Department of Jobs, Precincts and Regions

Analysis of the 2020-21 adopted budgets of Victorian councils

BY LOCAL GOVERNMENT VICTORIA

VICTORIA State Government | Jobs, Precincts and Regions

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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 2020-21 adopted budgets of all 79 Victorian councils.

As has been the experience of Commonwealth and State Governments, COVID-19 has impacted on the finances of councils in both FY 2019-20 and FY 2020-21.

However, collectively the local government sector entered the pandemic in a relatively strong financial position based on solid financial performance in recent years. This has enabled the councils to budget for community relief and business support programs during the pandemic as well as capital works in excess of $13.0 billion over the next four years. Almost 70% of these capital works are funded by council's own source revenue.

Councils in aggregate are budgeting for total revenue of $10.96 billion and total operating expenditure of $9.58 billion during FY 2020-21. Collectively, Victorian councils will generate an accounting operating surplus of $1.38 billion in 2020-21 but an adjusted underlying deficit of $365.2 million.

Individually, 20 out of 79 councils are budgeting for an accounting operating deficit whilst 51 out of 79 councils are reporting an adjusted underlying deficit.

There is a modest increase of 2.22% in the overall budgeted revenue for FY 2020-21. This represents a significant reduction when compared to the average increases of 5.37% in adopted budgets from FY 2017-18 to FY 2019-20. Total revenue from rates and charges has increased by 3.08% in adopted budgets for FY 2020-21 (4.5% in adopted budgets 2019-20) after factoring in both the rate rise, new assessments and increases in any charges not covered by the rate cap.

Fifty-Five of the 79 councils are proposing a rate rise in line with the 2.0% rate cap. Sixteen councils are proposing to freeze their rates while a further seven councils are proposing a rate rise of between 0% and 2.0%. One council has adopted a 1% reduction in rate revenue. The details of individual rate rises by council are listed in **Appendix A**.

COVID-19 has severely affected budgeted revenue from statutory fees and fines and user fees. The budgeted revenue from these two sources is collectively reduced by $238.9 million in FY 2020-21 to $1.22 billion which is a drop of 16.42% from the $1.45 billion in adopted budgets in FY 2019-20. The majority of the reduced revenue from these sources relates to the impacts of facility closures in metropolitan councils as a result of COVID-19.

Overall budgeted operating expenditure for FY 2020-21 is expected to increase by 6.32%. This is marginally higher than the forecast average increase in recent years with a major component being depreciation and amortisation expenses increasing by 8.1%.

Employee costs, the largest expense for Victorian councils, will increase by a comparatively modest 4.01 per cent compared to 4.54 per cent in FY 2019-20. Materials and services expenses will increase by 7.31%.

Capital works in FY 2020-21 represent a slight increase of 0.79% compared to adopted budgets for FY 2019-20 but there is a long-term increase of 4% in the budget and SRP years combined resulting in overall capital works of $13.0 billion over the next four years. This compares favourably to the $12.53 billion committed in the four-year strategic resource plans for FY 2019-20.

At 30 June 2021 councils collectively are budgeting to manage non-current assets worth $110.38 billion. The sector is also budgeting to employ staff in excess of 39,221 FTE. In 2020-21, budgeted total cash and financial assets of $4.30 billion against budgeted total debt of $1.40 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 2020-21 while 14 out of 79 councils remain debt free during the period. Councils carrying debt in excess of $10 million are mostly metropolitan and interface councils.

A table snapshot of the finances of the 79 councils in Victoria from 2020-21 adopted budgets against 2019-20 adopted budgets is available in **Appendix B**.

3 Introduction and context

Section 127 of the *Local Government Act 1989* (the Act) requires that councils prepare a budget for each financial year that contains financial statements, a description of the services and initiatives to be funded, and information about rates and charges.[1]

The budget is council's key resource planning document for the next financial year (short term), and commonly includes an extract of the four year Strategic Resource Plan (medium term).

Each year Victorian councils must develop a budget for consideration by their community.[2] After complying with the relevant legislative requirements, including giving public notice and considering any submissions on the proposed budget, a council may adopt its budget.[3]

The development of 2020-21 budgets has occurred in the context of the unprecedented health and economic challenges presented by the coronavirus (COVID-19) pandemic. The pandemic represents the biggest economic shock the world and Victoria have experienced since the Great Depression. [4] In addition, some rural Victorian councils were impacted by the devastating summer of bushfires resulting in significant resources being devoted to bushfire suppression and recovery initiatives.

In response, a blanket extension to the adoption date for 2020-21 budgets from 30 June to 31 August 2020 was granted by the Minister for Local Government

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 if circumstances arise which cause a material change in the budget and which affects the financial operations and position of the council. Given the ongoing economic impacts of the coronavirus pandemic it is possible that some councils will issue a revised 2020-21 budget.

3.1 Victorian Bushfires

On 2 January 2020 the Victorian Government declared a State of Disaster in six local government areas (Alpine Shire, East Gippsland Shire, Mansfield Shire, Towong Shire, Wangaratta Rural City and Wellington Shire) and the Alpine Resorts. This followed fears that extreme weather conditions would worsen the impact of ongoing bushfires across Victoria, mostly in East Gippsland and the state's north-east. While the overall economic impact of the bushfires is not known at this stage some rural councils were severely impacted. Damage to public infrastructure assets such as roads and the diversion of scarce council staff resources towards relief and recovery efforts unexpectedly increased council expenditure. These impacts were partly offset by related increases in revenue from insurance claims and Victorian and Commonwealth Government financial support. A number of properties were damaged or destroyed as a result of the bushfires, affecting the rates to be levied across all property owners. This particularly impacted the municipalities of Towong and East Gippsland where numerous properties were destroyed or damaged as a result of the bushfires. The impact of the bushfires was also significant on the commercial and tourism operators in the six municipalities.

3.2 Coronavirus (COVID-19) pandemic

On 12 March 2020 the World Health Organisation formally declared the coronavirus (COVID-19) a pandemic. The Victorian Government declared a State of Emergency in Victoria to combat COVID-19 on 16 March 2020. On 30 March 2020, stage three restrictions came into effect in Victoria, limiting indoor and outdoor gatherings to no more than two people except for immediate household members and for work or education. A further lockdown in

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1. Sections 127(2)(a), (b) and (e) of the *Local Government Act 1989*. Section 130 of the *Local Government Act 1989* requires all councils to submit a copy of the budget, or revised budget, to the Minister for Local Government within 28 days of adopting the budget.
2. Section 127(1) and 129(1) of the *Local Government Act 1989*
3. Section 130(1) of the *Local Government Act 1989*
4. Victorian Economic Update July 2020, Department of Treasury and Finance, Victoria

Victoria and stage three restrictions were reintroduced from 8 July 2020 across metropolitan Melbourne and the Mitchell Shire. On 2 August 2020 Victoria entered a State of Disaster and metropolitan Melbourne moved to stage four restrictions. Mitchell Shire remained at stage three restrictions and from 5 August 2020 all other regional Victorian locations also moved to stage three restrictions. The situation continues to evolve.

Across Victoria, there have been 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) are affected but continue to operate. The economic impact of COVID-19 on Victorian councils is expected to affect both FY 2019-20 and FY 2020-21. Facility closures have reduced revenue streams such as user fees and associated staff stand downs have impacted employment costs. The full effect of COVID-19 on council finances for FY 2020-21 remains uncertain.

3.3 Financial sustainability of Victorian councils pre-pandemic

The finances of Victorian councils prior to COVID-19 were generally considered to be sound.

VAGO tabled their report titled "Results of 2018-19 Audits: Local Government" in Parliament in November 2019. The report summarised the results of VAGO's 2018-19 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,

"At 30 June 2019, most councils – particularly metropolitan councils – continue to demonstrate strong financial performance, positive operating results, strong liquidity ratios and low debt levels. While the sector demonstrates relatively weaker long-term financial sustainability, the relevant indicators still represent a strong financial position."[5]

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.

3.4 Budget Analysis

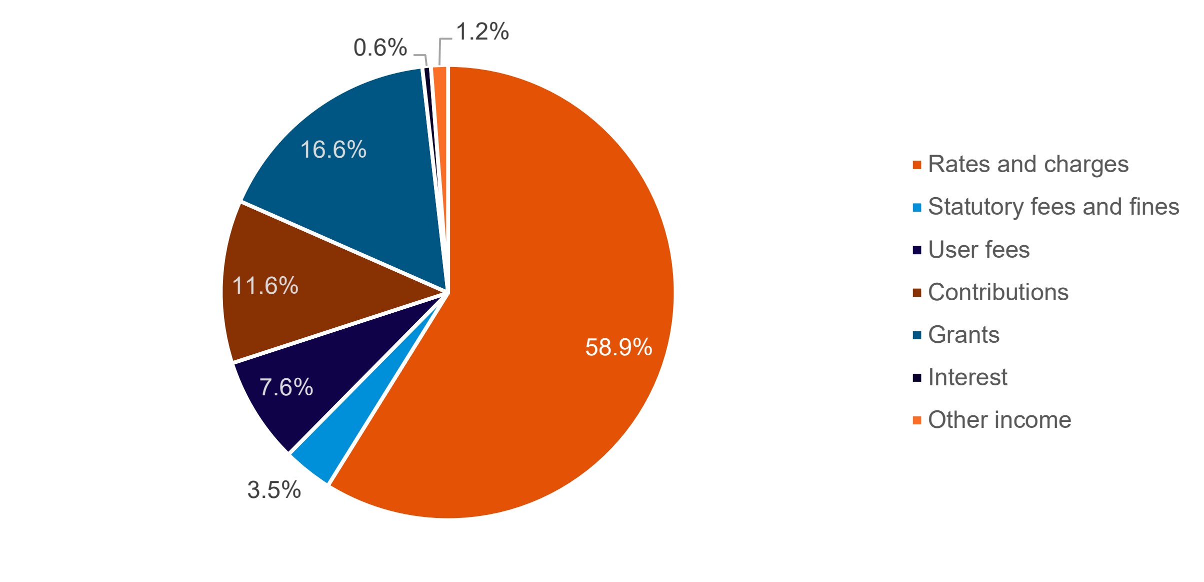
The sections below present commentary on and analysis of the planned revenue, expenditure, cash and financial assets, debt and capital works included in the financial statements of council 2020-21 adopted budgets.

[5] Results of 2018-19 Audits: Local Government, VAGO, November 2019

4 Revenue

Councils in aggregate are budgeting for total revenue of $10.96 billion ($10.71 billion in 2019-20). The composition of this total budgeted revenue is shown in ***Figure 1***. The largest revenue items are rates and charges with $6.45 billion ($6.26 billion in FY 2019-20 adopted budgets) representing 58.9% of overall 2020-21 budgeted revenue. Grants of $1.82 billion ($1.66 billion in FY 2019-20 adopted budgets) represent 16.6% of annual budgeted revenue. User fees and contributions are also key sources of revenue for councils, accounting for 7.6% and 11.6% of forecast total revenue, respectively.

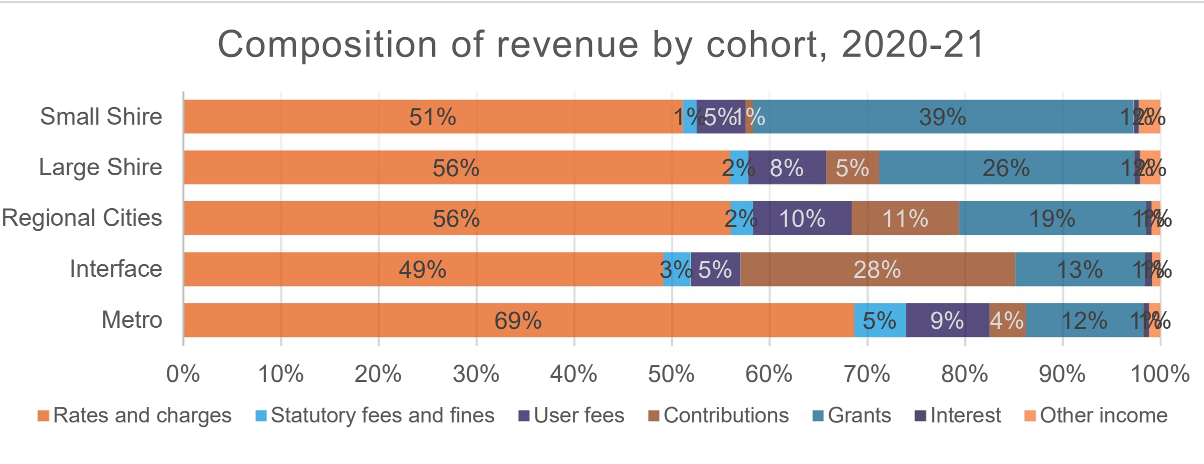
Figure 1 Composition of total 2020-21 budgeted revenue



Source: 2020-21 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 (39% of total revenue) whilst rates and charges represent 51% 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, 2020-21



Source: 2020-21 adopted budgets

Interface councils are the recipients of significant developer contributions representing 28% of total revenue (both monetary and gifted assets) and also receive 13% of total revenue by way of government grants. General rates and charges contribute 49% of the total revenue in this cohort.

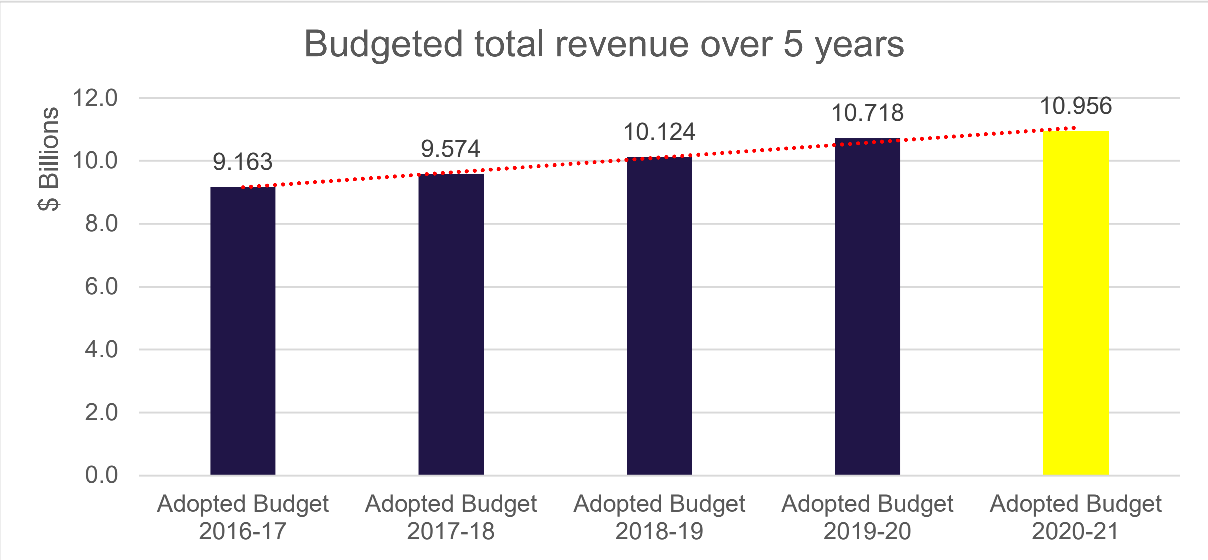
Figure 2 shows that 69% of metropolitan council revenue is raised through rates and charges. The proportion of revenue raised by rates and charges for all other cohorts is lower. Across all five cohorts at least half of total revenue is generated through their own-source revenue (OSR) streams of rates and charges, statutory fees and fines and user fees.

Council OSR has been negatively impacted by COVID-19, particularly in metropolitan councils. Total budgeted revenue from statutory fees and fines and user fees in FY 2020-21 is $1.22 billion ($1.45 billion in FY 2019-20) which is a reduction of $238.9 million or 16.42%.

Figure 2 also shows the extent of reliance on revenue from user fees and statutory fees and fines in the metropolitan cohort (14%), regional cities (12%) 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 5 years from adopted budgets (2016-17 to 2020-21). Growth in total revenue exceeded $411 million in 2017-18, $549 million in 2018-19 and $593 million in 2019-20. However the 2020-21 adopted budgets show growth in total revenue of only $238 million. While the growth in total budgeted revenue appears linear in **Figure 3**, the rate of growth has slowed.

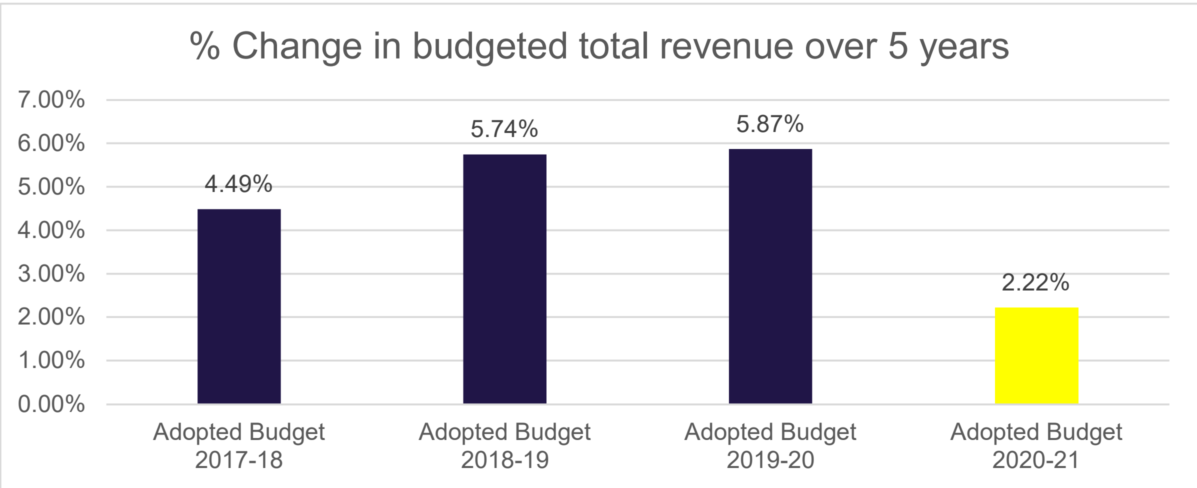
Figure 3 Budgeted total revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

The change in the rate of growth in total revenue between 2016-17 and 2020-21 is shown in percentage terms in **Figure 4**. While total revenue in FY 2020-21 is still budgeted to grow, the rate of growth is lower when compared to the rates of growth in previous years. The slowdown in the rate of revenue growth in 2020-21 to 2.22 per cent is explored further in subsequent sections.

Figure 4 Percentage change in budgeted total revenue 2016-17 to 2020-21

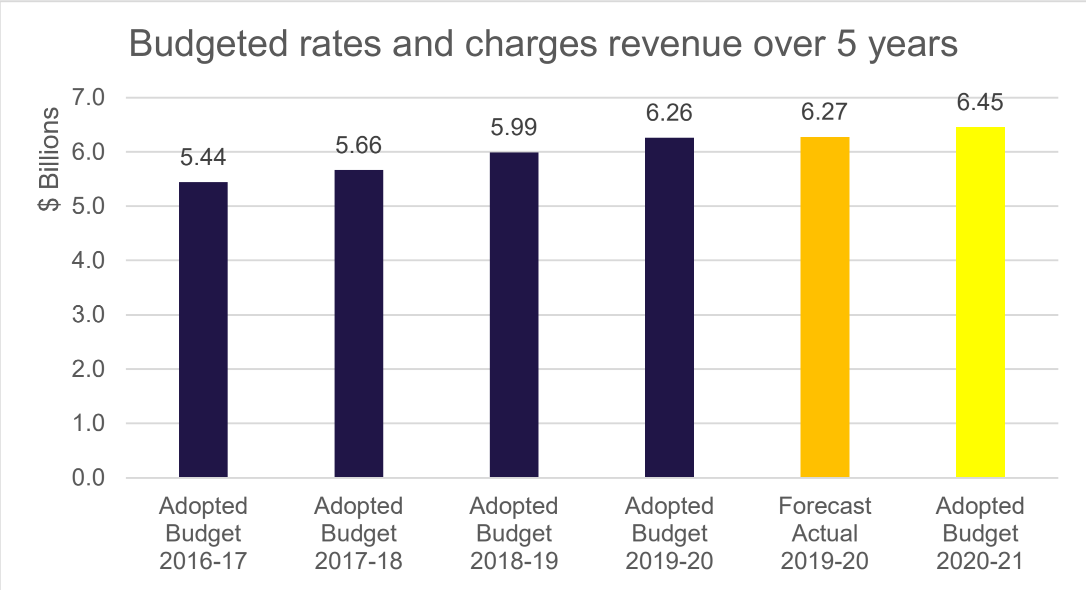


Source: 2016-17 - 2020-21 adopted budgets

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 $6.45 billion ($6.26 billion in 2019-20). **Figure 5** shows that the forecast actual rates and charges revenue for 2019-20 is $6.27 billion.

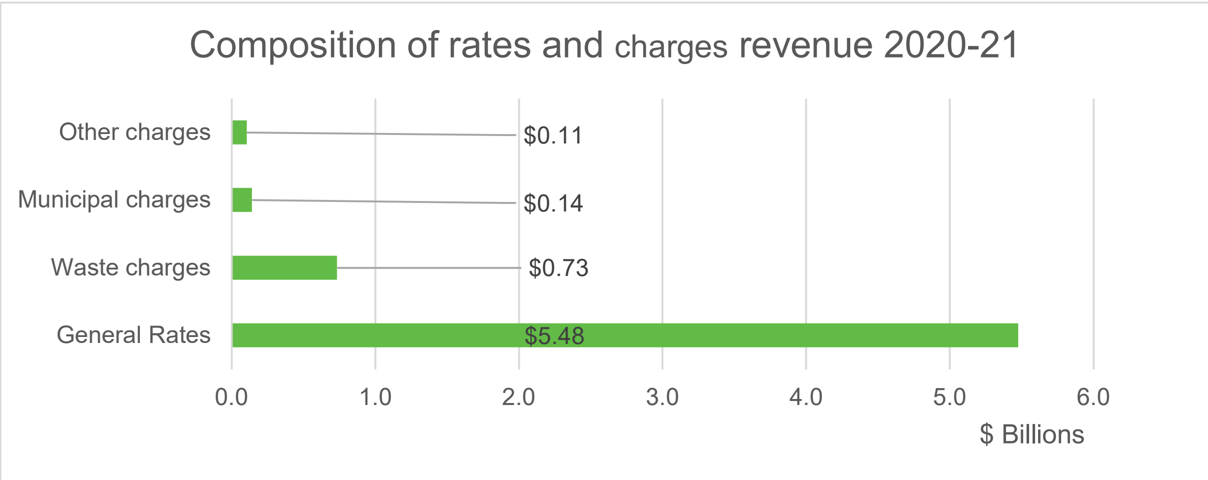
Figure 5 Budgeted rates and charges revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 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 2020-21. $5.48 billion (84.8%) 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 2020-21

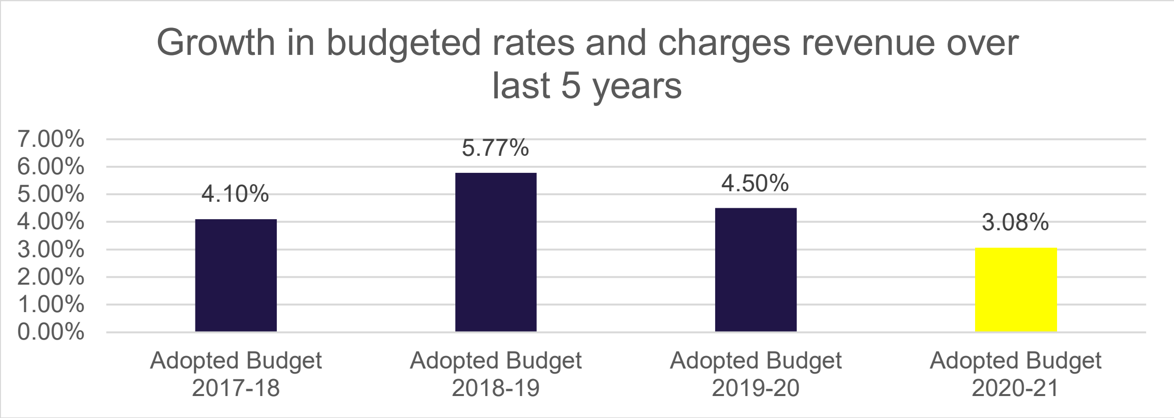


Source: 2020-21 adopted budgets

The growth in rates and charges revenue since FY 2016-17 is therefore 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. The number of rateable assessments has grown by 2.16% on average in the past three years.

Figure 7 shows the rate of growth in budgeted rates and charges revenue between 2016-17 and 2020-21. The additional revenue budgeted for 2020-21 from rates and charges is $222.1 million which represents a 3.08 per cent increase on the total from 2019-20 adopted budgets.

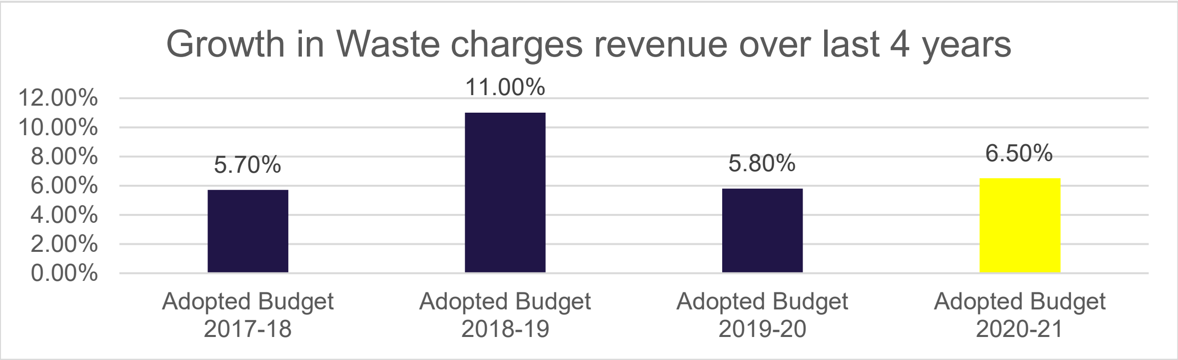
Figure 7 Growth in budgeted rates and charges revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

Figure 8 shows the rate of growth in budgeted waste charges between 2016-17 and 2020-21. 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. 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.

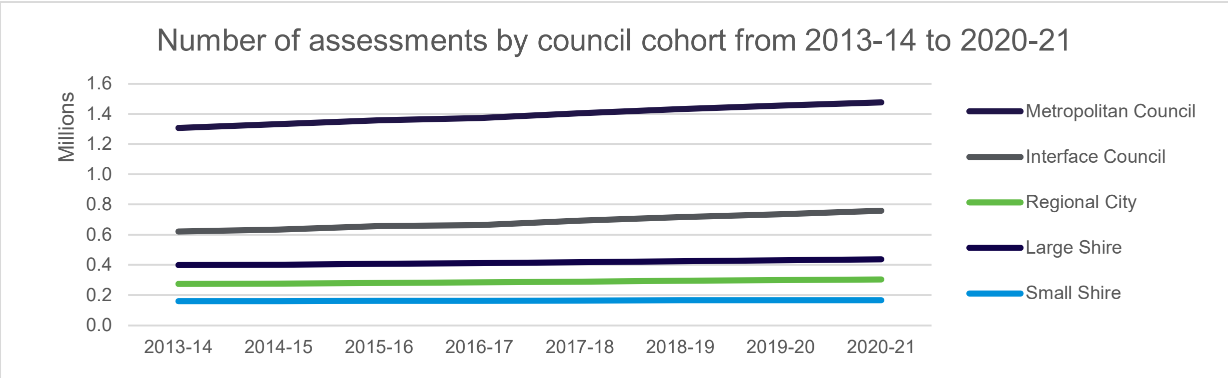
Figure 8 Growth in budgeted waste charges revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

Figure 9 shows the increasing trend in new rateable properties (assessments) from 2013-14 to 2020-21 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 2020-21



Source: 2013-14 - 2020-21 adopted budgets

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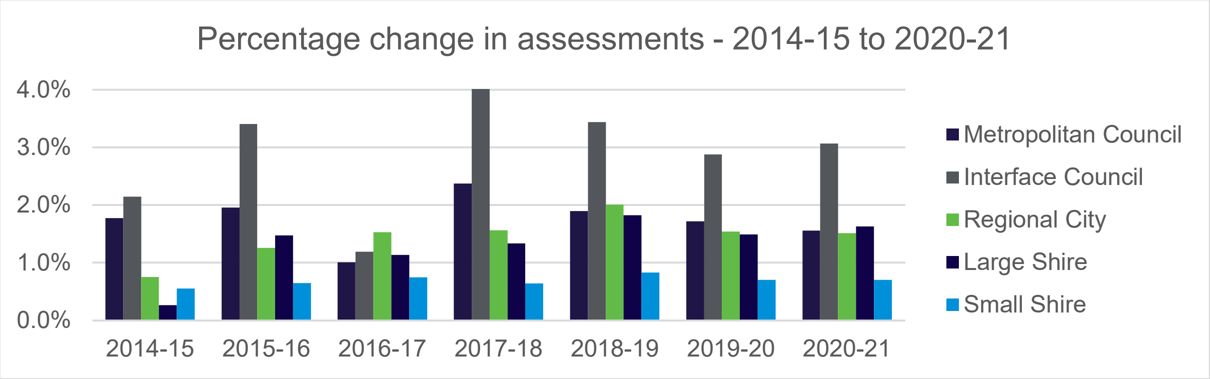
The collective growth in number of assessments has averaged around 1.9% per annum over the past seven years. **Figure 9a** shows the change in number of assessments between 2014-15 and 2020-21 by cohort.

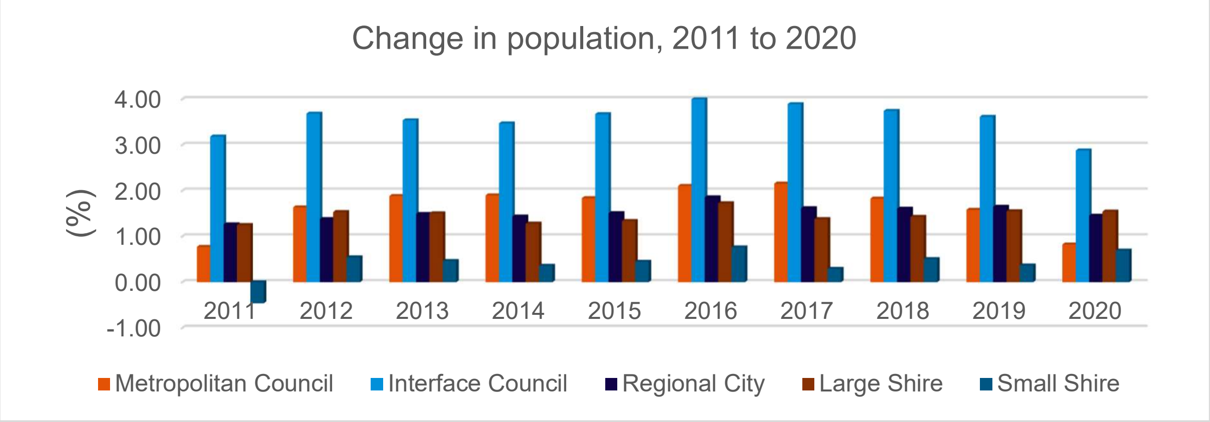
Figure 9a Percentage change in assessments by council cohort from 2014-15 to 2020-21



Source: 2013-14 - 2020-21 adopted budgets

The average growth in local government assessments is broadly consistent with Victoria's population growth between 2011 and 2020, which averaged an increase of 2% per annum. This is shown in **Figure 9b**.

Figure 9b Percentage change in population from 2011 to 2020



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

Legally, rates represent a first charge against a property so councils can ultimately collect this revenue stream. However the economic conditions resulting from COVID-19 have placed many residents and businesses into financial hardship. As the third tier of government in Australia councils are responsible for assisting and supporting their communities, particularly those in financial distress. Many have responded by introducing rate waivers or deferrals and revising their financial hardship policies.

The Local Government Finance Professionals (FinPro) is the peak body for finance professionals in the local government sector in Victoria. FinPro recently undertook a survey of its 79 member councils to understand some aspects of how the sector was responding to the COVID-19 pandemic through their 2020-21 annual budgets. The report[6] on the survey stated:

> *"Overall, the survey found that every council offered some amount of targeted support to their community and businesses in their 2020-21 budgets.*
>
> *Most councils developed a COVID-19 financial hardship policy either as a standalone or as an extension of existing rate hardship policies."*

Given the significance of rates and charges to total council revenues the sector will need to monitor their cash flows closely to ensure they remain able to meet their own financial obligations as and when they fall due. Council responses to the COVID-19 pandemic are considered further below.

[6] FinPro - Letter and report to Sector 2020 - Rates Budget and COVID-19

4.2 Fair Go Rates System and council responses to COVID-19

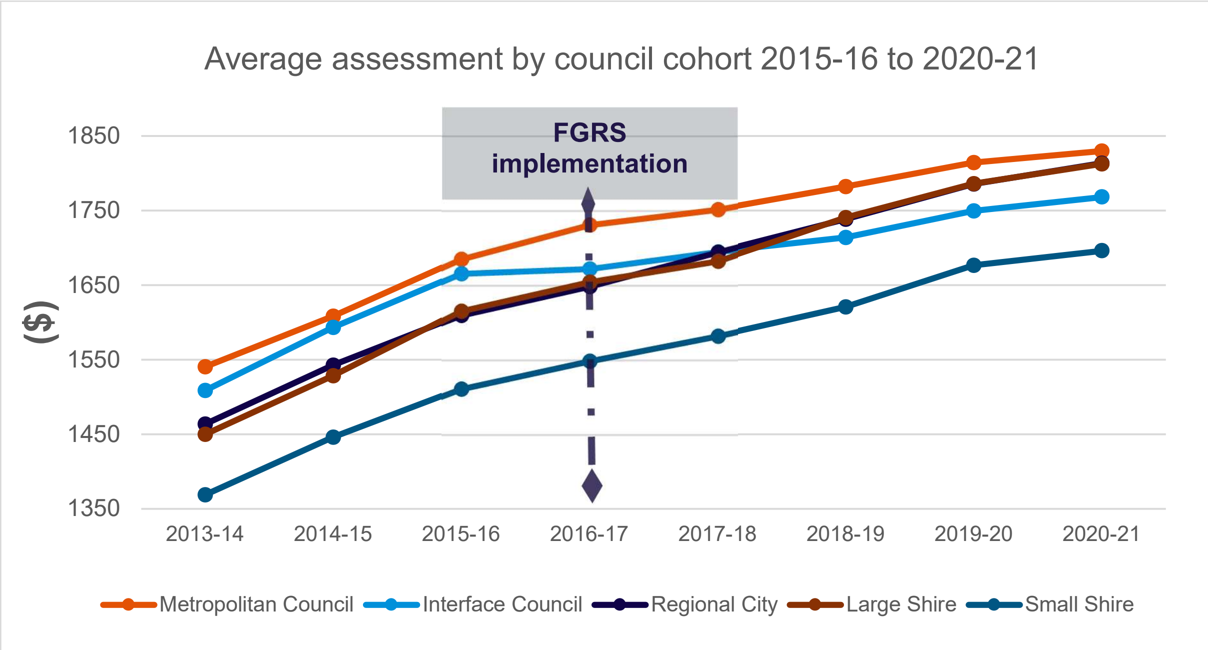
The Fair Go Rates System (FGRS) was introduced in the 2016-17 financial year and caps council rate rises. The Victorian Government set the rate cap for 2020-21 at 2.0 per cent. The cap applies to general rates and municipal charges but does not currently apply to service charges (commonly levied to cover 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 2020-21. 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 2020-21 adopted budgets by council cohort



Source: 2013-14 - 2020-21 adopted budgets

For 2020-21 most councils (55 of 79) are proposing a rate rise in line with the 2.0 per cent rate cap. Sixteen councils are proposing to freeze their rates while a further seven councils are proposing a rate rise of between 0 and 2.0 per cent. One council has adopted a 1 per cent reduction in rate revenue. The adopted rate rises are summarised by cohort in **Figure 11**. It shows that rate freezes are more common in the rural and regional councils while most metropolitan councils have elected to increase rates in line with the 2.0 per cent rate cap.

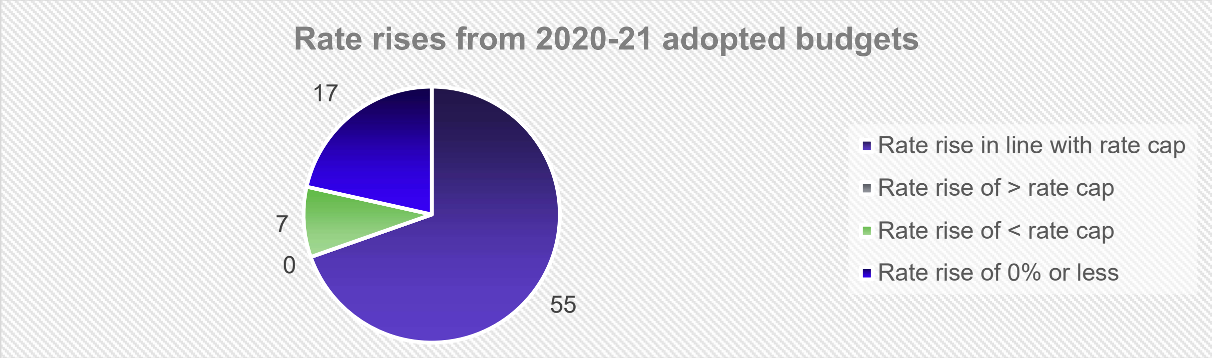
Figure 11 Rate rises from 2020-21 adopted budgets by council cohort

	Overall	Metropolitan	Interface	Regional City	Large Shire	Small Shire
Adopted rate rise of 2% (rate cap)	**55**	19	7	6	11	12
Adopted rate rise of > 2%	**0**	0	0	0	0	0
Adopted rate rise of < 2%	**7**	0	0	1	3	3
Adopted rate rise of 0%	**16**	3	2	3	5	3
Adopted rate rise of < 0%	**1**	0	0	0	0	1
	79	**22**	**9**	**10**	**19**	**19**

Source: 2020-21 adopted budgets

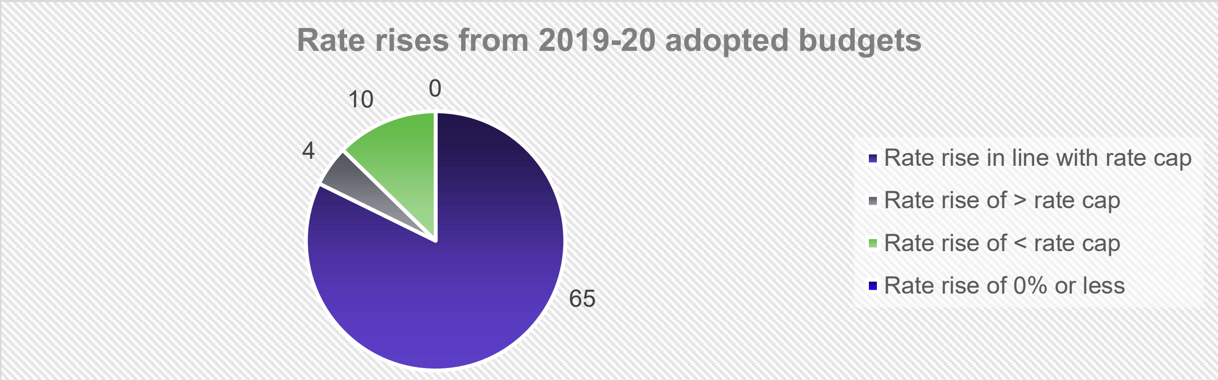
Figure 12a below presents the rate rise data in a pie chart, allowing comparison with the rate rises in 2019-20 adopted budgets in **Figure 12b**. The main differences are that no councils have sought to raise rates beyond the rate cap in 2020-21 (4 in 2019-20), while no councils adopted a zero per cent or lower rate rise in 2019-20 (17 in 2020-21).

Figure 12a Rate rises in 2020-21



Source: 2020-21 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. Most Victorian councils have offered some form of rates and charges relief to select groups of ratepayers, however the approach and processes vary 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 to not increase rates for 2020-21, effectively treating this as a form of waiver, the majority of councils have applied a more targeted approach. This includes offering direct rebates and waiver of penalty interest on overdue rates to their residents under financial distress (including pensioners and unemployed residents).

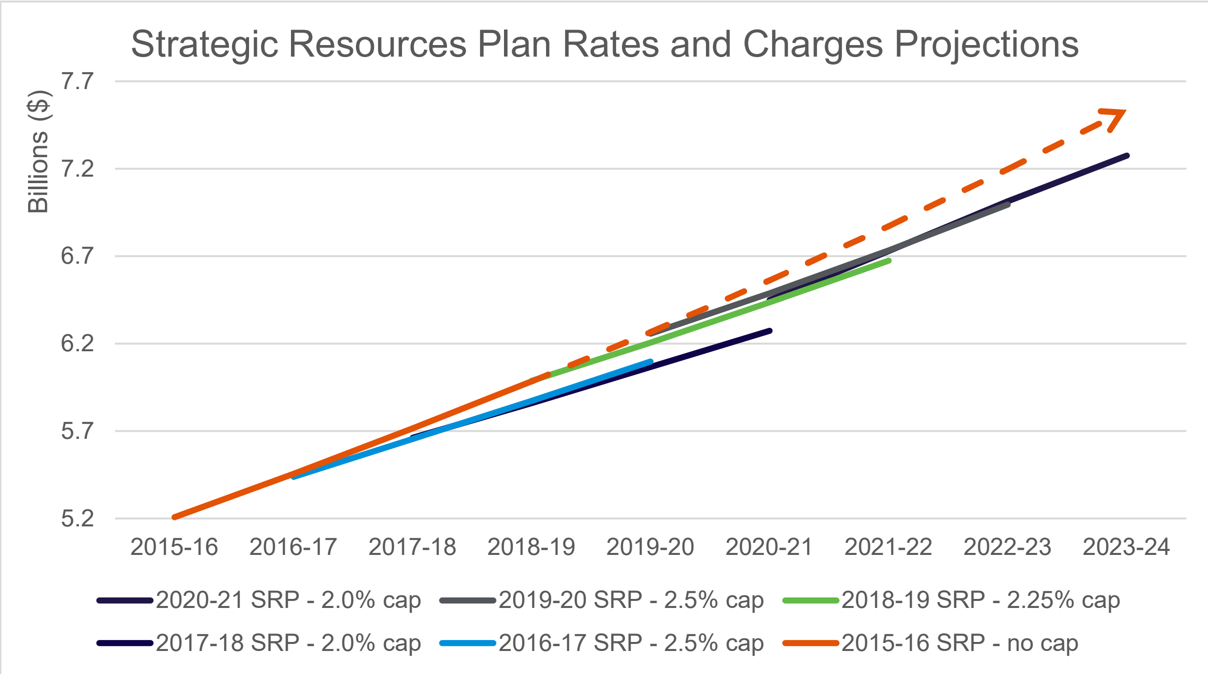
Councils have also adopted other forms of support to residents and businesses in the form of rent relief to tenants/occupants of council buildings and premises, waiver of fees from various trade and business permits, waiver of parking fees, economic stimulus in the form of grants to small businesses and in some instances increased capital works. The forms and approach of relief and support activities vary from council to council.

The total value of budgeted allocations towards COVID-19 relief and support activities is in excess of $167.5 million across all 79 councils. 35 councils have announced targeted COVID-19 recovery funds and support packages as part of their adopted budgets. These range in scale from $200,000 up to $50 million.

Over 21 councils have provided for targeted grants available for small businesses as part of their COVID-19 support and recovery. Over 20 councils have expressly announced the waiver of penalty interest payments on overdue rates for varying durations as part of their budget deliberations. Most councils had also revised their financial hardship arrangements prior to the budget deliberations.

2020-21 is the fifth year since the implementation of FGRS. **Figure 13** demonstrates that in the forward projections of councils for the first 5 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 2020-21

Municipal charges

Pursuant to section 159 of the Act, councils may declare a municipal charge to cover some of the administrative costs of the council. In 2020-21 the budgeted total to be collected is $141.6 million, a decrease of $11.4 million or 7.4 per cent on 2019-20 levels. This is mainly due to two councils (Geelong and Strathbogie) removing their municipal charges. In 2020-21 municipal charges are being levied by 41 councils, six of which are metropolitan councils.

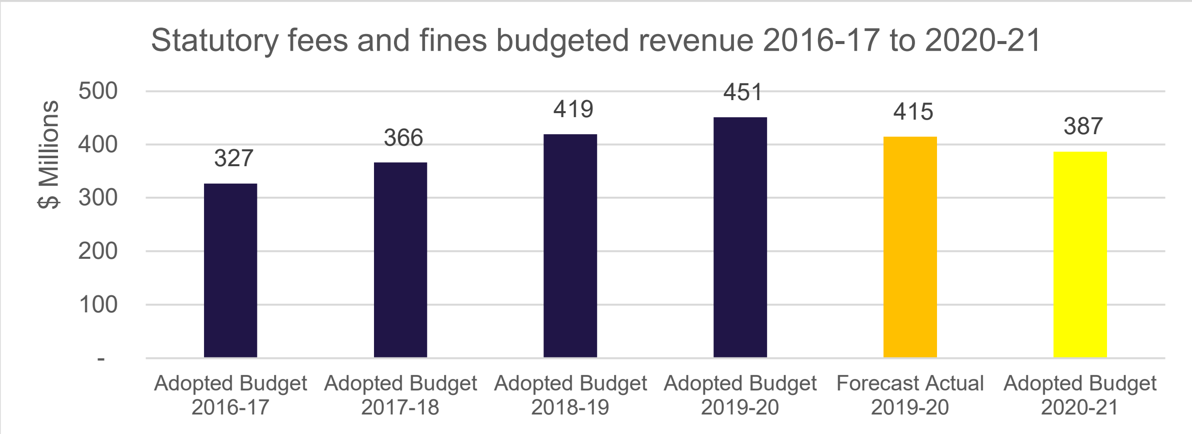
Waste charges

Section 162 of the Act allows councils to raise service rates and 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 76 of the 79 Councils. This effectively means that the waste services provided by the remaining councils are funded ‘by way of general rates’. In 2020-21 the budgeted total to be collected through service charges is $734.2 million, an increase of $45 million or 6.5 per cent on 2019-20 levels.

4.3 Statutory fees and fines and user fees

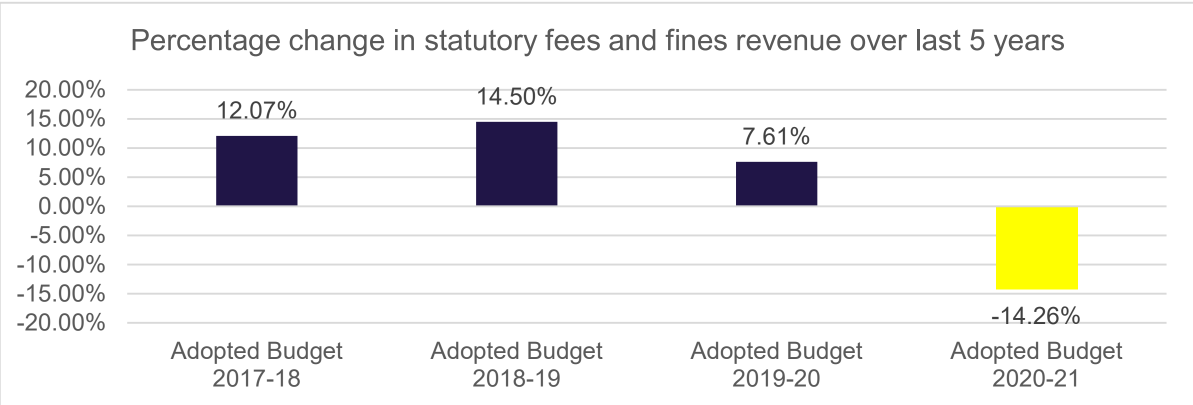
Statutory fees and fines include items such as building and planning fees, animal registrations, infringements and permits. **Figure 14a** shows that total budgeted revenue from statutory fees and fines for 2020-21 is $386.7 million ($451.0 million in 2019-20). This represents a reduction of $64.3 million or 14.26 per cent as shown in **Figure 14b**.

Figure 14a Statutory fees and fines budgeted revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

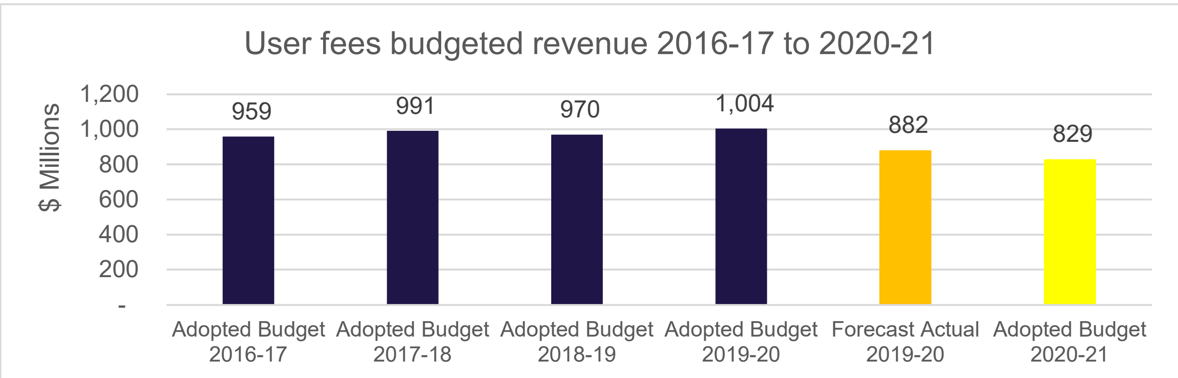
Figure 14b Percentage change in statutory fees and fines budgeted revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

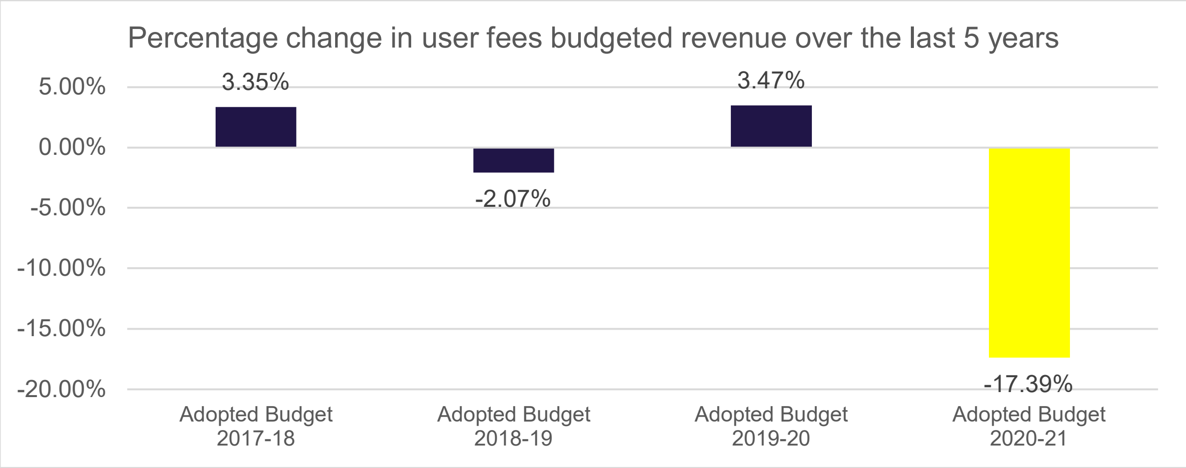
User fees include items such as parking fees, charges for use of leisure and recreation centres, childcare and children's program costs and fees related to aged and health services. **Figure 15a** shows that total budgeted revenue from user fees for 2020-21 is $829.35 million ($1.004 billion in 2019-20). This represents a reduction of $174.6 million or 17.39 per cent as shown in **Figure 15b**.

Figure 15a User fees budgeted revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

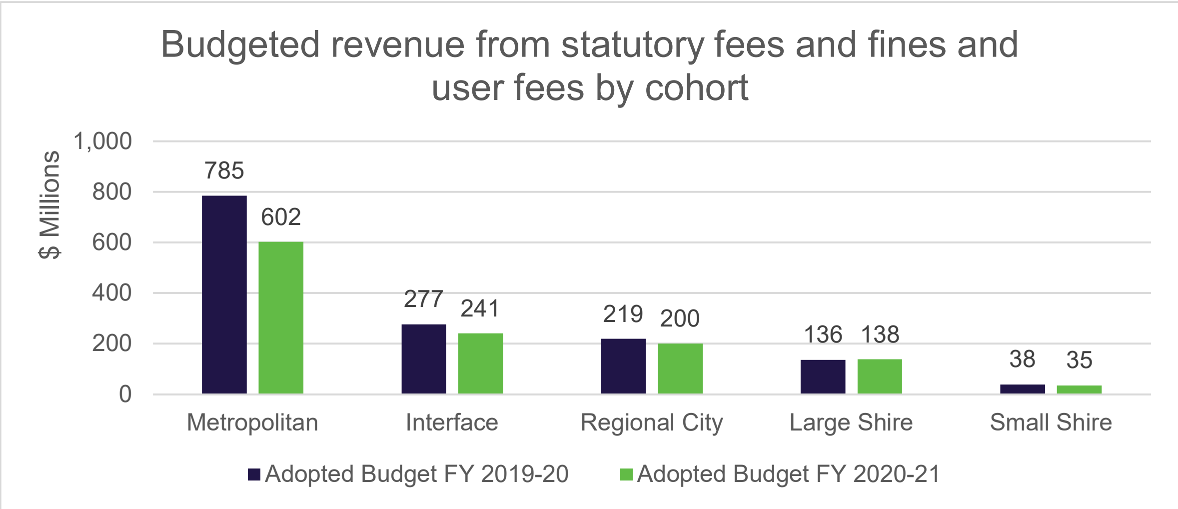
Figure 15b Percentage change in user fees budgeted revenue 2016-17 to 2020-21



Source: 2016-17 - 2020-21 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 revenue reduction impact on metropolitan councils by presenting the 2020-21 budgeted revenue from both statutory fees and fines and user fees by council cohort against FY 2019-20.

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



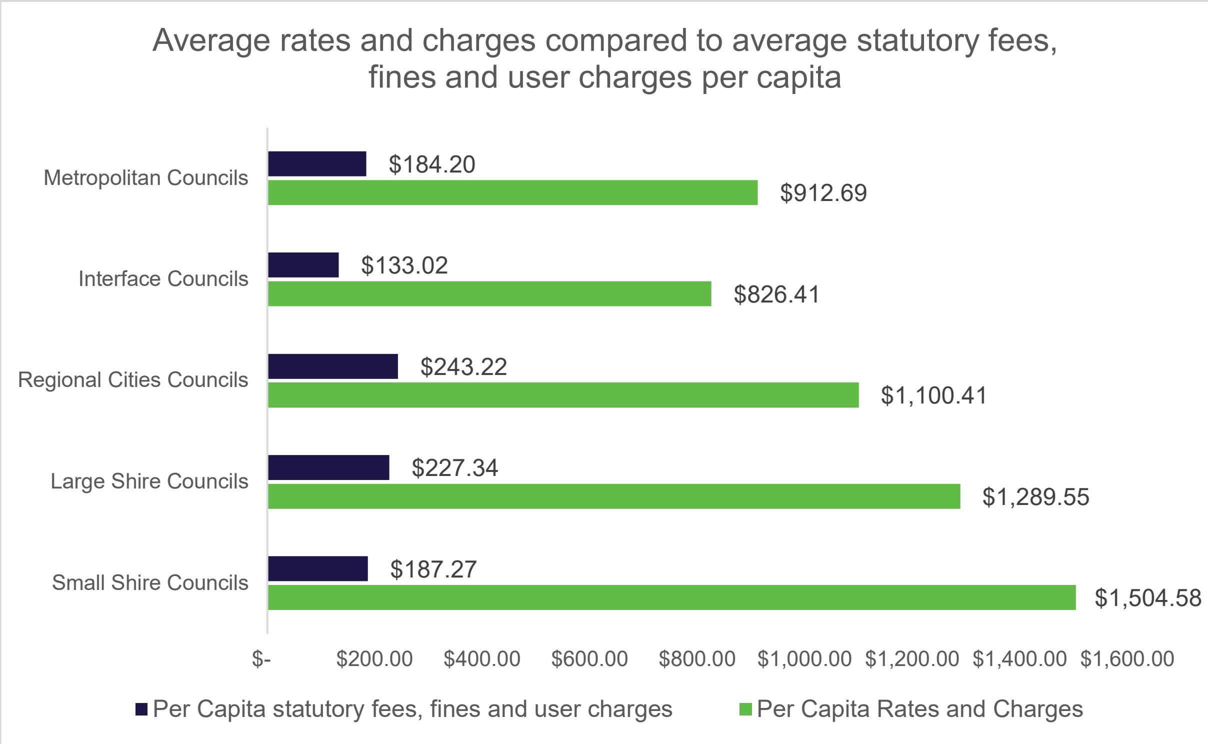
Source: 2016-17 - 2020-21 adopted budgets

The budgeted revenue from statutory fees and fines and user fees in FY 2020-21 has collectively reduced by $238.9 million when compared to adopted budget FY 2019-20. There is a revenue reduction in all cohorts except for large shires. This revenue reduction is largely due to the closure of council facilities and associated slowdown in economic activity due to COVID-19. The more pronounced impacts in metropolitan and interface councils may reflect the stricter COVID-19 lockdown restrictions imposed in greater metropolitan Melbourne.

Revenue from these sources represented 13.6% of total revenue in 2019-20 but this falls to only 11.1% in 2020-21. This loss of revenue may have influenced the decision of some of the metropolitan councils to apply the full 2% increase permitted by FGRS. The metropolitan councils who have adopted the increase of 2% will generate additional revenue of $73 million, less than half of the expected loss in revenue.

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 metropolitan and regional council cohorts is noticeable.

Figure 17 Average per capita revenue by cohort



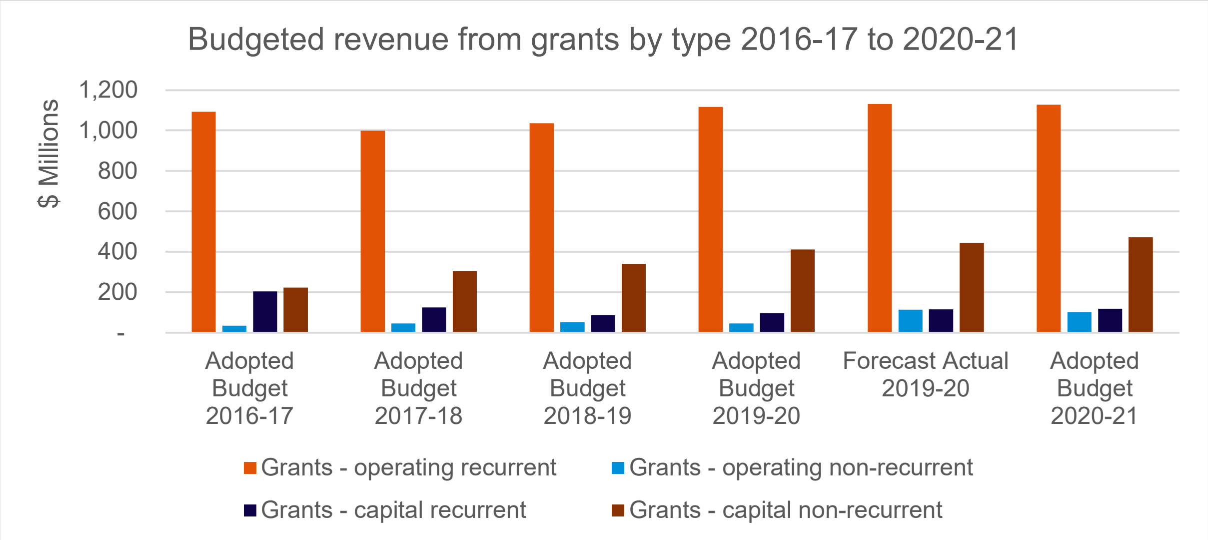
Source: 2020-21 adopted budgets

4.4 Grants

Total budgeted revenue from grants for 2020-21 is $1.816 billion ($1.667 billion in 2019-20). This represents an increase of approximately $148.6 million or 8.91 per cent. **Figure 18** shows the budgeted revenue from grants between 2016-17 and 2020-21 by type of grant. Overall grant revenue remains relatively stable, particularly recurrent operating grants which are the primary source of grant funding for councils. The Australian Government has again brought forward the payment of 50 per cent of the 2020-21 Financial Assistance Grants (FAGs). This early payment was made to states and territories on 25 May 2020. Collectively, Victorian councils receive over $600 million in FAGs funding annually.

The Victorian Government's $1.7 billion *Economic Survival Package* and $2.7 billion *Building Works Package* are providing additional financial support to Victorian councils.

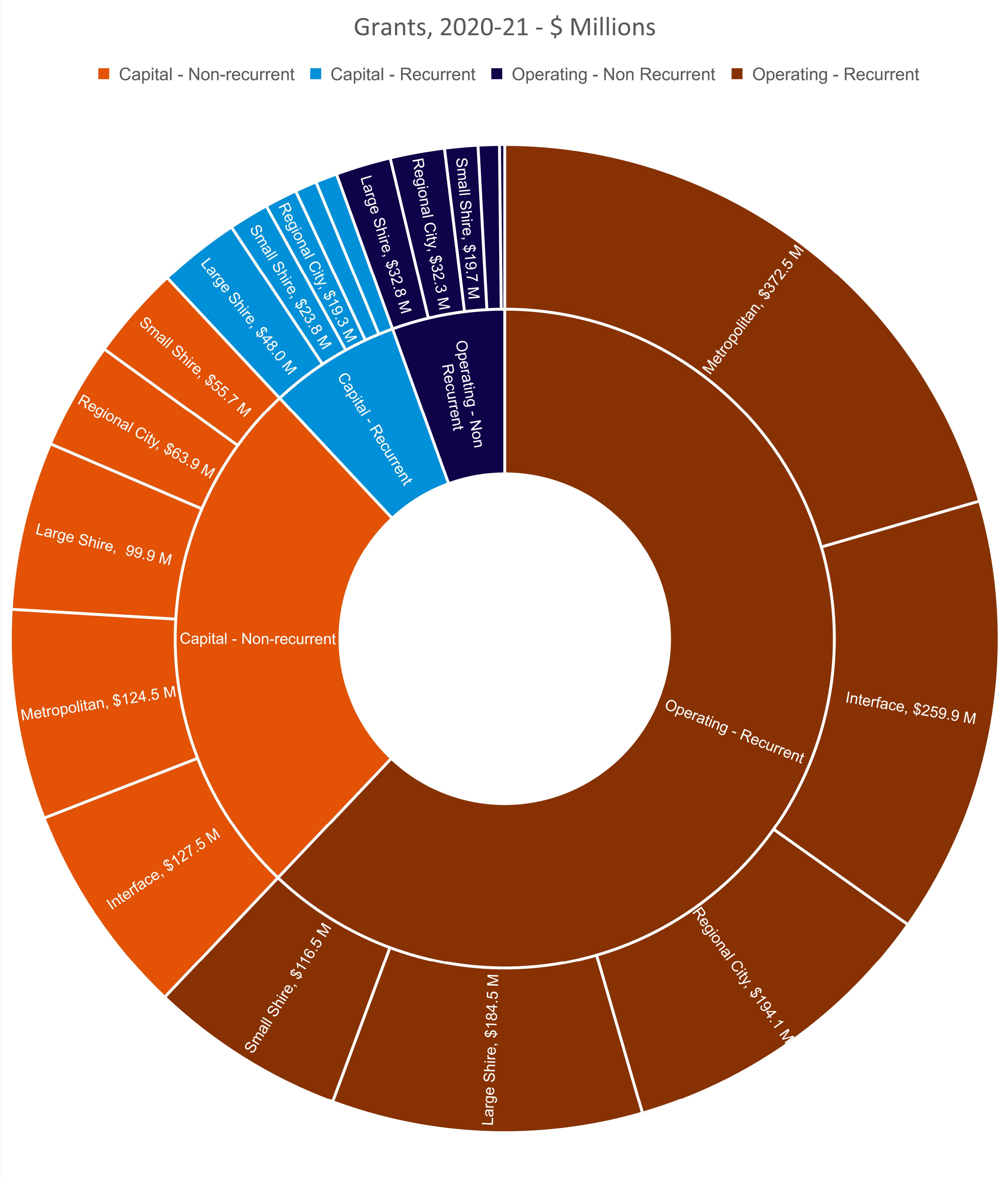
Figure 18 Budgeted revenue from grants by type 2016-17 to 2020-21



Source: 2016-17 - 2020-21 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 2020-21 Budgeted revenue from grants by cohort

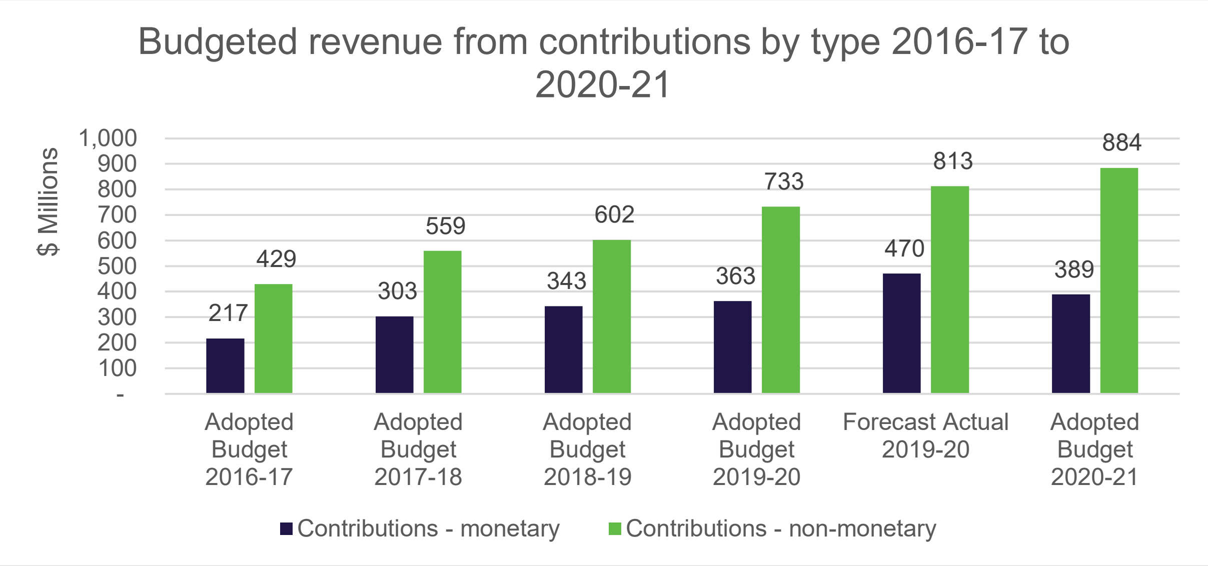


Source: 2020-21 adopted budgets

4.5 Contributions

Total budgeted revenue from contributions for 2020-21 is $1.27 billion ($1.096 billion in 2019-20). This represents an increase of approximately $177 million or 16.16 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 2020-21 broken down by monetary and non-monetary contributions.

Figure 20 Budgeted revenue from contributions by type 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

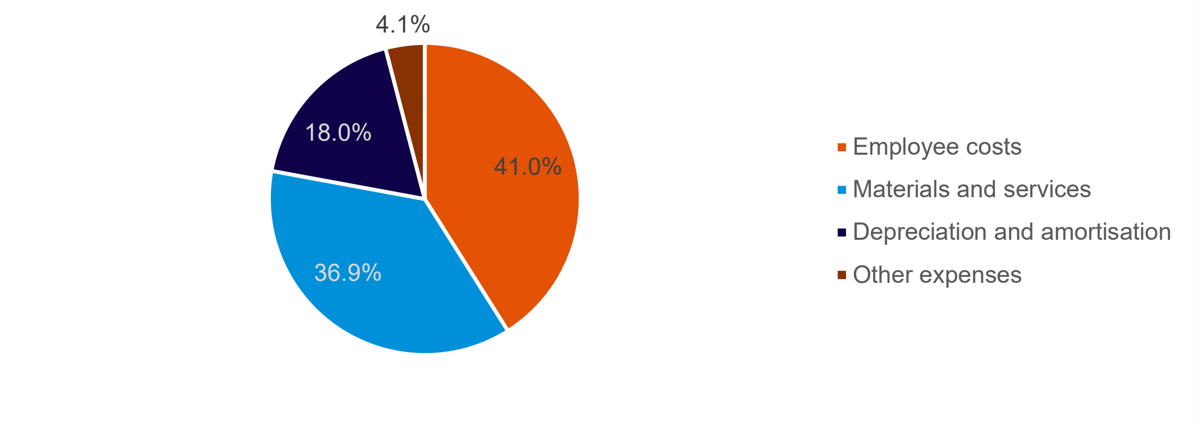
Of the total $884.2 million in budgeted revenue from gifted assets in 2020-21, $667.9 million or 75.5 per cent is from interface councils. Similarly, $186.5 million or 48 per cent of the budgeted revenue from monetary contributions is from interface councils. These budget estimates are clearly based 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 $9.58 billion in 2020-21 ($9.01 billion in 2019-20) resulting in an operating surplus across the sector of $1.38 billion ($1.71 billion in 2019-10).

Figure 21 shows the composition of council budgeted total expenditure for 2020-21. Employee costs ($3.93 billion or 41.0%) are the largest cost to councils followed closely by materials and services ($3.53 billion or 36.9%). Another significant expenditure item is depreciation ($1.73 billion or 18.0%). 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.

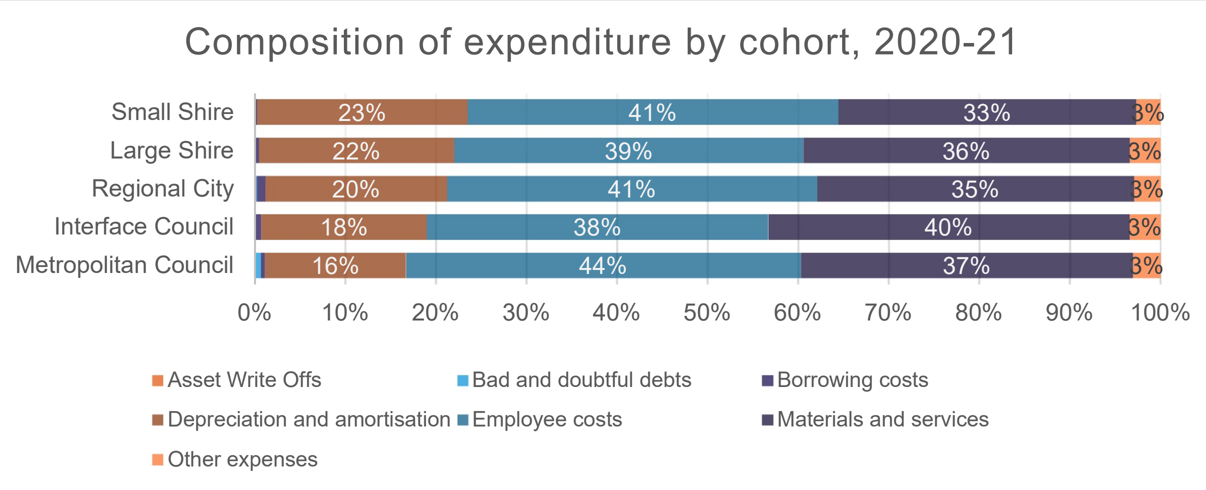
Figure 21 Composition of total 2020-21 budgeted expenditure



Source: 2020-21 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[7] is a lower absolute figure than that in metropolitan councils, it accounts for a significantly larger proportion of their total expenditure (23% in small shires against 16% 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 2020-21

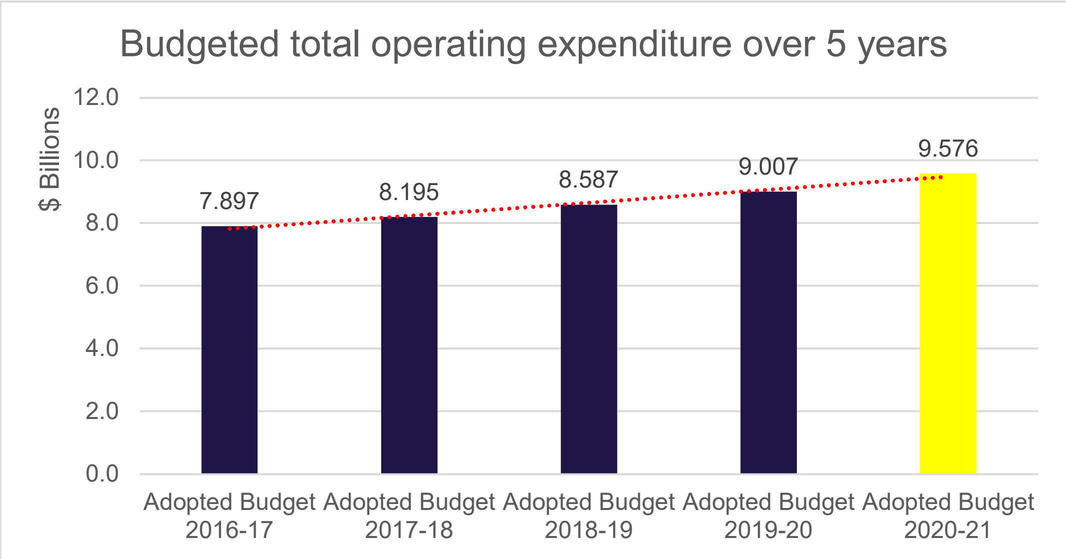


Source: 2020-21 adopted budgets

[7] 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 5 years from adopted budgets (2016-17 to 2020-21). 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 and $419 million in 2019-20. The 2020-21 adopted budgets show an increase in operating expenditure of $570 million.

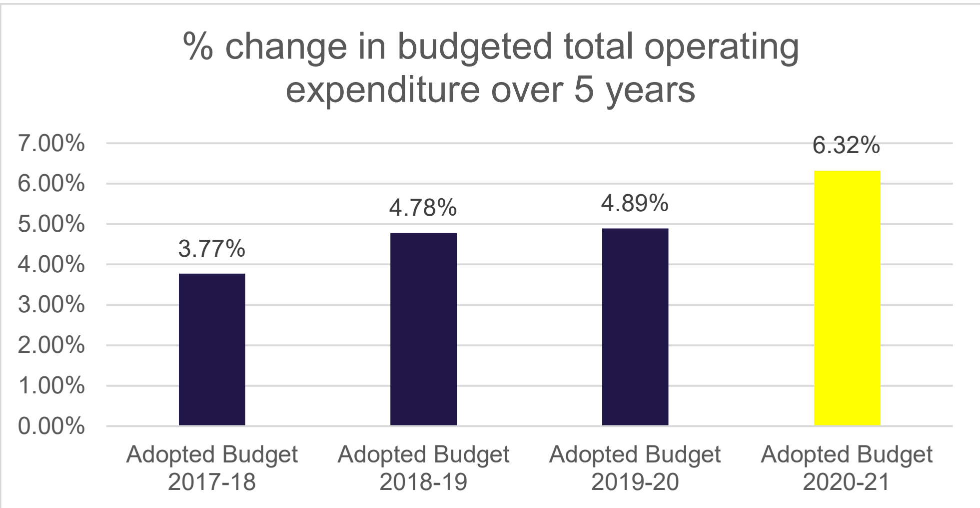
Figure 23 Budgeted total operating expenditure 2016-17 to 2020-21



Source: 2016-17 - 2020-21 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 6.32 per cent in 2020-21. This continues the five year trend of incremental percentage increases in total budgeted operating expenditure. At a time when the rate of growth in total budgeted local government revenue has slowed to 2.22 per cent the rate of growth in total budgeted local government expenditure has risen to 6.32 per cent. This contrast reflects the financial performance pressures facing the sector, largely as a result of COVID-19.

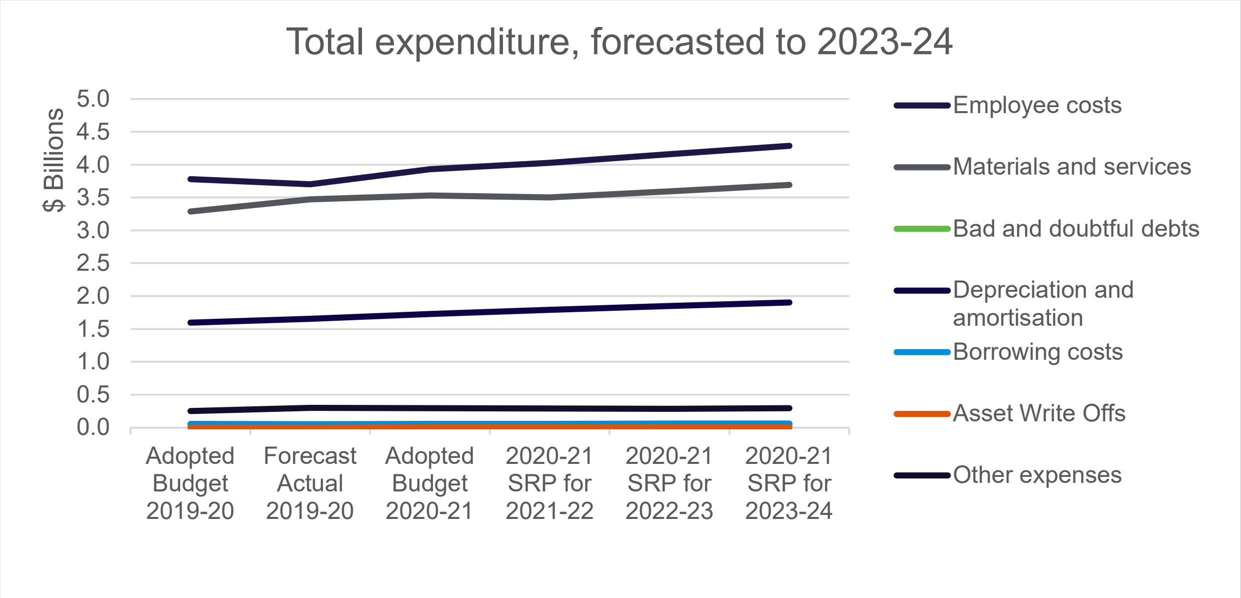
Figure 24 Percentage change in budgeted total operating expenditure 2016-17 to 2020-21



Source: 2016-17 - 2020-21 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 life of the SRP. Other expenses and asset write-offs have been forecast to decline moderately or remain constant.

Figure 25 Total expenditure forecasted to 2023-24

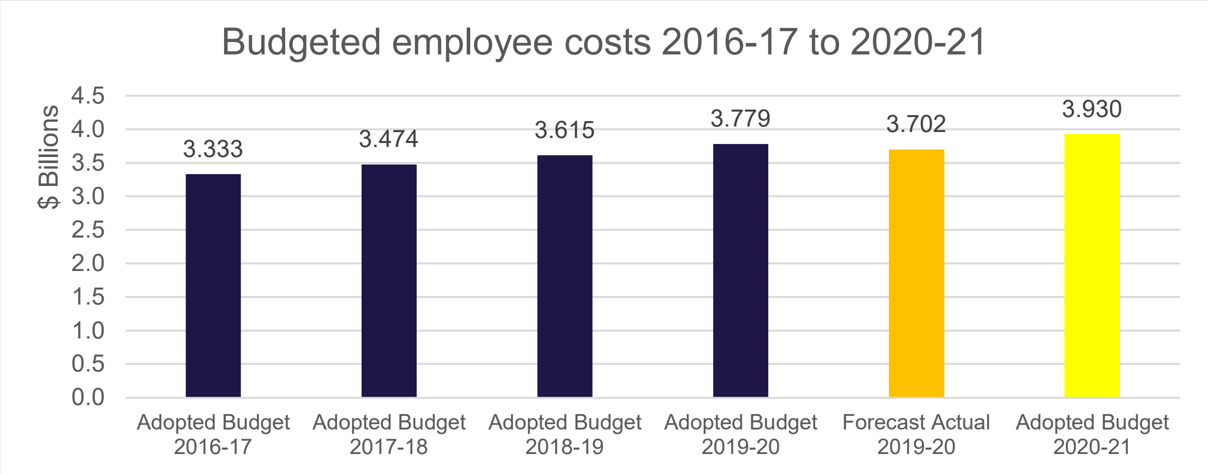


Source: 2020-21 adopted budgets and SRPs and 2019-20 adopted budgets

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 $3.93 billion in 2020-21, an increase of $151 Million on 2019-20. However, the forecast actual employee costs of $3.702 billion are lower than the 2019-20 adopted budget amount of $3.779 billion. This partly reflects the standing down of council staff due to facility closures.

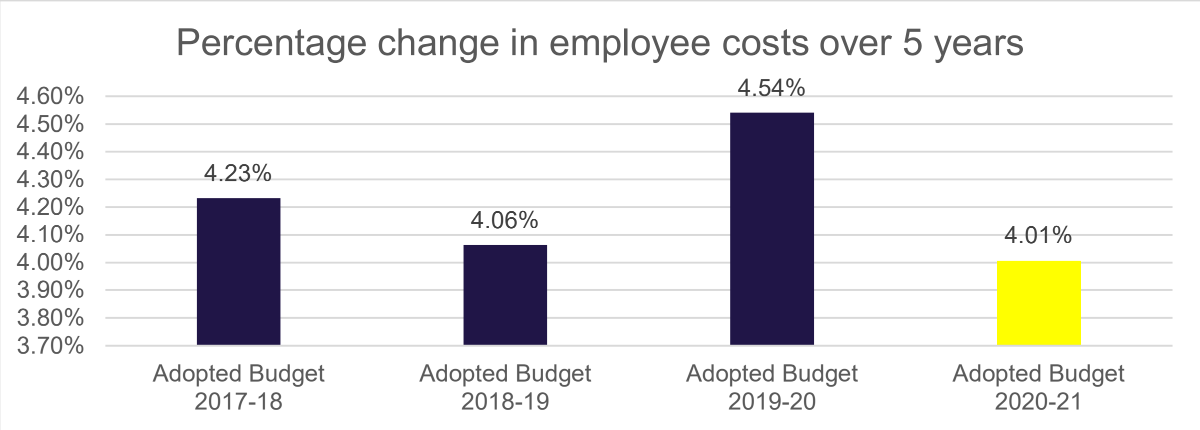
Figure 26 Budgeted employee costs 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

The rate of growth in employee costs is shown in **Figure 27**. Having grown at over 4 per cent each year since 2016-17 the rate of growth has slowed slightly to 4.01 per cent in 2020-21.

Figure 27 Percentage change in employee costs 2016-17 to 2020-21

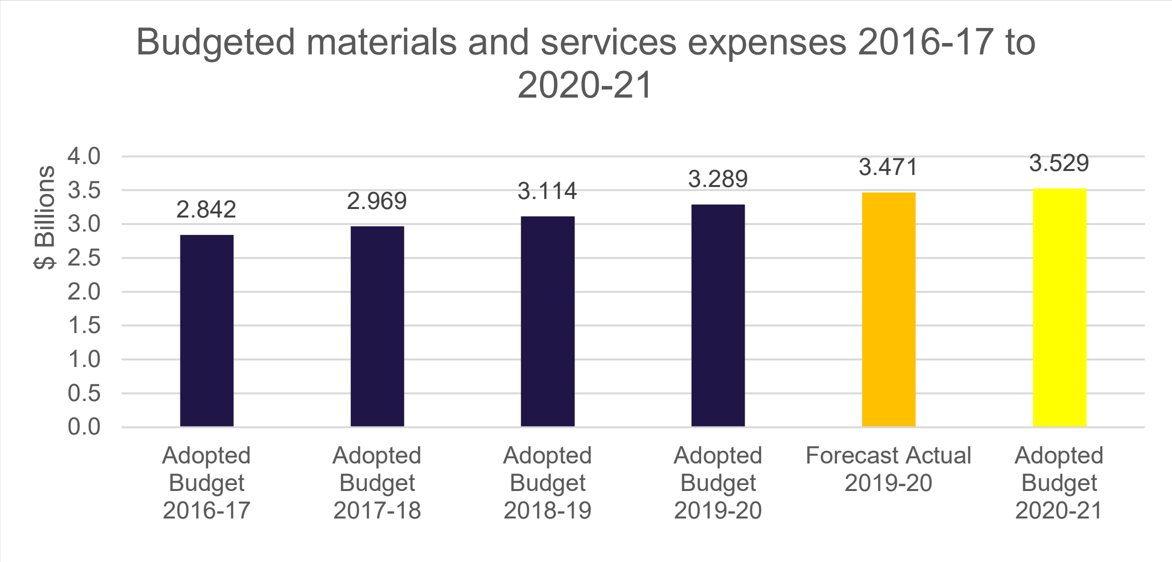


Source: 2016-17 - 2020-21 adopted budgets

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 $3.529 billion in 2020-21, an increase of $240 million on 2019-20.

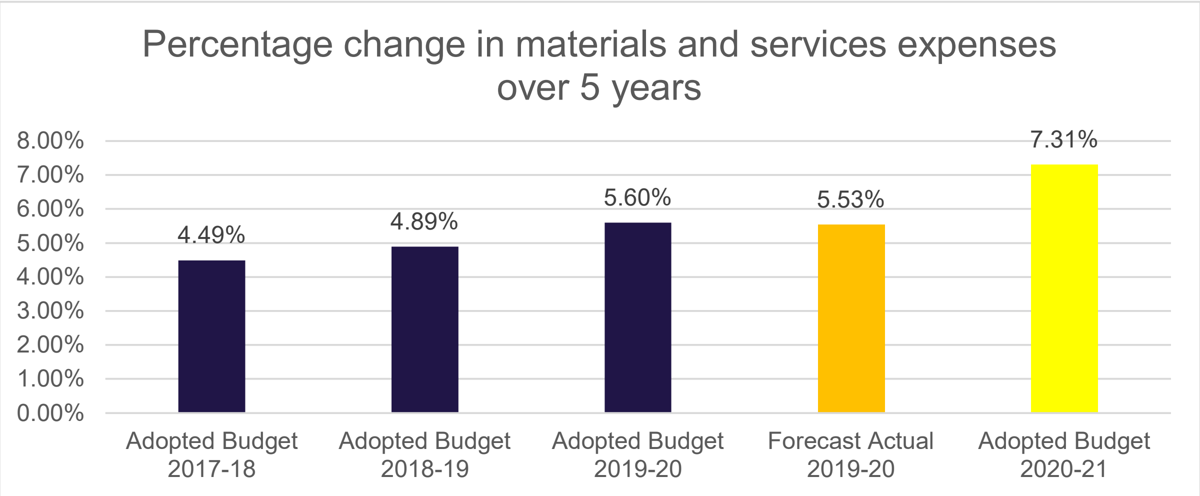
Figure 28 Budgeted materials and services expenses 2016-17 to 2020-21



Source: 2016-17 - 2020-21 adopted budgets

The rate of growth in materials and services expenditure is shown in **Figure 29**. Having grown at over 4.5 per cent each year since 2017-18 the rate of growth has continued to rise up to 7.31 per cent in 2020-21. This largely reflects the increased costs incurred by councils as a result of the pandemic.

Figure 29 Percentage change in materials and services expenses 2016-17 to 2020-21

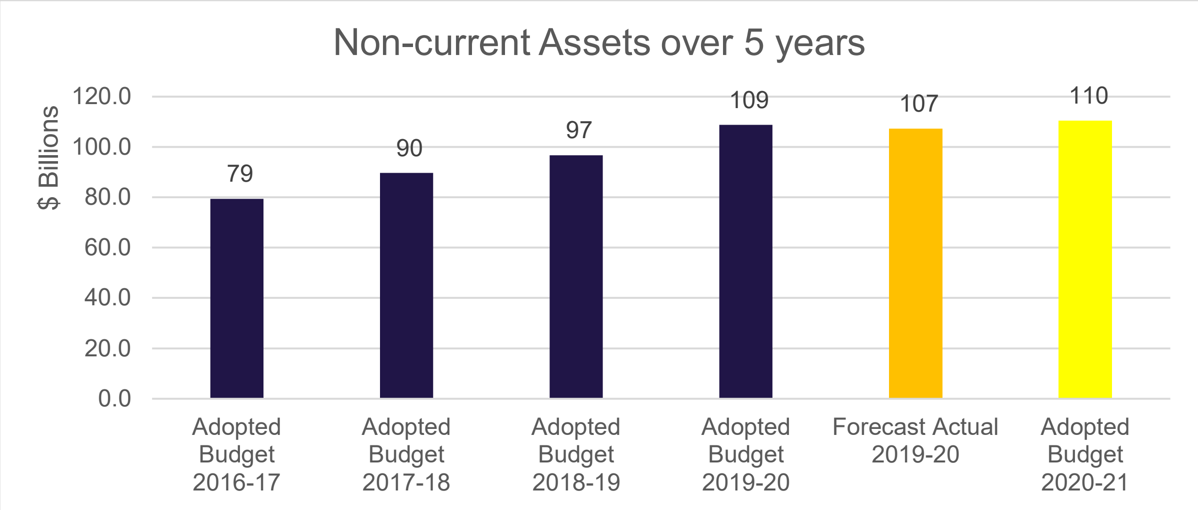


Source: 2016-17 - 2020-21 adopted budgets

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 $110 billion, out of which $62.57 billion represent depreciable assets. **Figure 30** below indicates councils are budgeting in FY 2020-21 to maintain their non-current assets at similar levels to FY 2019-20, whereas in the past there has been a steady growth in the sector's asset base.

Figure 30 Value of non-current assets 2016-17 to 2020-21

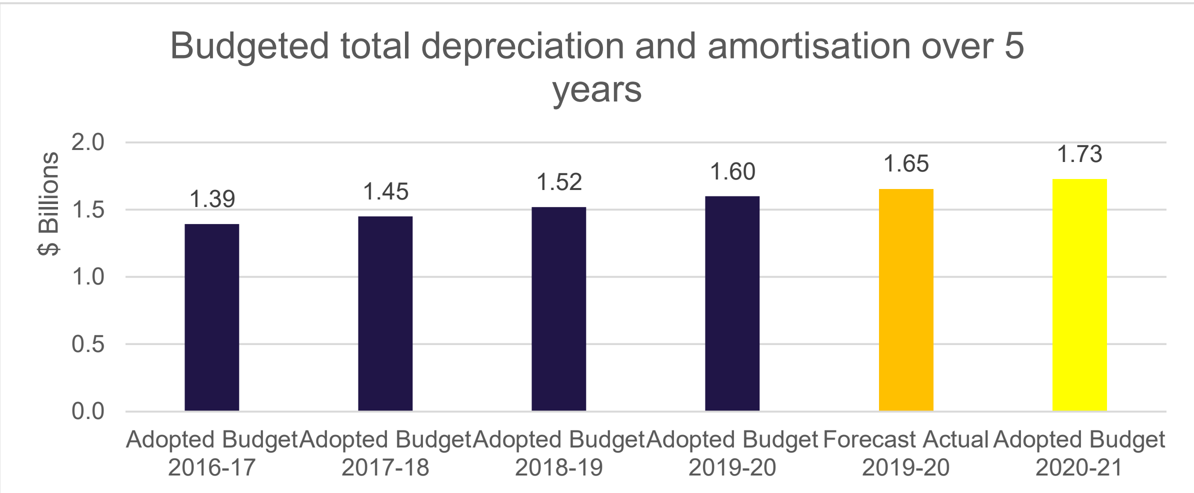


Source: 2016-17 - 2020-21 adopted budgets

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 in future. 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 $1.73 billion in FY 2020-21, an increase of $128.9 million or 8.1% on the 2019-20 adopted budget.

Figure 31 Depreciation and amortisation 2016-17 to 2020-21

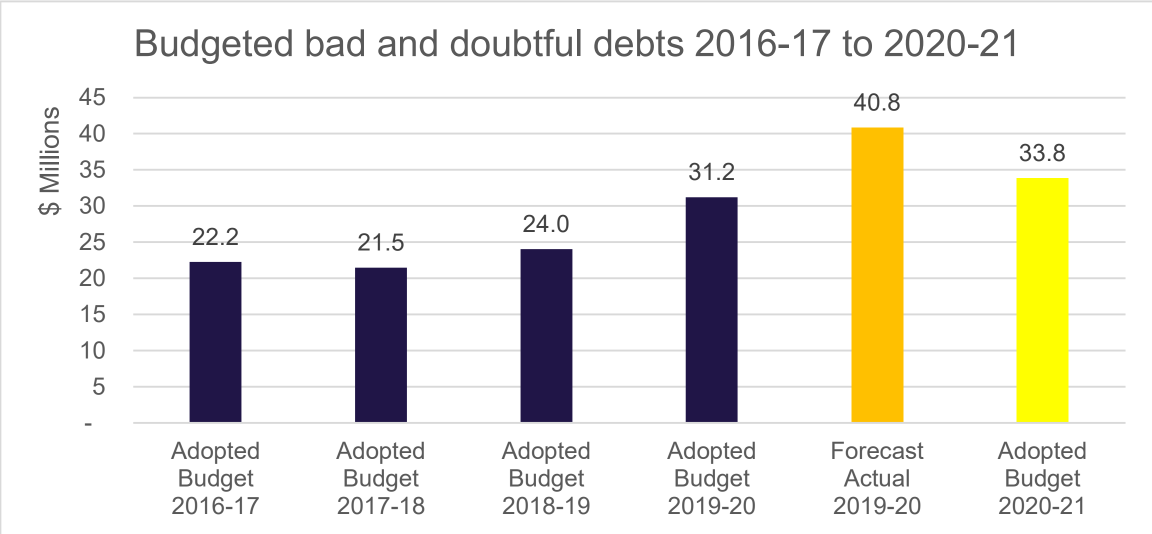


Source: 2016-17 - 2020-21 adopted budgets

5.4 Bad and doubtful debts

Figure 32 shows bad and doubtful debts expenditure is budgeted to be $33.8 million in 2020-21, an increase of $2.6 million or 8.3 per cent on 2019-20. The forecast actual expenditure for 2019-20 is $40.8 million which is 30.8 per cent greater 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. As Australia enters its first recession in 29 years 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 2020-21



Source: 2016-17 - 2020-21 adopted budgets

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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 annual 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 $1.38 billion in 2020-21. The forecast actual accounting operating surplus in FY 2019-20 is estimated to be $1.6 billion, while the accounting operating surplus in the adopted budgets for 2019-20 was $1.7 billion. Cumulatively, all cohorts are generating accounting operating surpluses according to the adopted budgets for FY 2020-21.

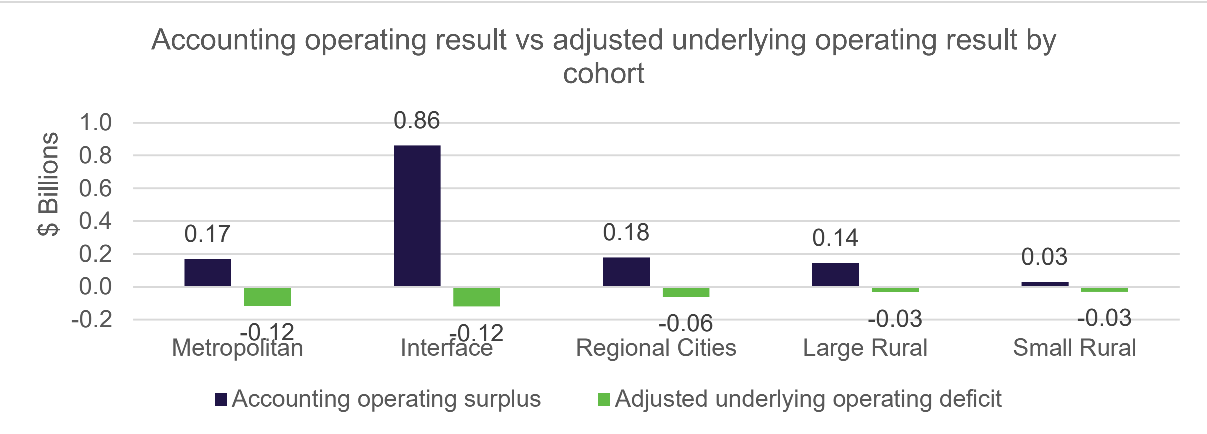
However, some items included in council accounting operating revenue do not represent cash or are not considered recurrent in nature. Gifted assets (developer contributions)[8] and non-recurrent capital grants[9] are examples. **Figure 33** shows that Interface councils are projecting an accounting operating surplus of $0.86 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



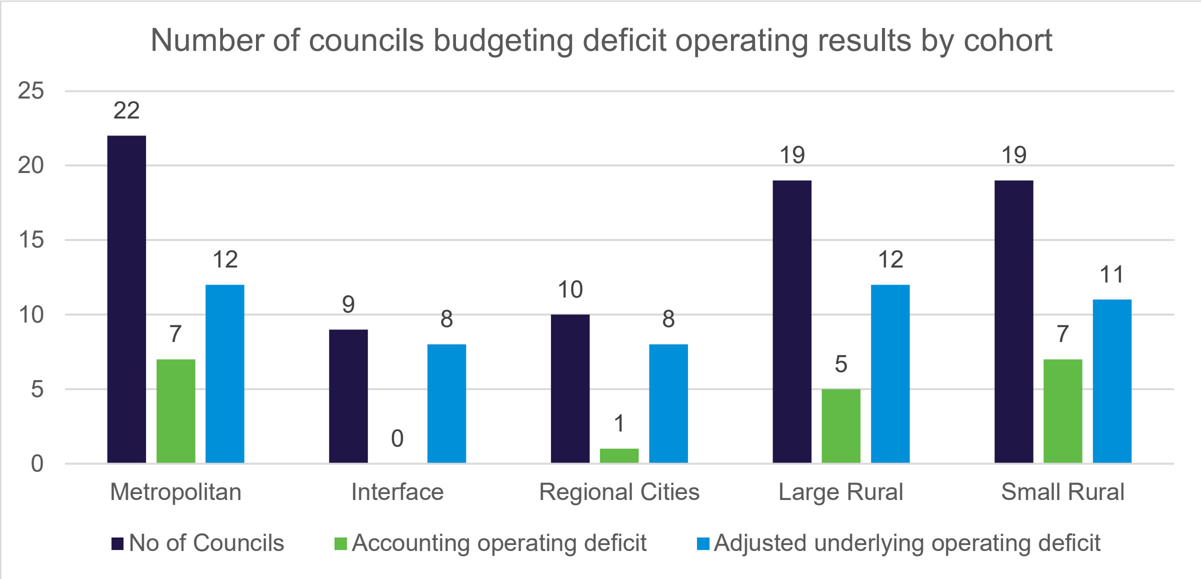
Source: 2020-21 adopted budgets

[8] 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.

[9] 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 2020-21



Source: 2020-21 adopted budgets

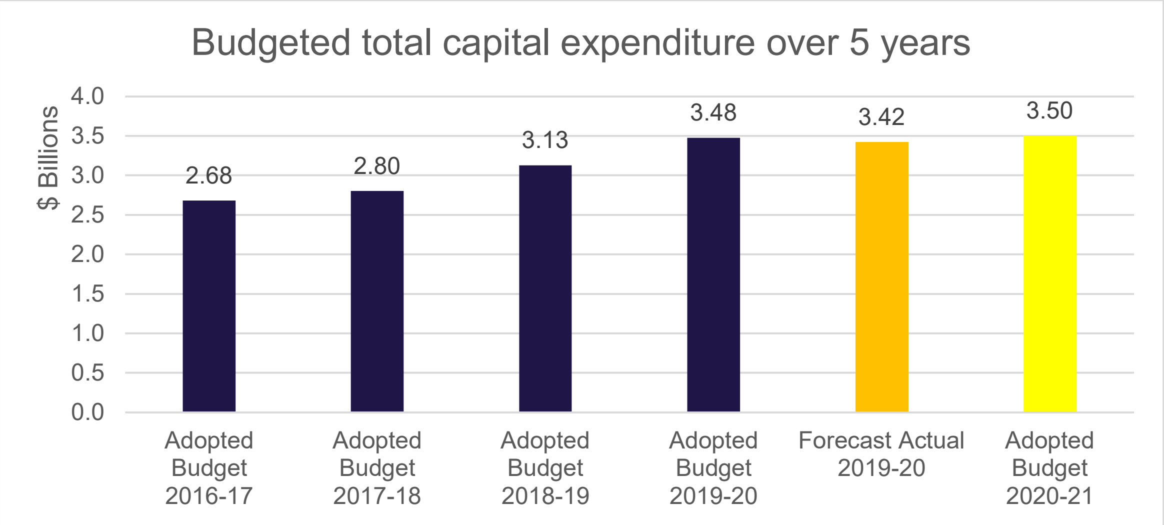
Overall, 51 out of 79 councils are projecting an adjusted underlying operating deficit. The total cumulative adjusted underlying operating deficit for the sector amounts to $365.22 million. Historically, some of the regional, large and small shire councils have experienced negative results against this indicator, as pointed out in the most recent report on 2018-19 local government audits by VAGO. However, with the impact of the COVID-19 pandemic on councils OSR and increased related expenditure, an increased number of metropolitan and interface councils are also experiencing adjusted underlying operating deficits, particularly in the short term.

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 2020-21, the local government sector is collectively budgeting for total non-current assets valued at $110.38 billion at the end of FY 2020-21 ($108.7 billion in adopted budget FY 2019-20). The sector has budgeted for combined capital expenditure of $3.50 billion in 2020-21. This is an $27.5 million increase on the $3.48 billion budgeted in 2019-20, as shown in **Figure 35**. **Figure 36** shows this increase represents only a slight increase of 0.79% and compares unfavourably with the budgeted percentage increases in capital works each other year since 2016-17.

Councils have projected that 70% of the four-year capital works program will be funded through rates and other own-sourced revenue.

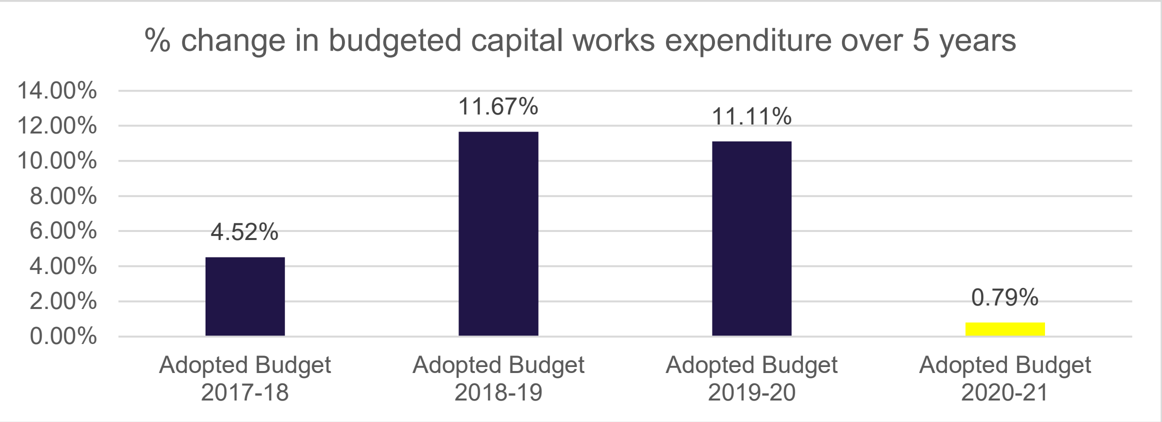
Figure 35 Budgeted Capital expenditure trend from 2016-17 onwards



Source: 2016-17 - 2020-21 adopted budgets

Figure 36 below shows a slowdown in the rate of increase in capital works expenditure compared to the previous 4 years. This reflects the fact that some councils have opted to reduce or defer capital works, facing increased pressure on their revenue sources as well as increased operating costs as a result of the COVID-19 pandemic.

Figure 36 Budgeted capital expenditure trend from 2016-17 onwards

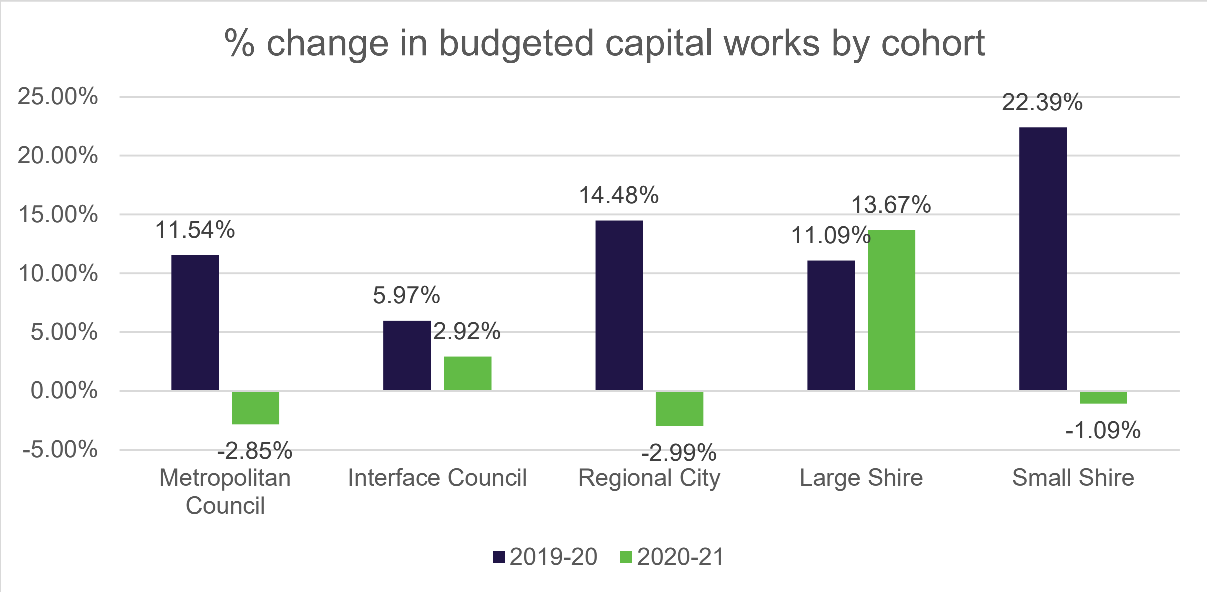


Source: 2016-17 - 2020-21 adopted budgets

Figure 37 below further analyses the dip in capital works expenditure by council cohort. It compares the percentage change in budgeted capital works expenditure by cohort in FY 2020-21 adopted budgets and FY

2019-20 adopted budgets. Interface and Large shire councils are still projecting an increase in capital works spending while all other council cohorts show a budgeted decrease in capital works spending in FY 2020-21.

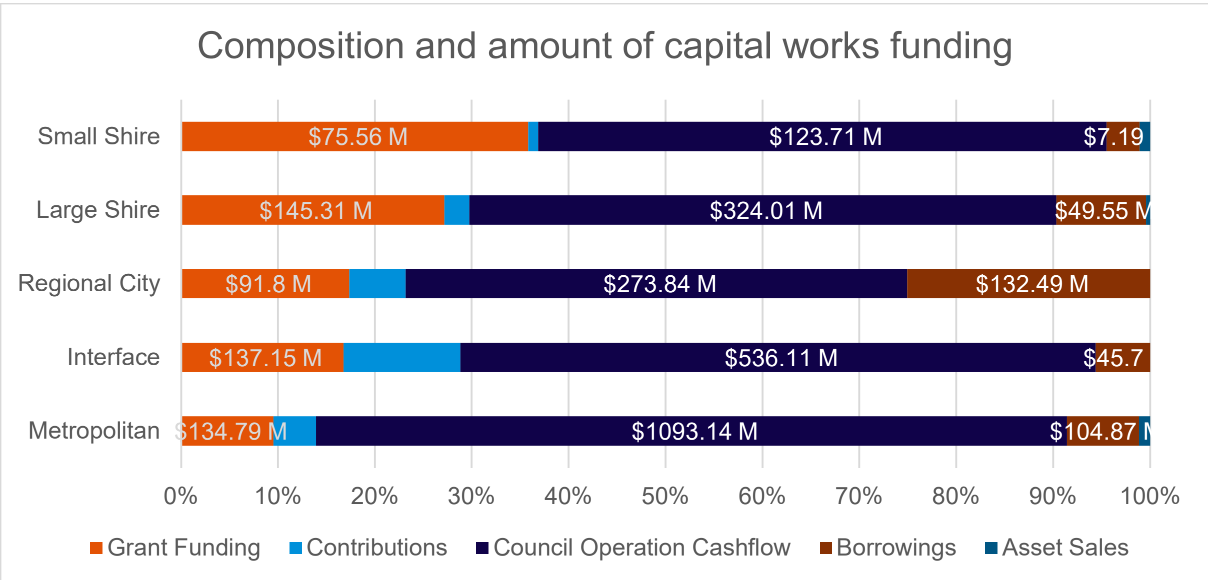
Figure 37 Change in budgeted capital works compared to previous year



Source: 2020-21 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. Regional cities are also relying heavily on new borrowings to fund some of their capital works.

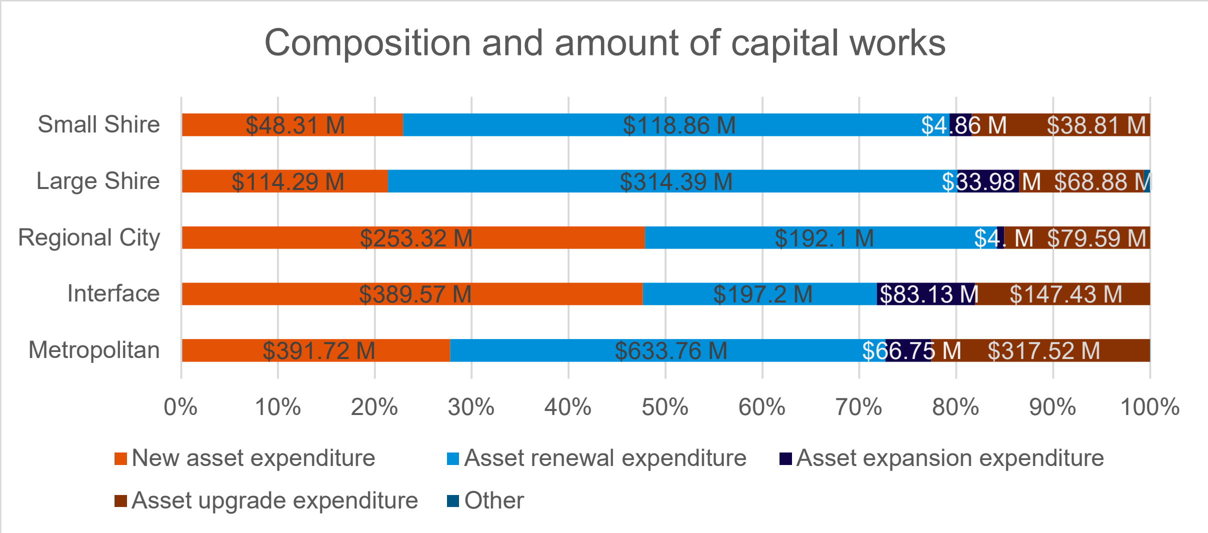
Figure 38 Composition and amount of capital work funding



Source: 2020-21 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

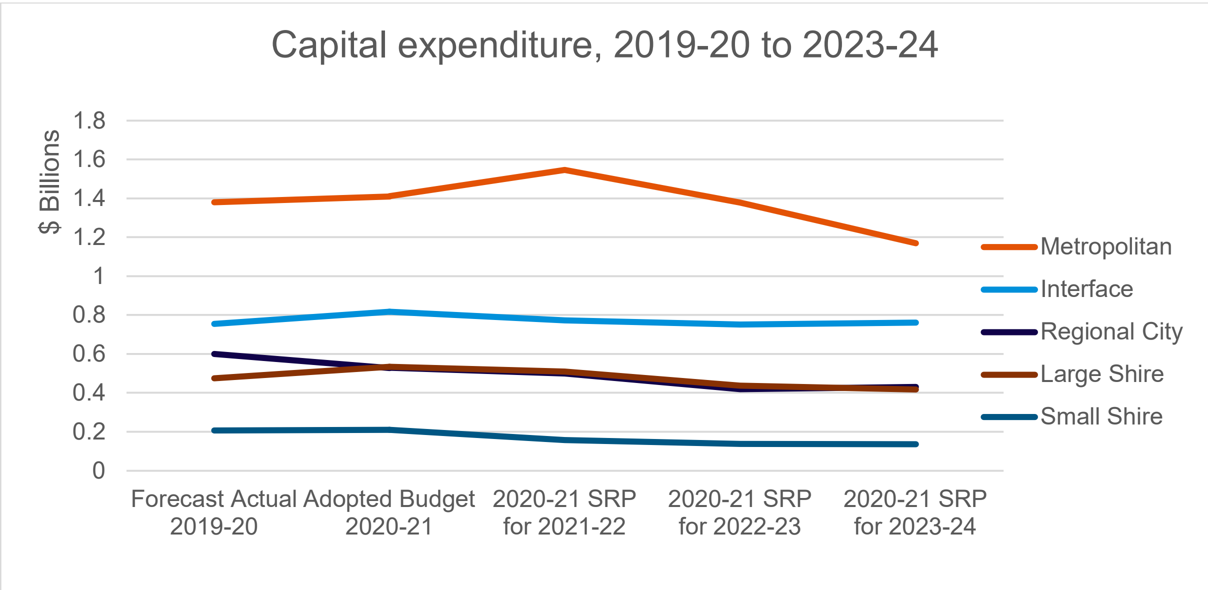


Source: 2020-21 adopted budgets

Over the next three years (FY 2021-22 to FY 2023-24), 43% of the overall capital works of $9.5 billion are expected to be delivered by metropolitan councils, while only 18.87% 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 81.13% 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 18.87% 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. Both small and large shires are forecasting decreases in capital expenditure over the next four years, however this 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 2019-20 onwards

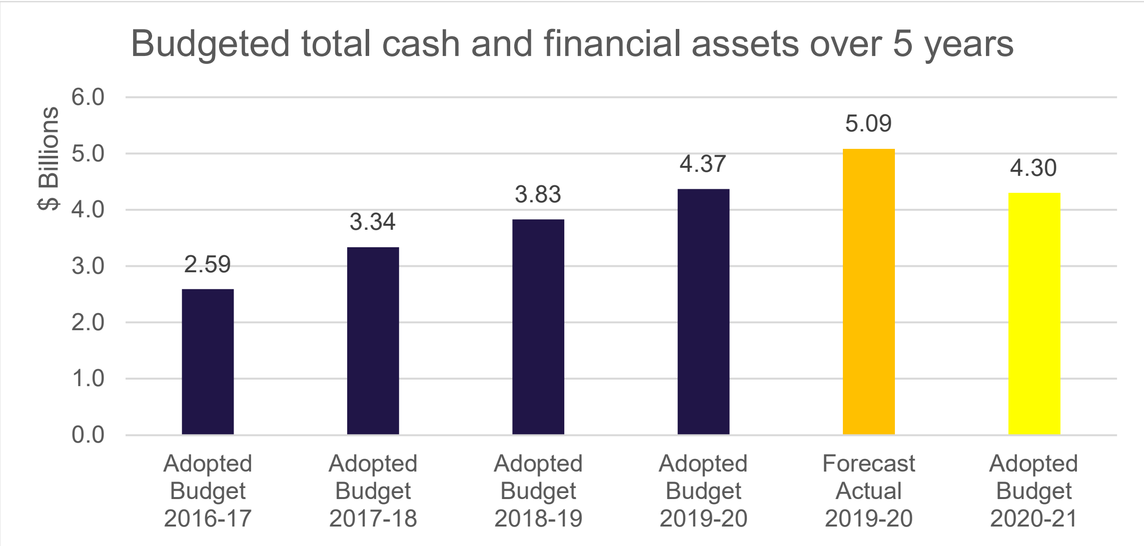


Source: 2020-21 adopted budgets

8 Cash and borrowings

The sector is budgeting to hold cash and investments of approximately $4.3 billion at 30 June 2021. The sector's forecast actual cash and investments at 30 June 2020 was $5.09 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.

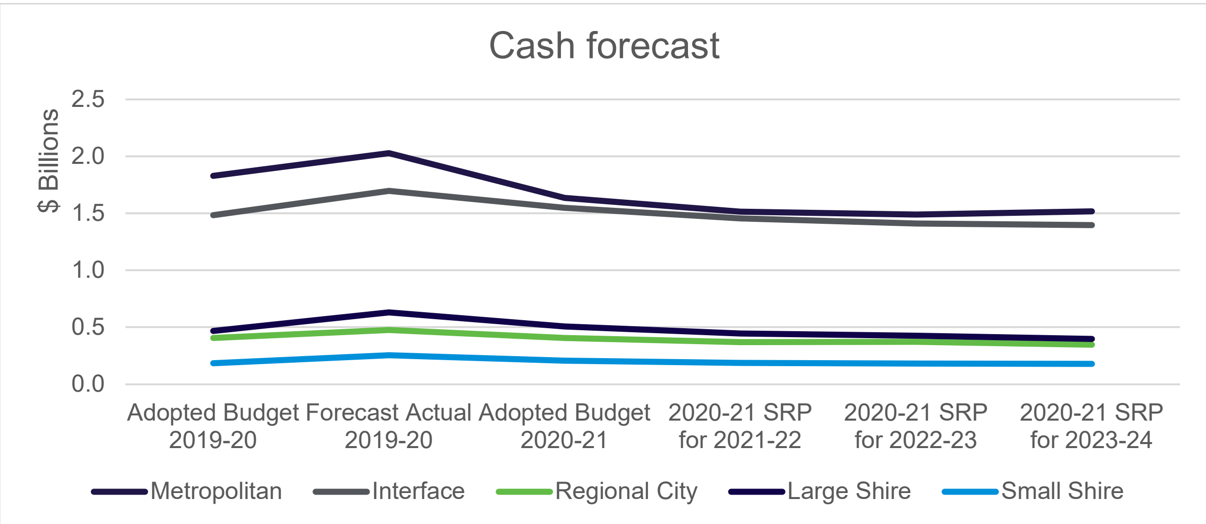
Figure 41 Budgeted cash and financial assets 2016-17 onwards



Source: 2016-17 - 2020-21 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 2020-21 but the cash balances are relatively stable after that.

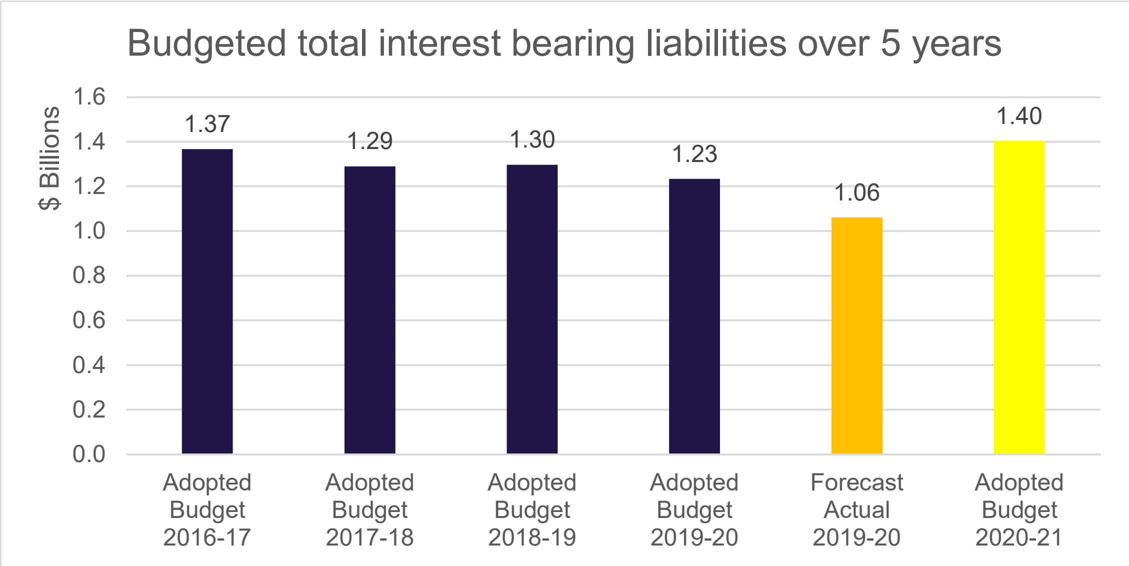
Figure 42 Budgeted cash and financial assets 2019-20 onwards



Source: 2020-21 adopted budgets

A review of the last 5 year's adopted budgets shows over a 20% decline in debt for the sector in FY 2019-20 forecast actual compared to FY 2016-17 adopted budget. Councils have however budgeted for increasing debt in FY 2020-21 adopted budgets as shown in **Figure 43** below.

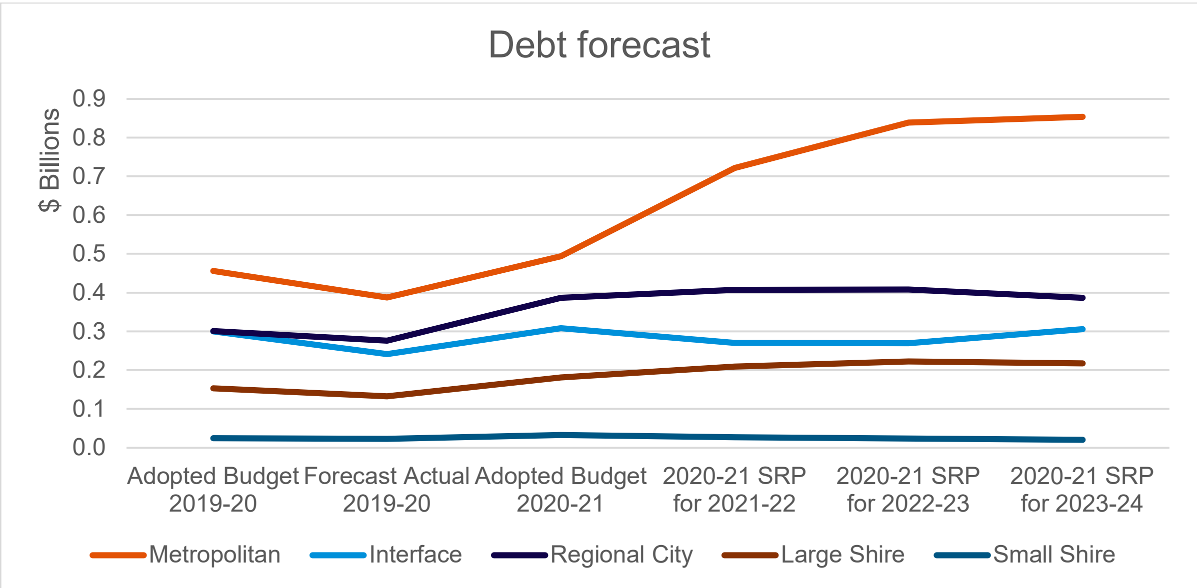
Figure 43 Budgeted debt 2016-17 onwards



Source: 2016-17 - 2020-21 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 2019-20. It should be noted that approximately 45% of the metropolitan cohort borrowings for FY 2021-22 pertain to planned debt at Melbourne, Knox and Brimbank 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 2023-24 while small shires are projecting a slight decrease at the end of FY 2023-24 as compared to forecast actual for FY 2019-20.

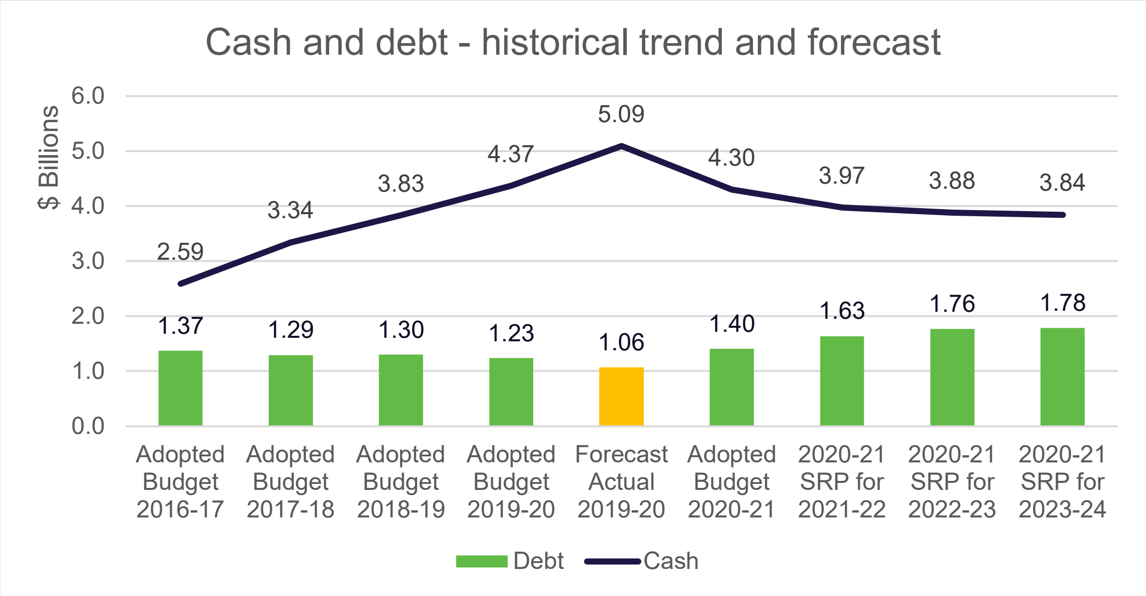
Figure 44 Budgeted debt 2019-20 onwards by Cohort



Source: 2020-21 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 2018-19 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 2020-21 onwards. Collectively councils remain in a relatively strong and stable liquidity position.

Figure 45 Budgeted cash and debt 2016-17 onwards



Source: 2016-17 to 2020-21 adopted budgets

9 Conclusion

Despite the adverse impact of COVID-19 on both budgeted revenue and expenditure items, Victorian councils remain well placed to meet the economic challenges of the pandemic in the short term. The sector collectively entered the pandemic in a relatively strong financial position based on solid financial performance results in recent years.

While the adopted budgets for FY 2020-21 indicate some deferrals and reductions of capital works, the majority of Victorian councils have introduced measures to provide their ratepayers with relief from financial hardship and targeted community support packages. Seventeen councils have even chosen to apply a zero per cent rate rise or less.

The loss of income from statutory fees and fines and user fees as a result of council facility closures is concerning for metropolitan councils as these funds are a particularly important component of own source revenue for this cohort of councils. The 2020-21 adopted budgets demonstrate the direct impact any reduction in income from these sources can have on the financial performance (including adjusted underlying results) for metropolitan councils. The extended lockdowns in Victoria have the potential to further adversely impact on council finances, possibly beyond what has been estimated in the 2020-21 adopted budgets.

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 low 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. Some councils have already indicated their intentions to monitor the current situation in Victoria as it unfolds and realign their financial strategy in response, in the form of subsequent revised budgets.

The true economic impacts of this global pandemic in both the immediate and longer term remain unclear, but Victorian councils have options due to the relative strength of their finances before COVID-19.

10 Glossary

Act	means the *Local Government Act 1989*
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 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
Proposed budget	means a budget approved by a council for public advertising and consultation in accordance with the Act and yet to be adopted.
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 Act.
Regulations	means the *Local Government (Planning and Reporting) Regulations 2014*
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.
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).

11 Appendices

11.1 Appendix A: Council groupings and adopted rate increases

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202021
Banyule City Council	Metropolitan	2.00%
Bayside City Council	Metropolitan	2.00%
Boroondara City Council	Metropolitan	2.00%
Brimbank City Council	Metropolitan	0.00%
Darebin City Council	Metropolitan	2.00%
Frankston City Council	Metropolitan	2.00%
Glen Eira City Council	Metropolitan	2.00%
Greater Dandenong City Council	Metropolitan	2.00%
Hobsons Bay City Council	Metropolitan	2.00%
Kingston City Council	Metropolitan	2.00%
Knox City Council	Metropolitan	2.00%
Manningham City Council	Metropolitan	2.00%
Maribyrnong City Council	Metropolitan	0.00%
Maroondah City Council	Metropolitan	2.00%
Melbourne City Council	Metropolitan	0.00%
Monash City Council	Metropolitan	2.00%
Moonee Valley City Council	Metropolitan	2.00%
Moreland City Council	Metropolitan	2.00%
Port Phillip City Council	Metropolitan	2.00%
Stonnington City Council	Metropolitan	2.00%
Whitehorse City Council	Metropolitan	2.00%
Yarra City Council	Metropolitan	2.00%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202021
Cardinia Shire Council	Interface	2.00%
Casey City Council	Interface	2.00%
Hume City Council	Interface	2.00%
Melton Shire Council	Interface	0.00%
Mornington Peninsula Shire Council	Interface	2.00%
Nillumbik Shire Council	Interface	0.00%
Whittlesea City Council	Interface	2.00%
Wyndham City Council	Interface	2.00%
Yarra Ranges Shire Council	Interface	2.00%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202021
Ballarat City Council	Regional City	0.00%
Greater Bendigo City Council	Regional City	2.00%
Greater Geelong City Council	Regional City	1.90%
Greater Shepparton City Council	Regional City	2.00%
Horsham Rural City Council	Regional City	2.00%
Latrobe City Council	Regional City	0.00%
Mildura Rural City Council	Regional City	2.00%
Wangaratta Rural City Council	Regional City	2.00%
Warrnambool City Council	Regional City	2.00%
Wodonga City Council	Regional City	0.00%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202021
Bass Coast Shire Council	Large Shire	2.00%
Baw Baw Shire Council	Large Shire	2.00%
Campaspe Shire Council	Large Shire	2.00%
Colac Otway Shire Council	Large Shire	1.50%
Corangamite Shire Council	Large Shire	0.00%
East Gippsland Shire Council	Large Shire	0.00%
Glenelg Shire Council	Large Shire	0.00%
Golden Plains Shire Council	Large Shire	2.00%
Macedon Ranges Shire Council	Large Shire	2.00%
Mitchell Shire Council	Large Shire	2.00%
Moira Shire Council	Large Shire	2.00%
Moorabool Shire Council	Large Shire	2.00%
Mount Alexander Shire Council	Large Shire	2.00%
Moyne Shire Council	Large Shire	0.00%
South Gippsland Shire Council	Large Shire	2.00%
Southern Grampians Shire Council	Large Shire	1.75%
Surf Coast Shire Council	Large Shire	2.00%
Swan Hill Rural City Council	Large Shire	1.86%
Wellington Shire Council	Large Shire	0.00%

COUNCIL	VLGCG GROUPING	ADOPTED RATE INCREASE FY 202021
Alpine Shire Council	Small Shire	2.00%
Ararat Rural City Council	Small Shire	-1.00%
Benalla Rural City Council	Small Shire	1.94%
Buloke Shire Council	Small Shire	2.00%
Central Goldfields Shire Council	Small Shire	2.00%
Gannawarra Shire Council	Small Shire	1.50%
Hepburn Shire Council	Small Shire	2.00%
Hindmarsh Shire Council	Small Shire	2.00%
Indigo Shire Council	Small Shire	2.00%
Loddon Shire Council	Small Shire	2.00%
Mansfield Shire Council	Small Shire	2.00%
Murrindindi Shire Council	Small Shire	0.00%
Northern Grampians Shire Council	Small Shire	2.00%
Pyrenees Shire Council	Small Shire	2.00%
Borough of Queenscliffe	Small Shire	2.00%
Strathbogie Shire Council	Small Shire	0.00%
Towong Shire Council	Small Shire	0.00%
West Wimmera Shire Council	Small Shire	2.00%
Yarriambiack Shire Council	Small Shire	1.95%

11.2 Appendix B: Snapshot of 2020-21 adopted budgets for all 79 councils in Victoria

	ADOPTED BUDGETS FY2019-20	ADOPTED BUDGETS FY2020-21	DIFFERENCE	%
Rates and charges	$6,257,473,000	$6,449,915,000	$192,442,000	3%
Statutory fees and fines	$451,073,000	$386,772,000	-$64,301,000	-14%
User fees	$1,003,959,000	$829,356,000	-$174,603,000	-17%
Developer contributions	$1,096,043,000	$1,273,127,000	$177,084,000	16%
Grants	$1,667,801,000	$1,816,438,000	$148,637,000	9%
Other income	$241,534,000	$200,187,000	-$41,347,000	-17%
Total income	**$10,717,883,000**	**$10,955,795,000**	**$237,912,000**	**2%**
Employee costs	$3,778,836,000	$3,930,277,000	$151,441,000	4%
Materials and services	$3,288,732,000	$3,529,017,000	$240,285,000	7%
Depreciation and amortisation	$1,599,154,000	$1,728,090,000	$128,936,000	8%
Other expenses	$340,026,000	$388,987,000	$48,961,000	14%
Total expenses	**$9,006,748,000**	**$9,576,371,000**	**$569,623,000**	**6%**
Accounting surplus/(deficit)	**$1,711,135,000**	**$1,379,424,000**	**-$331,711,000**	**-19%**
Adjusted underlying surplus / (deficit)	**$204,480,000**	**-$365,222,000**	**-$569,702,000**	**-279%**
Total cash and financial assets	**$4,368,164,000**	**$4,299,791,000**	**-$68,373,000**	**-2%**
Total non-current assets	**$108,704,579,000**	**$110,387,548,000**	**$1,682,969,000**	**2%**
Total debt	**$1,233,196,000**	**$1,402,036,000**	**$168,840,000**	**14%**
Total capital works expenditure	**$3,475,280,000**	**$3,502,787,000**	**$27,507,000**	**1%**
Total employees	**37815**	**39221**	**1406**	**4%**

Source: 2020-21 adopted budgets and 2019-20 adopted budgets

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