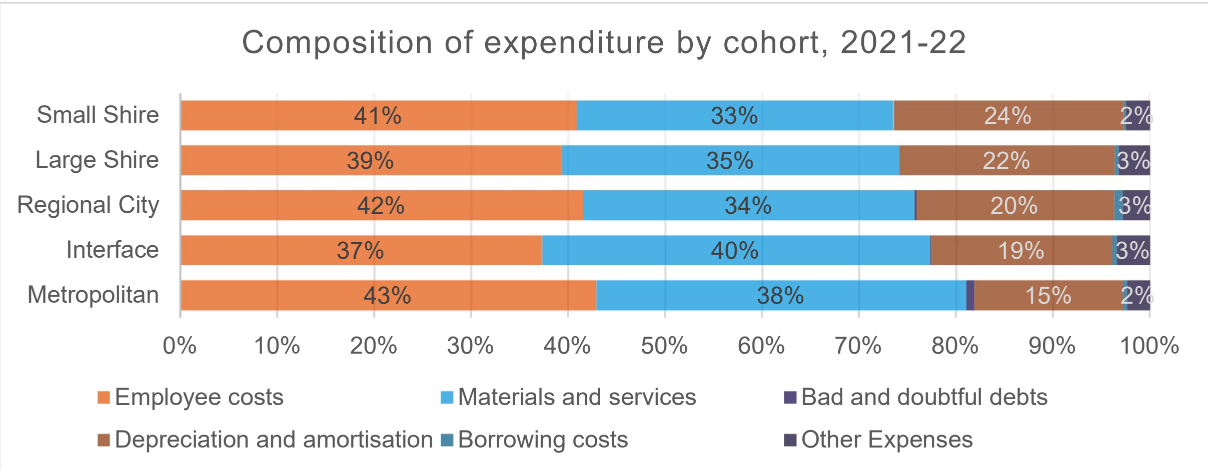
Figure 21 Composition of total 2021-22 budgeted expenditure



Source: 2021-22 adopted budgets

Figure 22 shows the composition of budgeted total expenditure by cohort. It highlights that depreciation expense is a greater challenge for rural and regional councils. While the small shires spend on depreciation and amortisation[6] is a lower absolute figure than that in metropolitan councils, it accounts for a significantly larger proportion of their total expenditure (24% in small shires against 15% in metropolitan councils). This can be primarily attributed to small shires having much larger road networks relative to their overall asset maintenance responsibilities.

Figure 22 Composition of expenditure by Council Cohort 2021-22

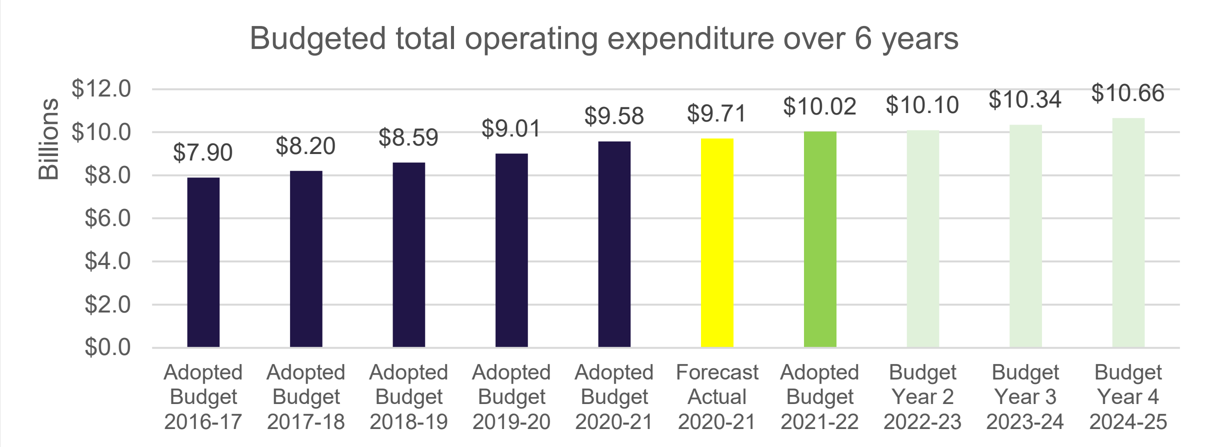


Source: 2021-22 adopted budgets

[6] Amortisation refers to the same concept as depreciation but in relation to intangible assets (those without physical substance) such as software licences. It represents a relatively small proportion of depreciation and amortisation expenditure.

Figure 23 shows total budgeted operating expenditure over the past 6 years from adopted budgets (2016-17 to 2021-22). Total operating expenditure has grown each year since 2016-17. Growth was in excess of $297 million in 2017-18, $391 million in 2018-19, $419 million in 2019-20 and $570 million in 2020-21. The 2021-22 adopted budgets show an increase in operating expenditure of $442.8 million.

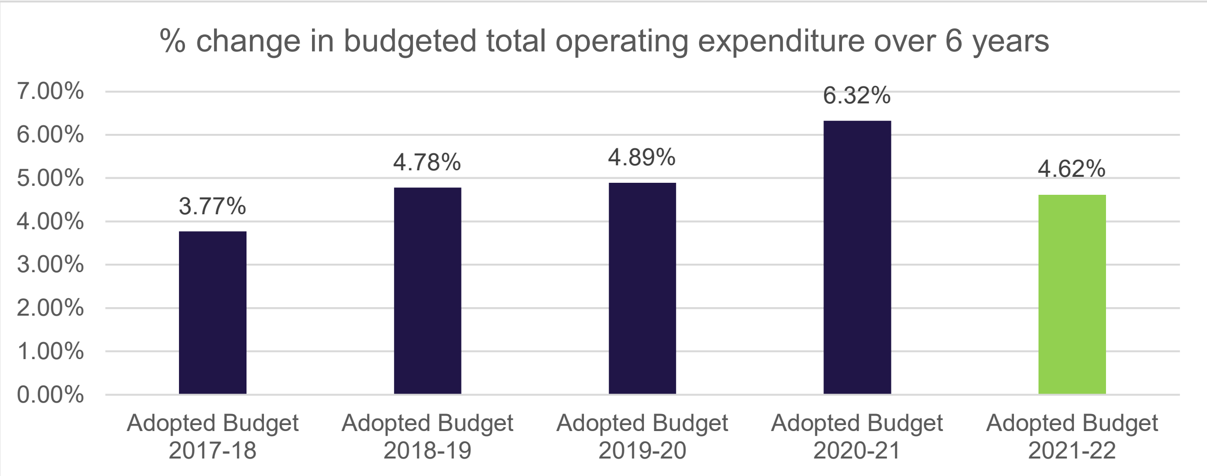
Figure 23 Budgeted total operating expenditure 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

The rate of growth in operating expenditure in percentage terms is shown in **Figure 24**. It shows that collectively councils plan to increase their operating expenditure by 4.62 per cent in 2021-22. This continues the five-year trend of incremental percentage increases in total budgeted operating expenditure. However, it is a lower rate of growth than in the 2020-21 budget year.

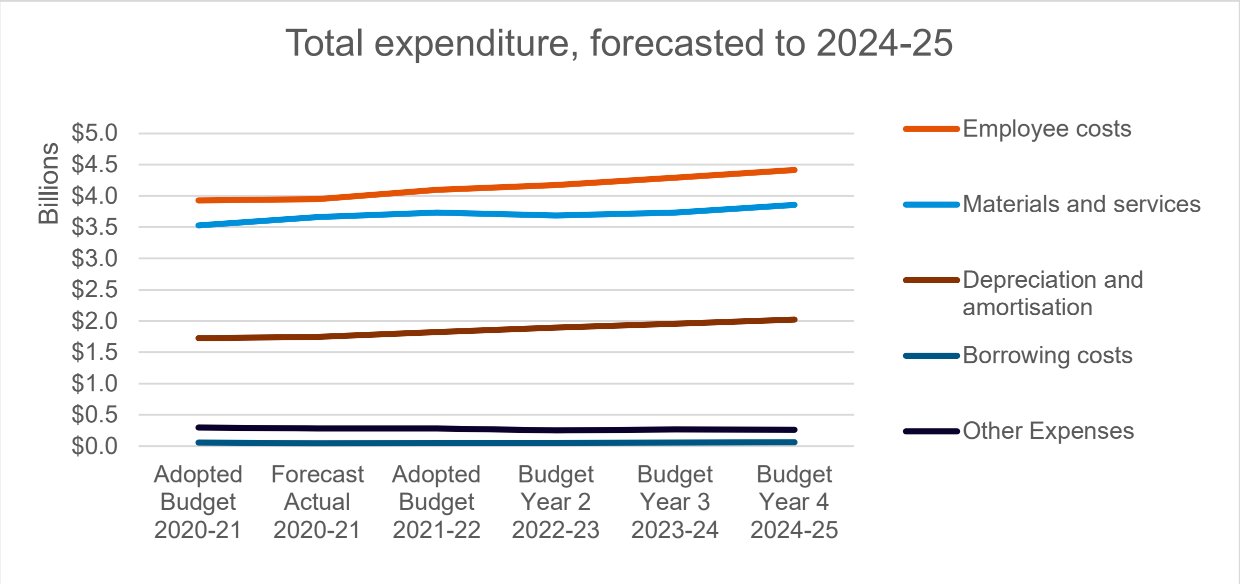
Figure 24 Percentage change in budgeted total operating expenditure 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

Figure 25 shows the future forecasts for budgeted expenditure by type. It shows that employee costs, materials and services and depreciation expenses are projected to incur modest increases over the four-year budget period. Other expenses and borrowing costs have been forecast to decline moderately or remain constant.

Figure 25 Total expenditure forecasted to 2024-25

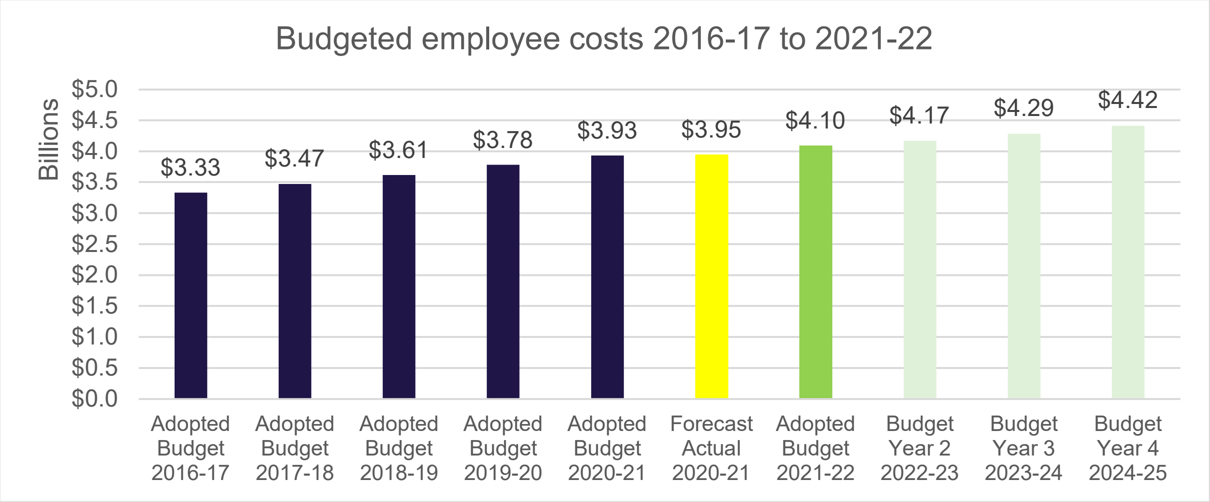


Source: 2021-22 adopted budgets and 2020-21 adopted budgets

5.1 Employee costs

Employee costs primarily consist of salaries and wages, but also include on-costs such as superannuation, insurance and leave entitlements. **Figure 26** shows employee costs are budgeted to rise to $4.10 billion in 2021-22, an increase of $165.45 million on 2020-21.

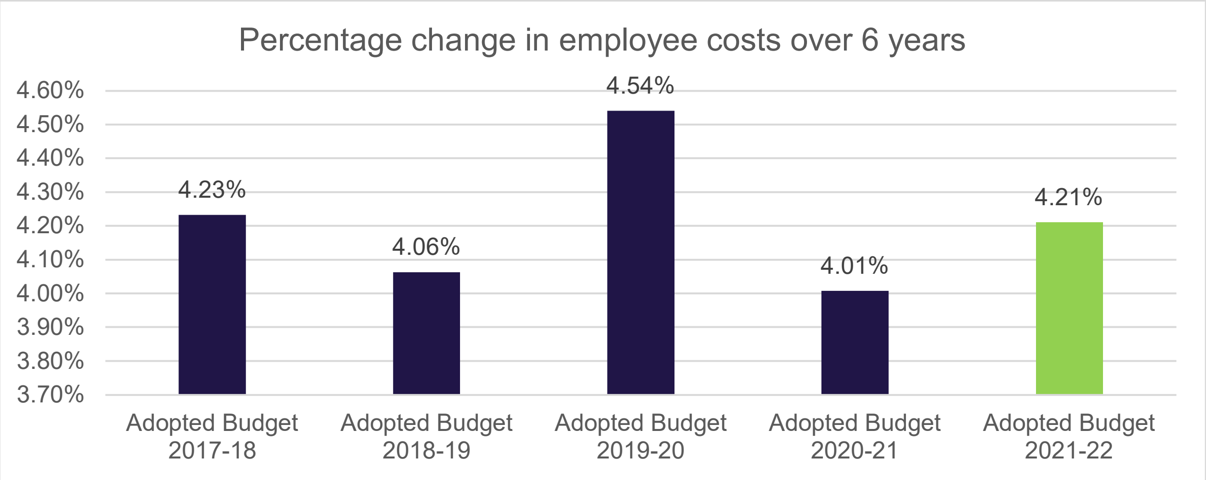
Figure 26 Budgeted employee costs 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

The rate of growth in employee costs is shown in **Figure 27**. Employee costs have grown at a relatively constant rate of over 4 per cent each year since 2016-17. The rate of growth remained steady at 4.21% in 2021-22.

Figure 27 Percentage change in employee costs 2016-17 to 2021-22

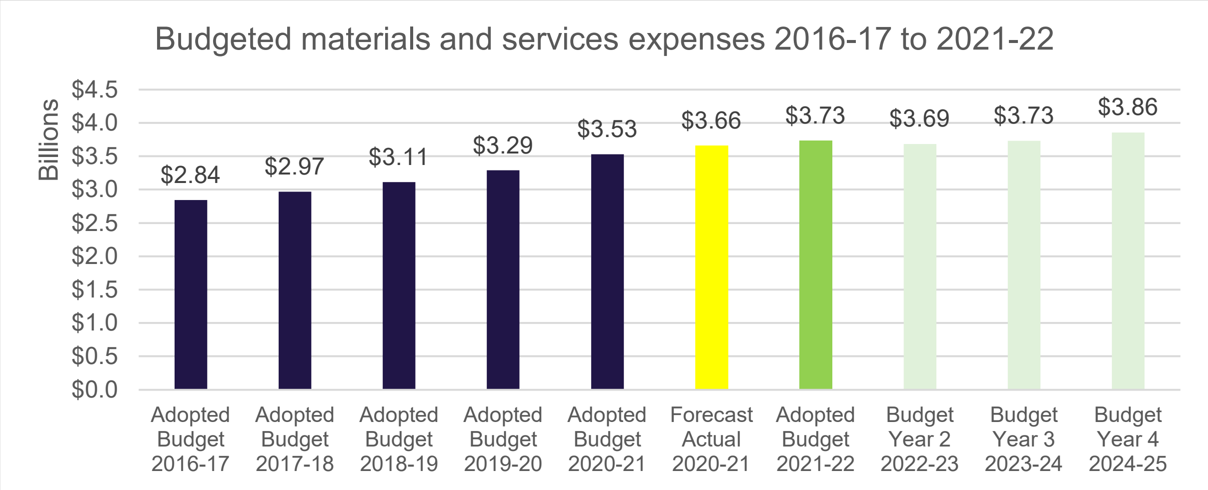


Source: 2016-17 - 2021-22 adopted budgets

5.2 Materials and services

Materials and services expenditure commonly include items such as contract payments (for example for waste management, open space services, city works, general maintenance and building maintenance) as well as a variety of other expenditure including motor vehicle costs, insurance, utilities, office administration and rental costs. **Figure 28** shows materials and services are budgeted to rise to $3.73 billion in 2021-22, an increase of $202.5 million on 2020-21.

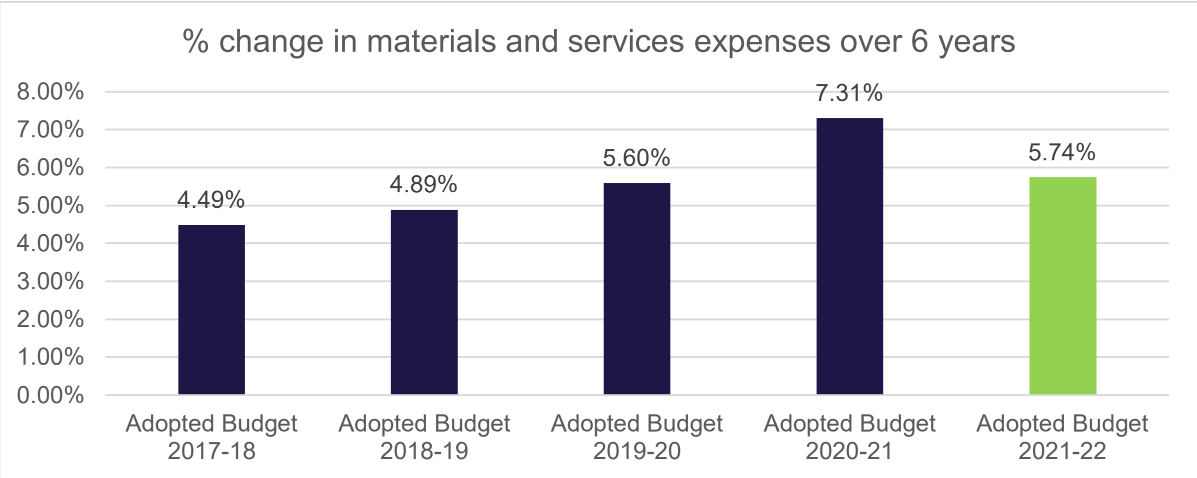
Figure 28 Budgeted materials and services expenses 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

The rate of growth in materials and services expenditure is shown in **Figure 29**. The rate of growth for 2021-22 is 5.74 per cent in 2021-22, which is lower than the rate of growth in adopted budgets 2020-21.

Figure 29 Percentage change in materials and services expenses 2016-17 to 2021-22

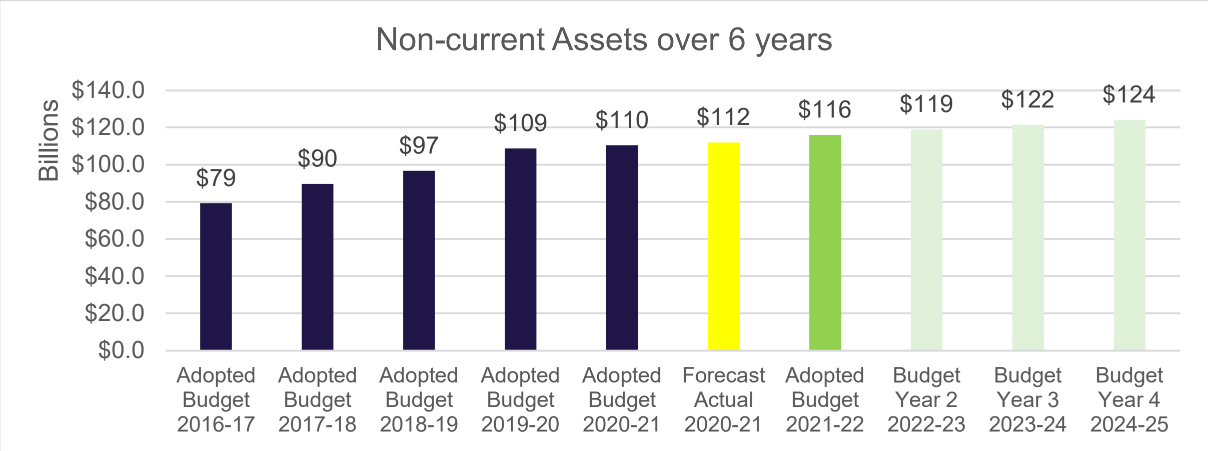


Source: 2016-17 - 2021-22 adopted budgets

5.3 Depreciation and amortisation

Depreciation (and amortisation) is a significant expenditure item due to the asset intensive nature of the local government sector. Councils are responsible for effectively and efficiently maintaining and renewing their infrastructure, property, plant, and equipment to service their communities and meet public demand. Councils are responsible for managing total non-current assets valued in excess of $115 billion, out of which $67.35 billion represent depreciable assets. **Figure 30** below indicates councils are budgeting to increase their non-current assets by $5.5 billion or 5% as compared to FY 2020-21. There has been a steady growth in the sector's asset base in recent years which has slowed moderately due to the pandemic.

Figure 30 Value of non-current assets 2016-17 to 2021-22

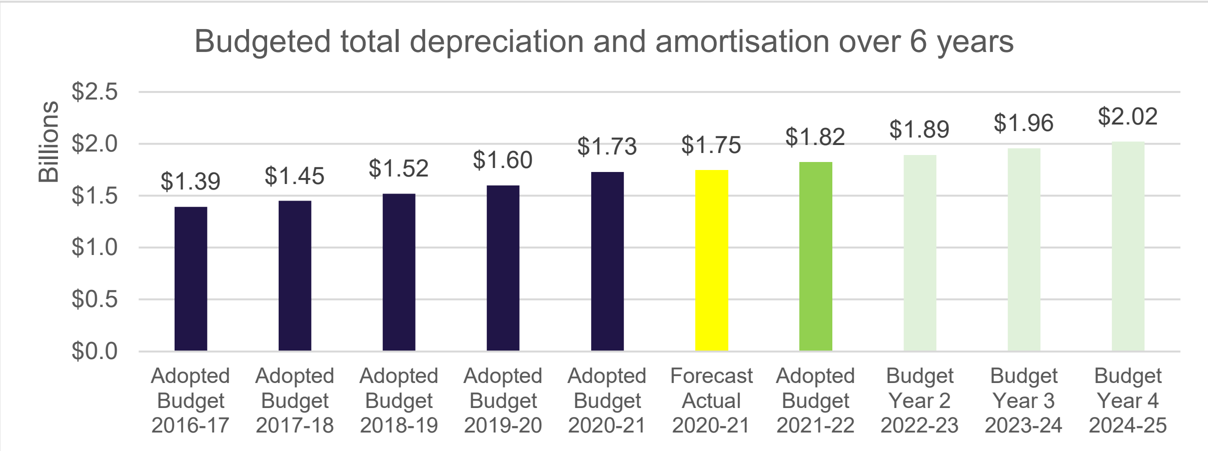


Source: 2016-17 - 2021-22 adopted budgets

Due to changes to accounting requirements under Australian Accounting Standard **AASB 16: Leases** from 1 July 2019 councils are expected to incur increased depreciation and amortisation expenses. This is due to the recognition and amortisation of right of use assets, representing an entity's right to use a leased asset. This change effectively results in the reclassification of former 'operating leases' as 'finance leases' (resulting in the recording of both a lease asset and a lease liability on the balance sheet that were not previously recognised).

Figure 31 shows depreciation and amortisation expenditure is budgeted to rise to $1.82 billion in FY 2021-22, an increase of $92.3 million on the 2020-21 adopted budget.

Figure 31 Depreciation and amortisation 2016-17 to 2021-22

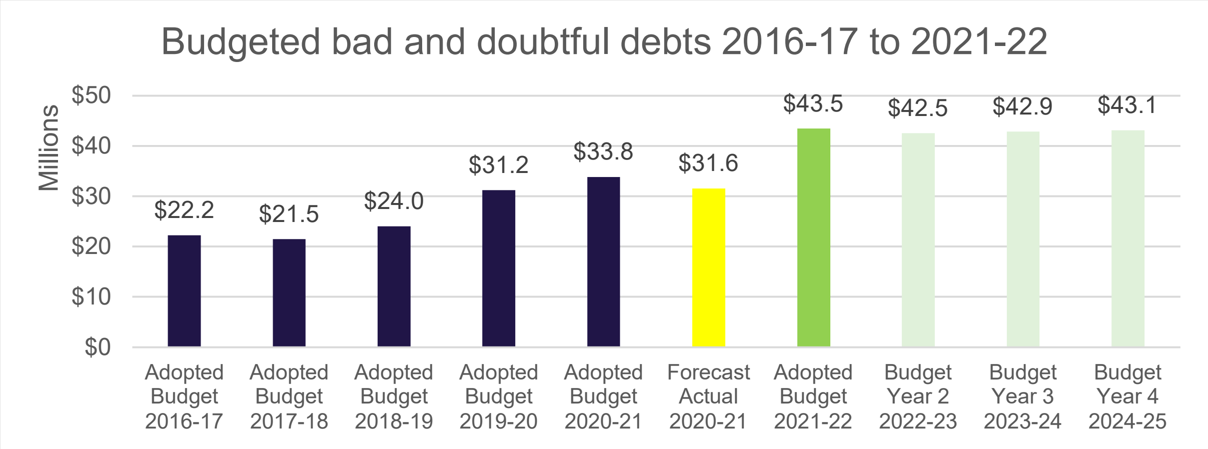


Source: 2016-17 - 2021-22 adopted budgets

5.4 Bad and doubtful debts

Figure 32 shows bad and doubtful debts expenditure is budgeted to be $43.5 million in 2021-22, an increase of $9.64 million or 28 per cent on 2020-21. The forecast actual expenditure for 2020-21 is $31.6 million which is lower than originally budgeted. While in absolute dollar terms these costs are not a large proportion of total council expenditure, they nevertheless provide a good indication of the general economic conditions facing local government in Victoria. Councils must continue to monitor and manage the level of their rates debtors and bad debts to ensure their finances remain robust.

Figure 32 Budgeted bad and doubtful debts 2016-17 to 2021-22



Source: 2016-17 - 2021-22 adopted budgets

6 Overall Performance and Result

6.1 Accounting operating results

The planned financial performance of Victorian councils is publicly reported in the financial statements included within the budget. These financial statements are prepared in accordance with the Australian Accounting Standards (AAS). The Comprehensive Income Statement reports the net amount of budgeted revenues and operating expenses, known as the accounting operating result. When revenues exceed operating expenses the council is budgeting an accounting operating surplus. When operating expenses exceed revenues the council is budgeting an accounting operating deficit.

Collectively, Victorian councils are budgeting to generate an accounting operating surplus of $1.96 billion in 2021-22. The forecast actual accounting operating surplus in FY 2020-21 is estimated to be $1.89 billion, while the accounting operating surplus in the adopted budgets for FY 2020-21 was $1.38 billion. Cumulatively, all cohorts are generating accounting operating surpluses according to the adopted budgets for FY 2021-22.

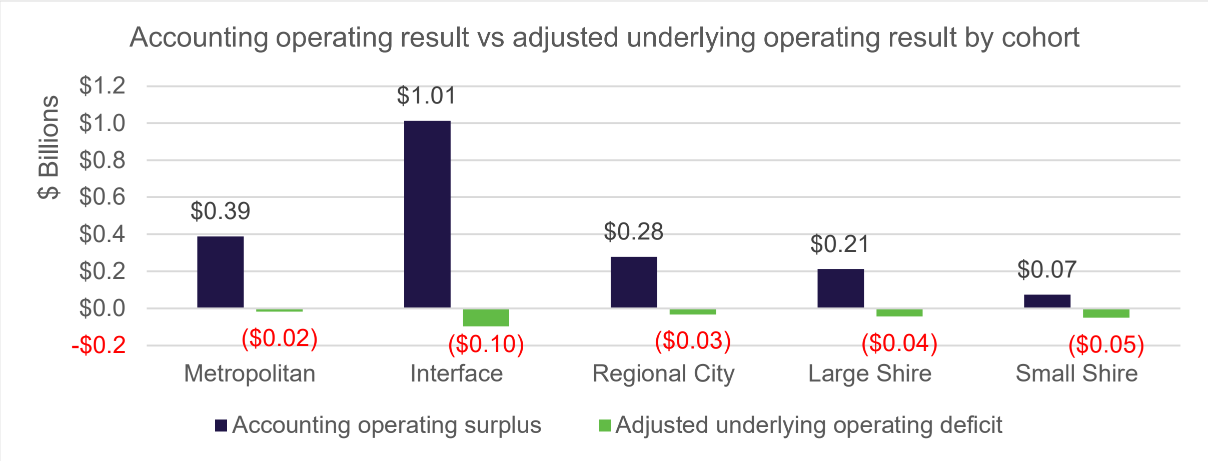
However, some items included in council accounting operating revenue do not represent cash or are not considered recurrent in nature. Gifted assets (developer contributions)[7] and non-recurrent capital grants[8] are examples. **Figure 33** shows that Interface councils are projecting an accounting operating surplus of $1.01 billion largely due to significant revenue generated in the form of gifted assets (developer contributions) which must be included in accounting operating revenue in accordance with AAS.

The concept of an adjusted underlying operating result is another useful way to consider council financial performance.

6.2 Adjusted underlying operating results

VAGO introduced the notion of an adjusted underlying operating result as part of their overall assessment of a council's financial sustainability. VAGO use a suite of seven financial sustainability indicators to assess council financial sustainability risks. The adjusted underlying operating result removes the revenue from developer contributions and non-recurrent capital grants in order to measure an entity's ability to generate a surplus in the ordinary course of business. As shown in **Figure 33** the favourable results in the form of accounting operating surpluses are in sharp contrast to the adjusted underlying operating deficits being budgeted by all 5 cohorts cumulatively.

Figure 33 Budgeted accounting operating result (surpluses) & adjusted underlying operating result (deficits) by cohort



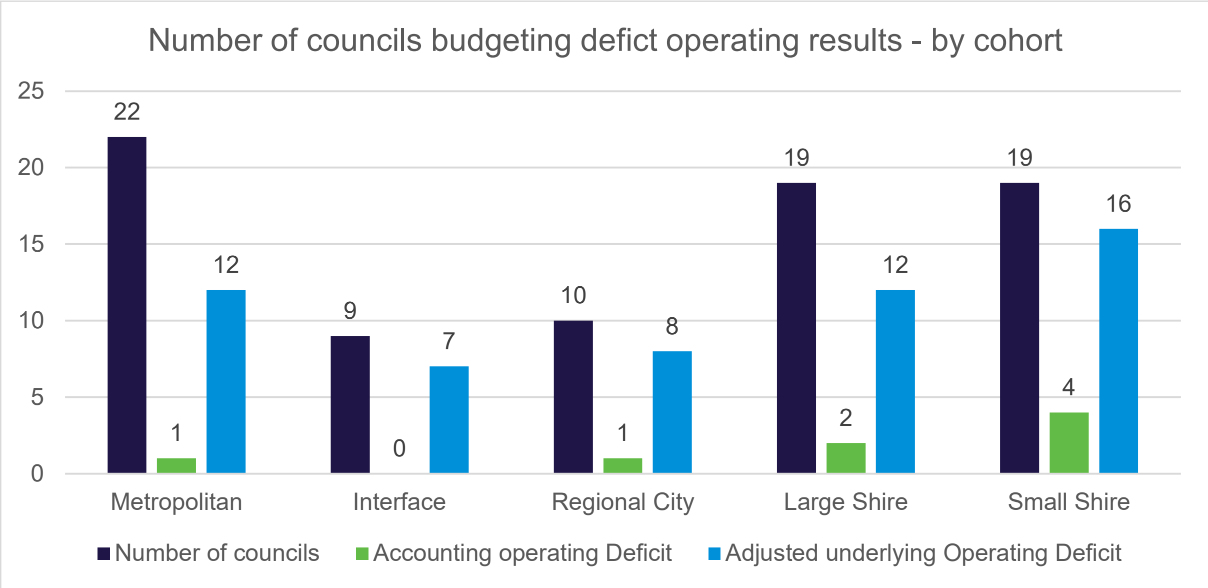
Source: 2021-22 adopted budgets

[7] Development contributions can be received as a cash contribution to council to build an asset into the future or by way of a non-cash contribution. A non -cash contribution may comprise gifted assets such as completed roads, drainage works or community facilities that may have been previously planned for by the council. These 'gifted assets' must be reflected as revenue in the year in which council receives them.

[8] Capital grants received from State or Commonwealth Governments must commonly be treated as operating revenue in the year of receipt however the expenditure does not appear in the operating result. The expenditure will result in the replacement of the current asset cash (or investments) with the infrastructure asset roads (or community facilities) depending on the nature of the asset.

Figure 34 below compares the number of councils reporting an accounting operating deficit and an adjusted underlying operating deficit by cohort.

Figure 34 Number of councils reporting accounting operating deficit and adjusted underlying operating deficit by cohort 2021-22



Source: 2021-22 adopted budgets

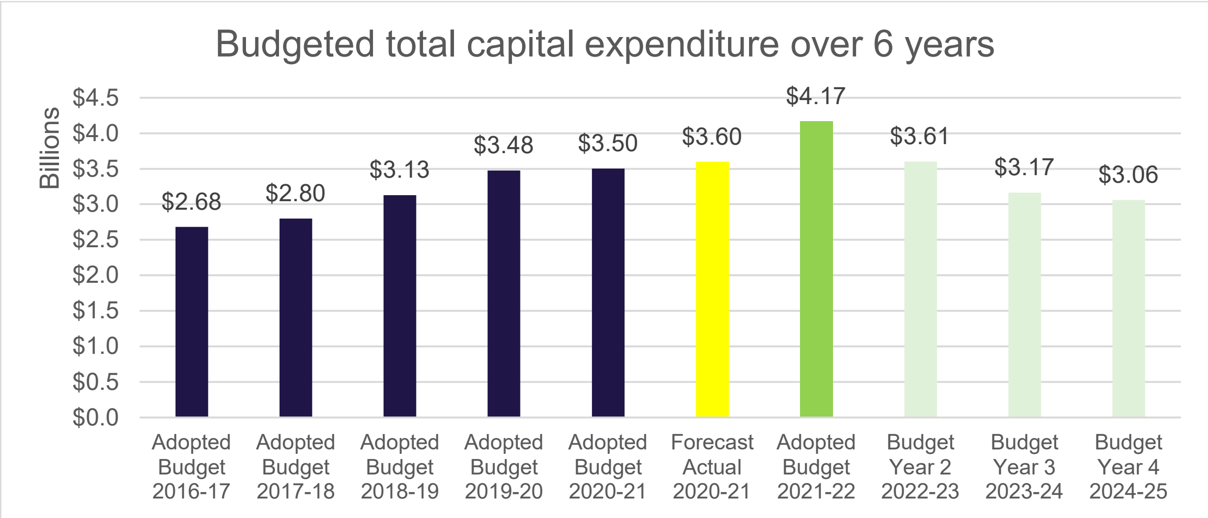
Overall, 55 out of 79 councils are projecting an adjusted underlying operating deficit. The total cumulative adjusted underlying operating deficit for the sector amounts to $242.86 million. In VAGO's most recent report on 2019-20 local government audits all Victorian council cohorts, apart from metropolitan councils, were assessed as high risk against the VAGO adjusted underlying result indicator.

7 Capital Works

The management and maintenance of assets owned by the councils is one of the most significant activities undertaken by any council. In the adopted budgets for FY 2021-22, the local government sector is collectively budgeting for total non-current assets valued at $115.9 billion at the end of FY 2021-22 ($110.8 billion in adopted budget FY 2020-21). The sector has budgeted for combined capital expenditure of $4.17 billion in 2021-22. This is a significant increase of $668.78 million on the $3.50 billion budgeted in 2020-21, as shown in **Figure 35**. **Figure 36** shows this increase equates to 19.09% which is the largest year on year increase in capital works spending over the 6 years since 2016-17. This suggests that councils are budgeting for a strong recovery in 2021-22 after the setbacks in 2020-21 due to the pandemic.

Councils have projected that 67% of the four-year capital works program of $14 billion will be funded through rates and other own-sourced revenue.

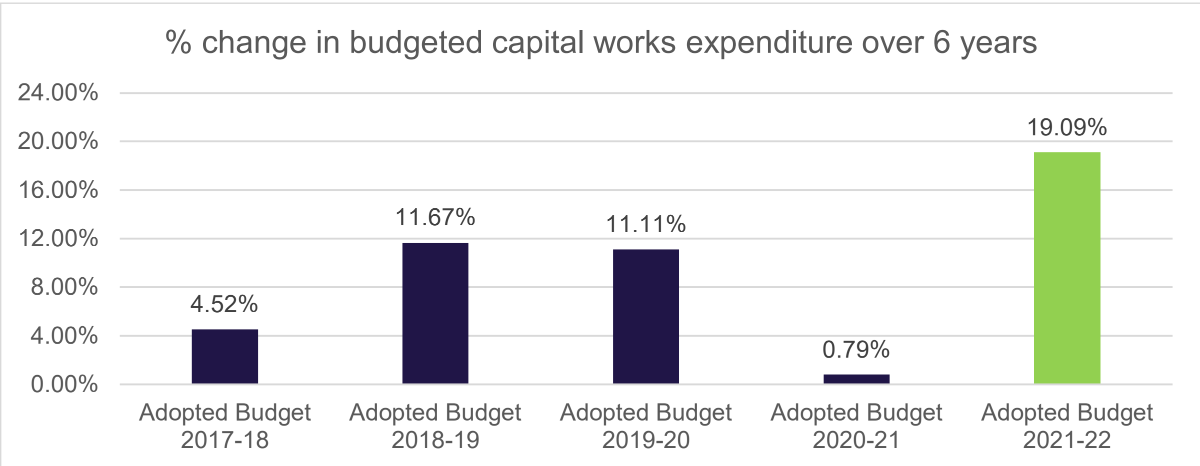
Figure 35 Budgeted Capital expenditure trend from 2016-17 onwards



Source: 2016-17 - 2021-22 adopted budgets

Figure 36 below shows a decrease in capital works expenditure in adopted budgets for 2020-21 but a substantial increase in adopted budget for 2021-22. This may reflect that some councils opted to defer capital works due to facing increased pressure on their revenue streams as well as increased operating costs as a result of the COVID-19 pandemic.

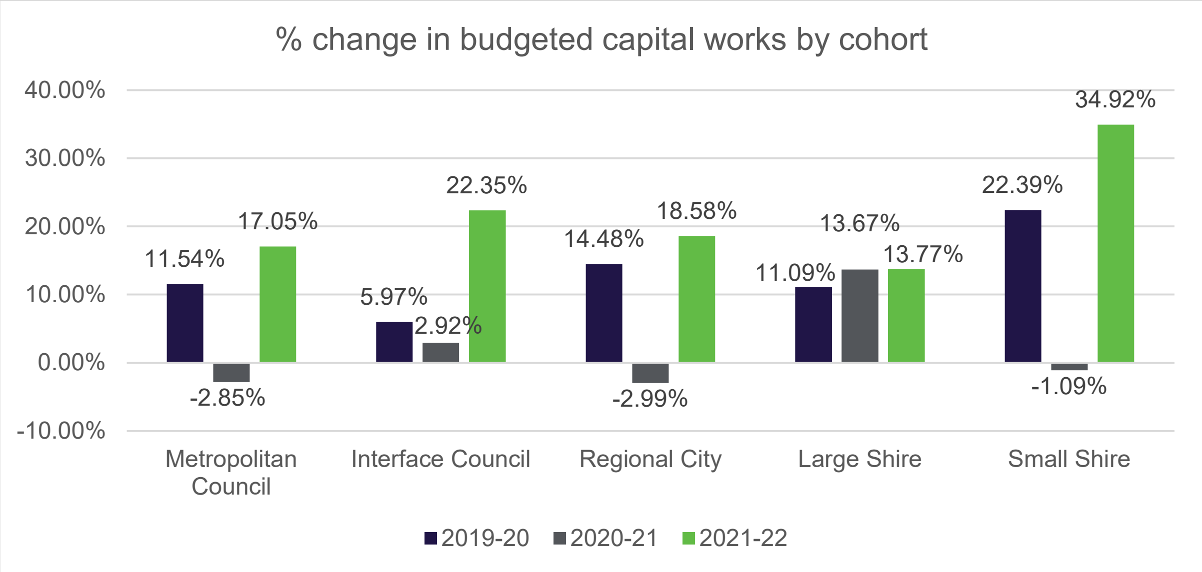
Figure 36 Budgeted capital expenditure trend from 2016-17 onwards



Source: 2016-17 - 2021-22 adopted budgets

Figure 37 below further analyses the rebound in capital works expenditure by council cohort. It compares the percentage change in budgeted capital works expenditure by cohort in FY 2021-22 adopted budgets and FY 2019-20 and 2020-21 adopted budgets. All council cohorts apart from Large Shire councils collectively budgeted for a decrease in their capital works program in FY 2020-21. However all cohorts have subsequently budgeted for double-digit growth in their capital works spending in FY 2021-22.

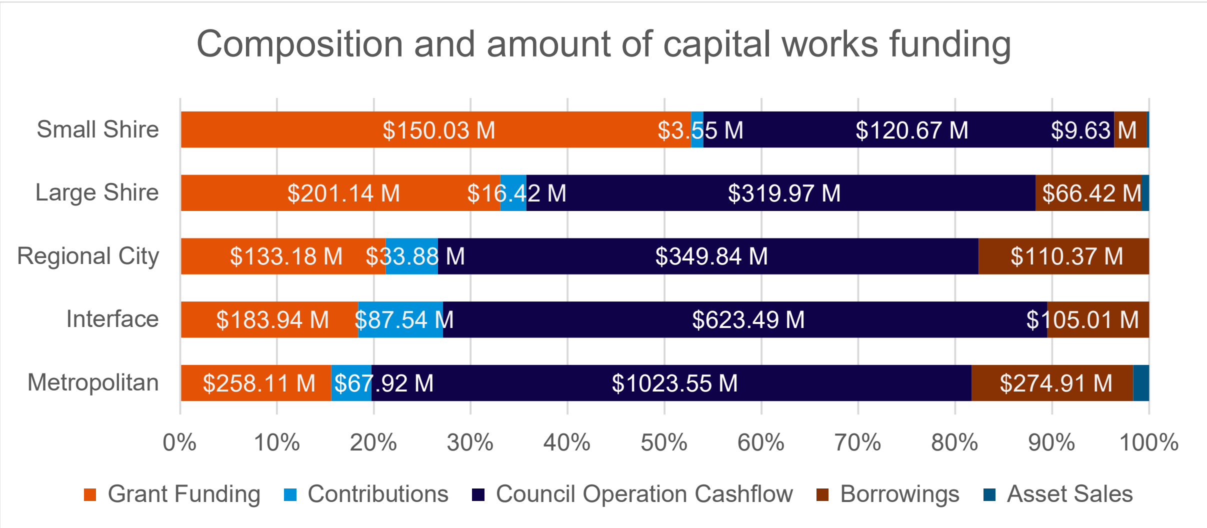
Figure 37 Change in budgeted capital works compared to previous year



Source: 2021-22 adopted budgets and 2019-20 adopted budgets

Council's operating cashflow remains the major source of funding for capital works across all council cohorts as illustrated by **Figure 38** below. However, in the case of small and large shires, there is a higher reliance on grants to carry out the budgeted capital works. Metropolitan councils and regional cities are relying comparatively more on new borrowings to fund some of their capital works.

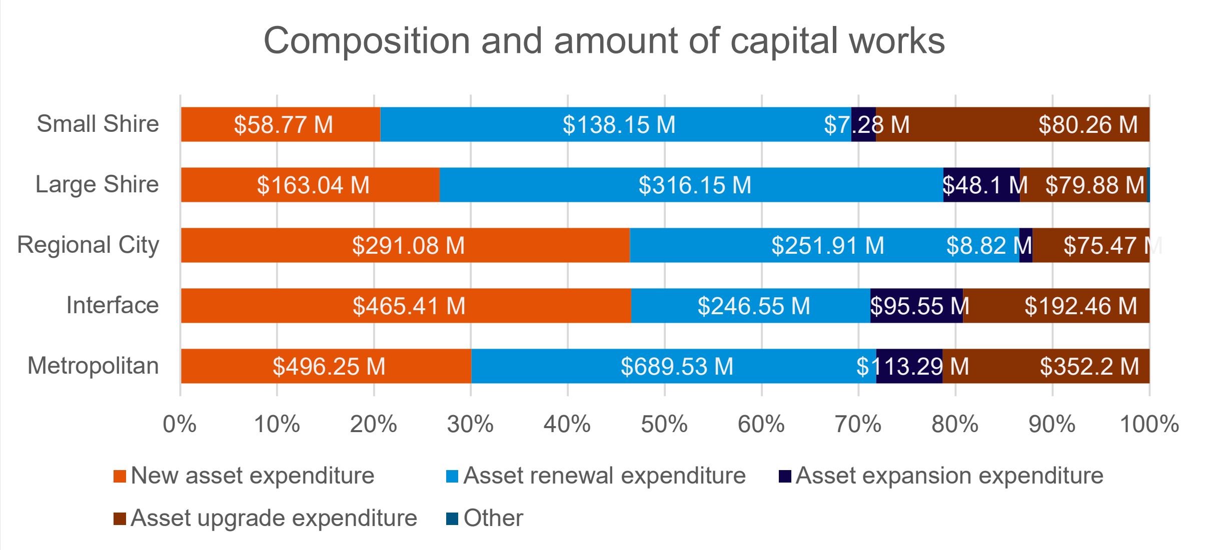
Figure 38 Composition and amount of capital work funding



Source: 2021-22 adopted budgets

Figure 39 below illustrates that new asset expenditure and asset renewal expenditure are the significant components of overall capital works for all cohorts.

Figure 39 Composition and amount of capital work

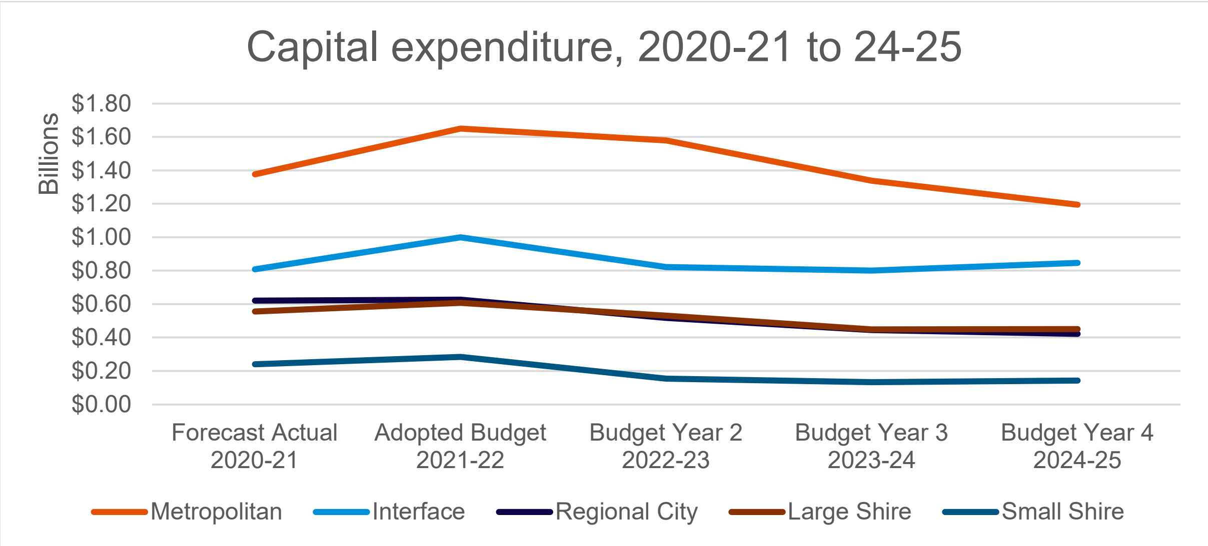


Source: 2021-22 adopted budgets

Over the next three years (FY 2022-23 to FY 2024-25), 41.8% of the overall capital works of $9.83 billion are expected to be delivered by metropolitan councils, while only 18.9% are expected to be delivered by large and small rural councils. These figures include road construction and maintenance, which constitute a significant responsibility for rural and regional councils. Metropolitan, interface and regional cities together account for 81.1% of capital works while their combined population comprises of 87.9% of the Victorian total. In contrast, the 38 large and small rural councils are projected to deliver 18.9% of capital works expenditure for 12.1% of the population due to geographically larger areas with relatively larger road networks and higher costs.

Figure 40 below shows the forecast changes to council capital expenditure over the next four years by council cohort. Decreases in capital expenditure over the next four years can be matched to decreased forecasts in capital grant funding, which is not in line with historical outcomes. Interface councils receive large developer contributions including gifted assets. These gifted assets are not reflected in the capital expenditure forecasts shown below.

Figure 40 Budgeted capital expenditure trend from 2020-21 onwards

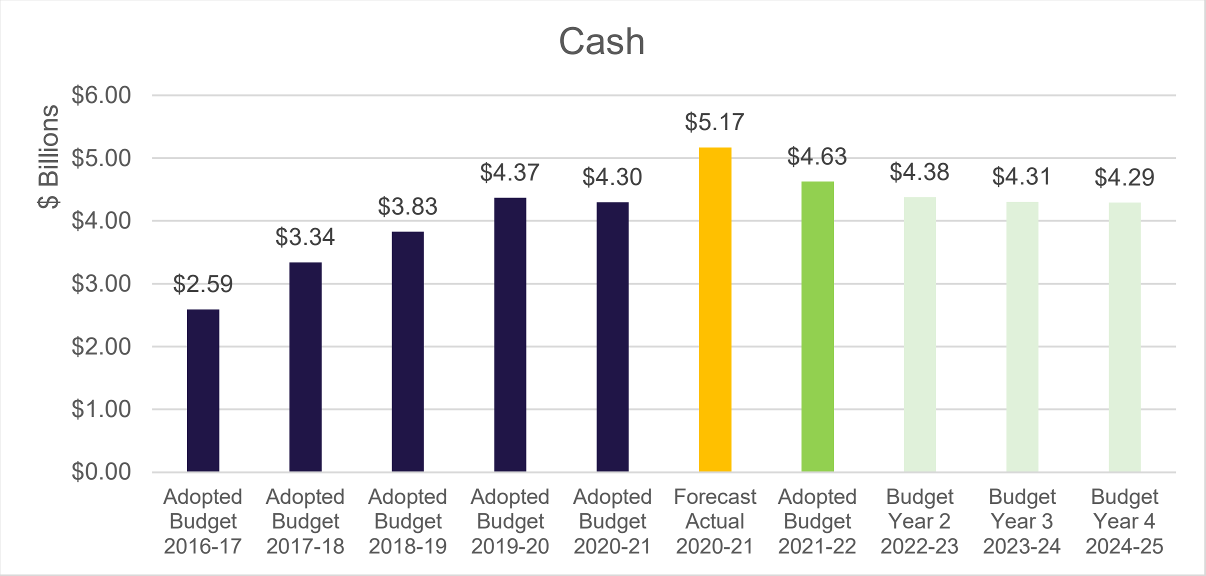


Source: 2021-22 adopted budgets

8 Cash and borrowings

The sector is budgeting to hold cash and investments of approximately $4.63 billion at 30 June 2022. The sector's forecast actual cash and investments at 30 June 2021 was $5.17 billion. **Figure 41** below shows a healthy increase in cash and financial assets over the last 5 years and further strengthens the sustainability of the sector in the short term.

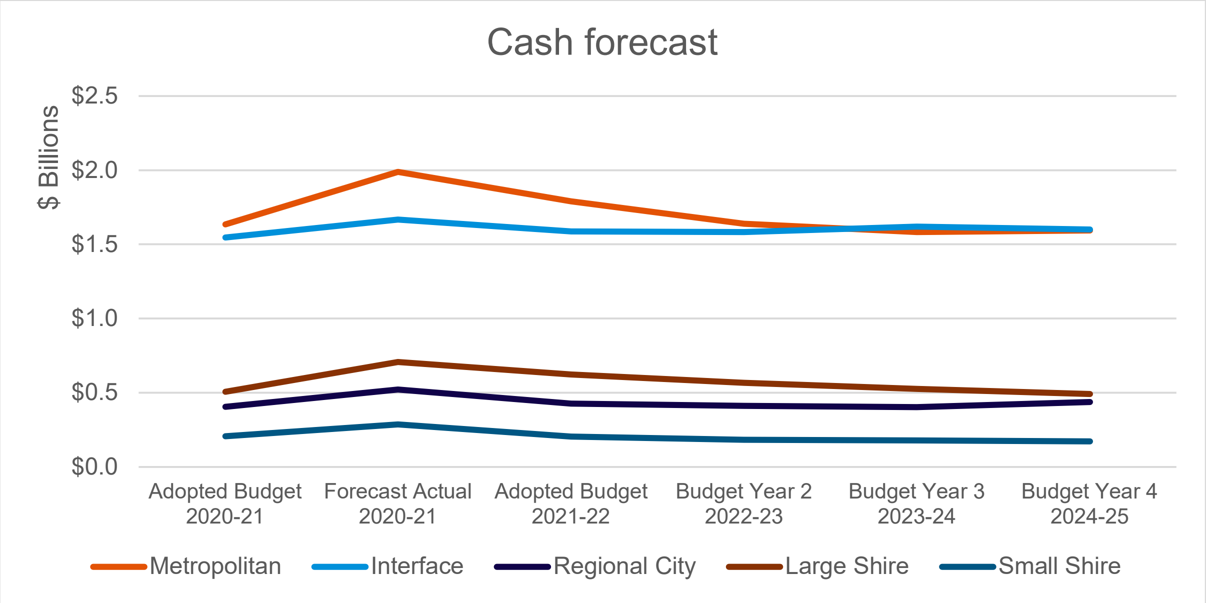
Figure 41 Budgeted cash and financial assets 2016-17 onwards



Source: 2016-17 - 2021-22 adopted budgets

These forecast actual levels of cash and investments may have been positively impacted in some instances by the advance receipt of Commonwealth grant funds. **Figure 42** below shows cash and financial assets forecast for the next 4 years by individual cohorts. The trend shows councils forecasting a slight decline in cash and investments in all cohorts in the FY 2021-22 but the cash balances are relatively stable after that.

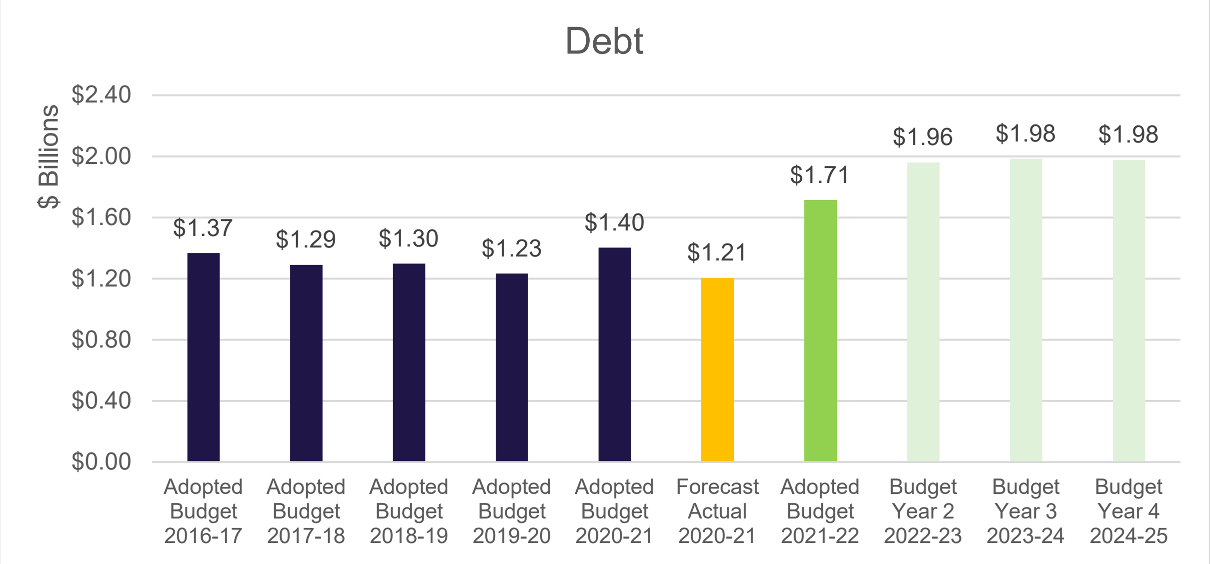
Figure 42 Budgeted cash and financial assets 2020-21 onwards



Source: 2021-22 adopted budgets

A review of the last 6 year's adopted budgets shows over an 11.6% decline in debt for the sector in FY 2020-21 forecast actual compared to FY 2016-17 adopted budget. Councils have however budgeted for increasing debt in FY 2021-22 adopted budgets as shown in **figure 43** below. This can partly be attributed to historically low interest rates in addition to the adverse impact of the pandemic on council's own source revenue.

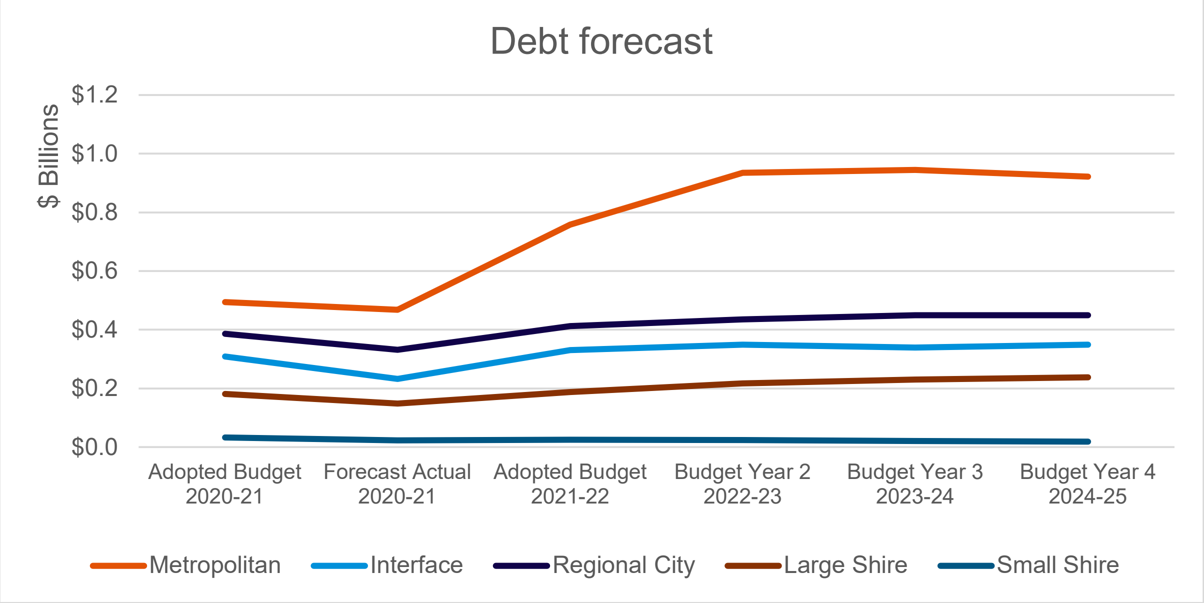
Figure 43 Budgeted debt 2016-17 onwards



Source: 2016-17 - 2021-22 adopted budgets

Figure 44 below shows a steady increase in debt for metropolitan councils over the next four years as compared to the forecast actual for FY 2020-21. It should be noted that approximately 49% of the metropolitan cohort borrowings for FY 2021-22 pertain to planned debt at Melbourne, Brimbank, Knox and Boroondara city councils. Significant borrowings in larger metropolitan councils can distort debt forecasts. Interface councils, regional cities and large shires are also projecting increased levels of debt at the end of FY 2024-25 while small shires are projecting a slight decrease at the end of FY 2023-24 as compared to forecast actual for FY 2020-21.

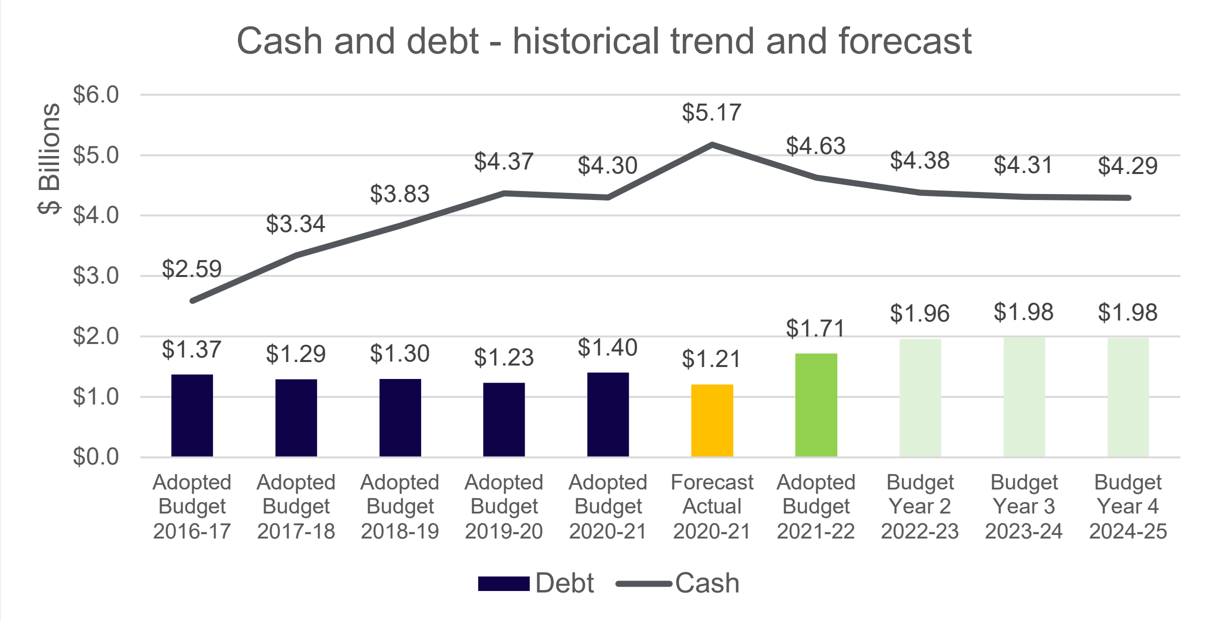
Figure 44 Budgeted debt 2020-21 onwards by Cohort



Source: 2021-22 adopted budgets

In addition to the adjusted underlying operating result, liquidity and indebtedness are other key indicators used by VAGO to assess the financial sustainability of Victorian councils. In their most recent report on 2019-20 local government audits, VAGO applied low risk ratings to all cohorts in relation to both liquidity and indebtedness. Collectively, the sector is expected to sustain the low-risk ratings for liquidity and indebtedness in the short term despite the projected increase in new borrowings. **Figure 45** below presents the comparison of budgeted debt and available cash and financial assets from 2016-17 onwards along with forward forecasts from 2021-22 onwards. Collectively councils remain in a relatively strong and stable liquidity position.

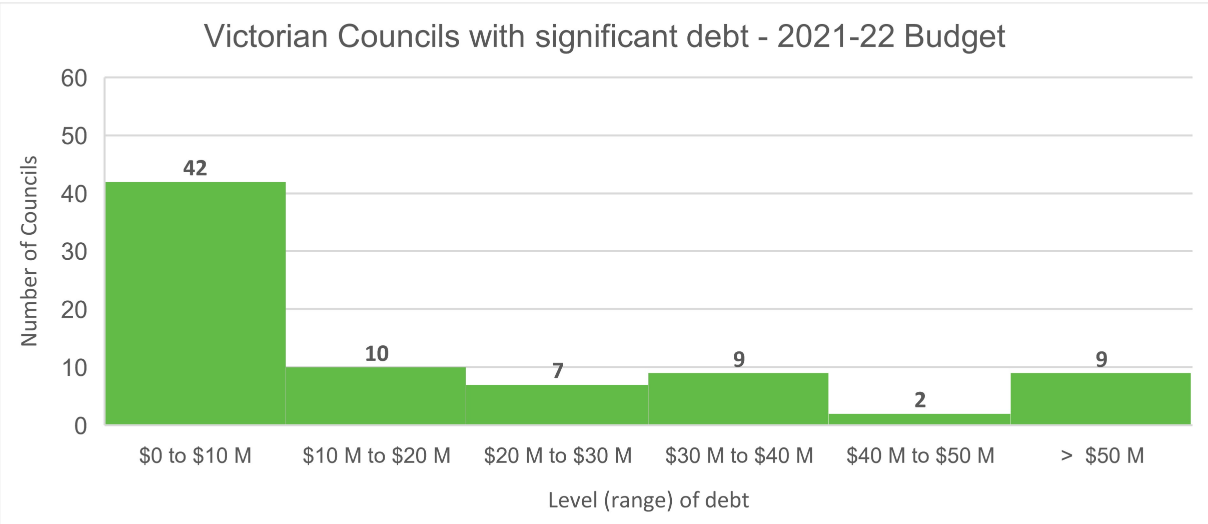
Figure 45 Budgeted cash and debt 2016-17 onwards



Source: 2021-22 adopted budgets

Overall, the majority of the Victorian councils are budgeting for very low or no debt at the end of the financial year 2021-22. **Figure 46** below shows the number of councils with progressively increasing levels of debt from nil to over $50 Million of interest-bearing debt on the balance sheet.

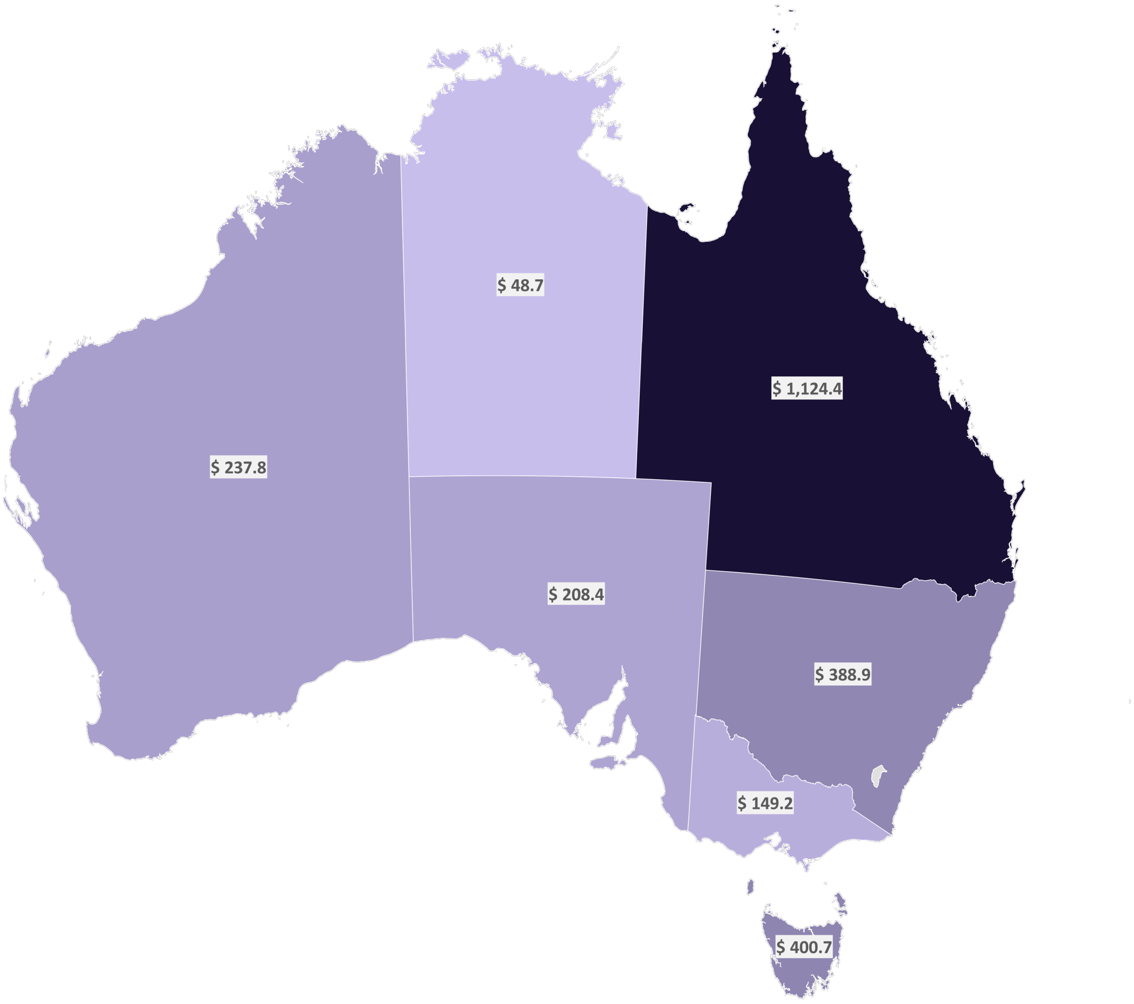
Figure 46 Victorian Councils with significant debt in 2021-22 Budgets



Source: 2021-22 adopted budgets

Collectively, Victorian councils carry significantly less per capita debt on their balance sheet as compared to Local Government Areas in the other states and territories. **Figure 47** below shows per capita debt in councils for Victoria and other states and territories across Australia.

Figure 47 Per Capita debt by Local Government Sector (2019-20)



Source: Financial data: Australian Bureau of Statistics, Government Finance Statistics, 2019-20; Australian Bureau of Statistics, National, state and territory population December 2020

9 Conclusion

Despite the adverse impact of COVID-19 on both budgeted revenue and expenditure items during last financial year, Victorian councils remain well placed to meet the economic challenges of the pandemic in the short term. The sector has generally budgeted for an economic recovery in FY 2021-22 and individual revenue streams are budgeted to be similar to pre-pandemic levels, if not better. The sector collectively entered the pandemic in a relatively strong financial position based on solid financial performance results in recent years. Councils are generally well placed to respond to the economic impacts of future outbreaks of coronavirus.

While the previous adopted budgets for FY 2020-21 indicated some deferrals and reductions of capital works, collectively, Victorian councils have budgeted a strong $4.17 billion worth of capital works in 2021-22 which will deliver jobs and stimulate local economies.

Any future loss of income from statutory fees and fines and user fees as a result of council facility closures will be concerning for metropolitan councils as these funds are a particularly important component of own source revenue for this cohort of councils. The 2021-22 adopted budgets were premised on a return to pre-pandemic levels of revenue from these sources. There will be a direct impact on the financial performance (including adjusted underlying results) for metropolitan councils if income from these sources is again reduced. The forecast actual results for 2020-21 show that the extended lockdowns in Victoria in 2020 have further adversely impacted on statutory fees and fines and user fees, beyond what was estimated in the 2020-21 adopted budgets. However, this loss of income was more than offset by additional support grants made available to the sector by the Commonwealth and Victorian governments.

As own source revenue reduces, councils will look to alternative revenue streams to supplement their finances. New borrowings in addition to the grant funding from the Commonwealth and State government may be an option to continue to deliver on council capital works programs. The existing strong liquidity position of the sector would help councils sustain debt repayments in the short term and the record lowest interest rates in Australia also make the increased use of debt a relatively viable option in such a scenario.

Sound financial planning and management can help councils continue to adapt in these challenging times. Due to the recent outbreaks of the Delta variant of coronavirus in Victoria (which were not foreseen by councils at the time of the preparation of budgets) some councils may choose to realign their financial strategy in response. This may include the preparation of subsequent revised budgets.

The economic impacts of this global pandemic for all levels of government in Australia continue to evolve, but Victorian councils have options due to the relative strength of their finances.

10 Glossary

Act	means the *Local Government Act 2020*
Adopted budget	means a budget adopted by a council in accordance with the Act
Annual report	means a report of the council's operations of the previous financial year and contains a report of operations, audited financial statements and an audited performance statement
Australian Accounting Standards (AAS)	means the accounting standards published by the Australian Accounting Standards Board
Budget	means a plan setting out the services and initiatives to be funded for the financial year and how they will contribute to achieving the strategic objectives specified in the council plan
Council plan	means a plan setting out the medium-term strategic objectives, strategies, strategic indicators and resources reflecting the vision and aspirations of the community for the next four years
Financial statements	means the financial statements and notes prepared in accordance with the *Local Government Model Financial Report*, Australian Accounting Standards and other applicable standards as they apply to the general purpose financial reports and statement of capital works, included in the annual report
Financial year	means the period of 12 months ending on 30 June each year
Forecast actual	means an estimate of the result at 30 June based on the latest available actual data
Rates and Charges	means general rates, municipal charges and service charges (most commonly referred to as waste, garbage or recycling charges) as defined in the relevant Act.
Regulations	means the *Local Government (Planning and Reporting) Regulations 2020*
Revised budget	means a budget changed after being adopted by a council and treated in accordance with the provisions in the Act in relation to revised budgets.
Strategic resource plan	means a plan of the financial and non-financial resources for at least the next four years required to achieve the strategic objectives in the council plan.[9]
Underlying operating result	Means the net result that demonstrates a council's ability to generate a surplus from its ordinary activities by excluding any revenue received which funds capital expenditure (such as non-recurrent capital grants, monetary and non-monetary developer contributions).

[9] The strategic resource plan is no longer a requirement under the *Local Government Act 2020* and is effectively replaced by four-year budgets from 2021-22.

11 Appendices

11.1 Appendix A: Council groupings and adopted rate increases

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202122
Banyule City Council	Metropolitan	1.50%
Bayside City Council	Metropolitan	1.50%
Boroondara City Council	Metropolitan	1.50%
Brimbank City Council	Metropolitan	1.50%
Darebin City Council	Metropolitan	1.50%
Frankston City Council	Metropolitan	1.50%
Glen Eira City Council	Metropolitan	1.50%
Greater Dandenong City Council	Metropolitan	1.50%
Hobsons Bay City Council	Metropolitan	1.50%
Kingston City Council	Metropolitan	1.50%
Knox City Council	Metropolitan	1.50%
Manningham City Council	Metropolitan	1.50%
Maribyrnong City Council	Metropolitan	1.50%
Maroondah City Council	Metropolitan	1.50%
Melbourne City Council	Metropolitan	0%
Monash City Council	Metropolitan	1.50%
Moonee Valley City Council	Metropolitan	1.50%
Moreland City Council	Metropolitan	1.50%
Port Phillip City Council	Metropolitan	1.50%
Stonnington City Council	Metropolitan	1.50%
Whitehorse City Council	Metropolitan	1.50%
Yarra City Council	Metropolitan	1.50%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202122
Cardinia Shire Council	Interface	1.50%
Casey City Council	Interface	1.50%
Hume City Council	Interface	1.50%
Melton Shire Council	Interface	1.50%
Mornington Peninsula Shire Council	Interface	1.50%
Nillumbik Shire Council	Interface	1.50%
Whittlesea City Council	Interface	1.50%
Wyndham City Council	Interface	1.50%
Yarra Ranges Shire Council	Interface	1.50%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 2021-22
Ballarat City Council	Regional City	1.50%
Greater Bendigo City Council	Regional City	1.50%
Greater Geelong City Council	Regional City	1.50%
Greater Shepparton City Council	Regional City	0%
Horsham Rural City Council	Regional City	1.50%
Latrobe City Council	Regional City	1.50%
Mildura Rural City Council	Regional City	1.50%
Wangaratta Rural City Council	Regional City	1.50%
Warrnambool City Council	Regional City	1.50%
Wodonga City Council	Regional City	1.50%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202122
Bass Coast Shire Council	Large Shire	1.50%
Baw Baw Shire Council	Large Shire	1.50%
Campaspe Shire Council	Large Shire	1.50%
Colac Otway Shire Council	Large Shire	1.50%
Corangamite Shire Council	Large Shire	1.50%
East Gippsland Shire Council	Large Shire	1.50%
Glenelg Shire Council	Large Shire	1.50%
Golden Plains Shire Council	Large Shire	1.50%
Macedon Ranges Shire Council	Large Shire	1.50%
Mitchell Shire Council	Large Shire	1.50%
Moira Shire Council	Large Shire	1.50%
Moorabool Shire Council	Large Shire	1.50%
Mount Alexander Shire Council	Large Shire	1.50%
Moyne Shire Council	Large Shire	1.50%
South Gippsland Shire Council	Large Shire	1.50%
Southern Grampians Shire Council	Large Shire	1.50%
Surf Coast Shire Council	Large Shire	1.50%
Swan Hill Rural City Council	Large Shire	1.47%
Wellington Shire Council	Large Shire	1.50%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202122
Alpine Shire Council	Small Shire	1.50%
Ararat Rural City Council	Small Shire	-1.50%
Benalla Rural City Council	Small Shire	1.50%
Buloke Shire Council	Small Shire	1.50%
Central Goldfields Shire Council	Small Shire	1.50%
Gannawarra Shire Council	Small Shire	1.50%
Hepburn Shire Council	Small Shire	1.50%
Hindmarsh Shire Council	Small Shire	1.50%
Indigo Shire Council	Small Shire	1.50%
Loddon Shire Council	Small Shire	1.50%
Mansfield Shire Council	Small Shire	0%
Murrindindi Shire Council	Small Shire	1.50%
Northern Grampians Shire Council	Small Shire	1.50%
Pyrenees Shire Council	Small Shire	1.50%
Borough of Queenscliffe	Small Shire	1.50%
Strathbogie Shire Council	Small Shire	1.50%
Towong Shire Council	Small Shire	1.50%
West Wimmera Shire Council	Small Shire	1.50%
Yarriambiack Shire Council	Small Shire	1.50%

11.2 Appendix B: Snapshot of 2021-22 adopted budgets for all 79 councils in Victoria

	ADOPTED BUDGETS FY2020-21	ADOPTED BUDGETS FY2021-22	DIFFERENCE	%
Rates and charges	$6,449,915,000	$6,759,563,000	$309,648,000	5%
Statutory fees and fines	$386,772,000	$459,340,000	$72,568,000	19%
User fees	$829,356,000	$975,638,000	$146,282,000	18%
Developer contributions	$1,273,127,000	$1,406,917,000	$133,790,000	11%
Grants	$1,816,438,000	$2,204,773,000	$388,335,000	21%
Other income	$200,187,000	$177,724,000	-$22,463,000	-11%
Total income	**$10,955,795,000**	**$11,983,955,000**	**$1,028,160,000**	**9%**
Employee costs	$3,930,277,000	$4,095,733,000	$165,456,000	4%
Materials and services	$3,529,017,000	$3,731,573,000	$202,556,000	6%
Depreciation and amortisation	$1,728,090,000	$1,820,412,000	$92,322,000	5%
Other expenses	$388,987,000	$371,496,000	-$17,491,000	-4%
Total expenses	**$9,576,371,000**	**$10,019,214,000**	**$442,843,000**	**5%**
Accounting surplus/(deficit)	**$1,379,424,000**	**$1,964,741,000**	**$585,317,000**	**42%**
Adjusted underlying surplus / (deficit)	**-$365,222,000**	**-$242,858,000**	**$122,364,000**	**-34%**
Total cash and financial assets	**$4,299,791,000**	**$4,625,244,000**	**$325,453,000**	**8%**
Total non-current assets	**$110,387,548,000**	**$115,909,448,000**	**$5,521,900,000**	**5%**
Total debt	**$1,402,036,000**	**$1,713,943,000**	**$311,907,000**	**22%**
Total capital works expenditure	**$3,502,787,000**	**$4,171,572,000**	**$668,785,000**	**19%**
Total employees	**39,221**	**39,666**	**445**	**1%**

Source: 2021-22 adopted budgets and 2020-21 adopted budgets

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