



Acquittal Report Annex B: *Local Government*



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This report consists of five parts:
Acquittal Report: Results of the 2009–10 Audits
Annex A: Portfolio Departments and Associated Entities
Annex B: Local Government
Annex C: Public Hospitals
Annex D: Water Entities

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Acquittal Report Annex B:

Local Government

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Audit summary

This annex sets out the results of the audit of 104 local government entities, comprising 79 councils, 13 associated entities and 12 regional library corporations (RLCs). An assessment is also made of the financial sustainability of the 79 councils and 12 RLCs.

Results of audits

Independent audit opinions add credibility to financial reports by providing assurance that the information is reliable. All 104 entities finalised their 30 June 2010 financial reports, standard statements and performance statements where applicable, and all but three entities received clear opinions.

The financial statements of the City of Greater Dandenong were qualified as the net underlying result from operations reported in the comprehensive income statement excluded items that are part of the operations of the council. This is contrary to the requirements of Australian Accounting Standard AASB 101. It is important to note however that these expenditure items were included in 'other non operational expenses' and therefore council's operating result for the year was not affected. A clear opinion was issued on the standard statements.

Alpine Shire Council was non-compliant with section 132 of the *Local Government Act 1989* (the LG Act) as they did not prepare a performance statement as the prerequisite performance targets and measures had not been set in the 2009–10 budget.

Yarra Ranges Shire Council's performance statement warranted a qualification as their performance targets and measures were not set in their annual budget as required by the LG Act but from a revised budget which was used for reporting.

Quality of financial reporting

The quality of financial reporting can be measured by the timeliness and accuracy of the preparation and finalisation of the financial report.

The financial reporting processes at councils were generally adequate. However, further improvement could be achieved by developing financial report preparation plans, shell financial statements, conducting materiality assessments, financial compliance reviews and adopting rigorous analytical reviews.

The average time taken to finalise financial statements was consistent with last year at 11.1 weeks. This was considerably longer than for the state sector where portfolio departments averaged 7.6 weeks, public hospitals averaged 7.9 weeks and water entities averaged 7.4 weeks.

Across all councils 56 material adjustments were made to financial balances and 63 significant disclosure errors were detected. A large number of these adjustments occurred at large shire and inner metropolitan councils, indicating a need for greater rigour in their financial statement preparation processes.

Financial sustainability

Financial sustainability analysis has been provided for the 79 councils and 12 RLCs.

To be financially sustainable, councils and RLCs should have the capacity to meet current and future expenditure as it falls due. They should also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

Insight into the financial sustainability of councils is obtained from analysis of four core financial sustainability indicators over a five-year period from 2005–06 to 2009–10. The four core indicators used are underlying result, liquidity, self-financing and capital replacement. These indicators reflect each council's funding and expenditure policies, and indicate whether these policies are sustainable.

In addition to the four core sustainability indicators, two further indicators are assessed for councils:

- **indebtedness**—measures a council's ability to cover non-current liabilities from revenues they generate themselves
- **renewal gap**—comparison of the rate of spending on renewing, restoring and replacing existing assets, with depreciation.

These indicators reflect two particular risks for local councils—managing debt and maintaining assets to sustain current service levels.

RLCs financial sustainability indicators are derived from analysis of three of the four core financial sustainability indicators: underlying results, liquidity and capital replacement. The fourth core indicator of self-financing is not applied to RLCs as they do not generate significant amounts of own source revenue and are reliant on member councils making annual contributions.

A summary of the five-year average financial sustainability assessments for the 79 councils and 12 RLCs is provided in Figure A.

Figure A
2009–10 financial sustainability risk assessment – local government

Category	High	Medium	Low
Councils			
Inner metropolitan	–	1	16
Outer metropolitan	–	1	13
Regional city	–	–	11
Large shire	–	–	15
Small shire	1	2	19
Total	1	4	74
Regional Library Corporations	2	3	7

Source: Victorian Auditor-General's Office.

Financial sustainability of councils has improved in 2009–10 with the number of low-risk rated councils increasing from 71 to 74, and the number of medium-risk rated councils decreasing from eight to four. However, Buloke Shire Council has been rated high risk, previously rated medium risk.

Consistent improvement is demonstrated in our analysis over the five-year period by a decreasing number of councils with individual ratios assessed as medium and high risk. The capital replacement and renewal indicators have been assessed as medium risks for all council categories. This means the sector needs to continue addressing the challenge of spending to maintain existing assets.

The financial sustainability of Buloke Shire Council has been assessed overall as high risk. This was because the council had insufficient liquidity at 30 June 2010, indicating short-term or immediate sustainability concerns which need to be addressed.

RLCs generate little of their own revenue, and are highly dependent on the annual contributions from councils. Goulburn Valley RLC and Yarra Plenty RLC are assessed as high financial sustainability risks because of insufficient liquidity at 30 June 2010. This risk is mitigated as both RLCs have commitments to receive council contributions in the new financial year to meet the operating costs of the libraries for 2010–11.

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Planning and Community Development and named entities with a request for comments or submissions.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) comments and submissions, however, are included in Appendix C.

1 Results of audits

At a glance

Background

This annex covers 104 entities from the local government sector which have a financial year end of 30 June 2010. It deals with the audits of 79 councils, 12 regional library corporations and 13 companies, trusts and joint ventures controlled by councils.

Under the *Local Government Act 1989* (the LG Act), councils and regional library corporations must also prepare annual standard statements and submit them for audit. Councils are further required to prepare non-financial performance statements and have them audited.

Findings

- All financial reports and standard statements received clear opinions except for the financial statements of the City of Greater Dandenong. They were qualified due to their net underlying result from operations excluding \$37.83 million of items that are part of normal council operations. Therefore, the comprehensive income statement did not accord with AASB 101. It is important to note however that these expenditure items were included in 'other non operational expenses' and therefore council's operating result for the year was not affected
- Alpine Shire Council did not prepare a performance statement as they did not set the prerequisite performance targets and measures in their 2009–10 budget as required by the LG Act.
- All performance statements received clear audit opinions except for Yarra Ranges Shire Council which was qualified because the performance statement did not comply with the LG Act.

1.1 Scope

This annex deals with the results of the audit of 104 entities in the local government sector with 30 June 2010 balance dates, as shown in Figure 1A.

Figure 1A
Local government reporting entities

Type of entity	2009	2010
Councils	79	79
Companies, trusts and joint ventures	12	13
Regional library corporations	12	12
Total	103	104

Source: Victorian Auditor-General's Office.

Figure 1A shows an increase of one in the number of entities that were subject to audit in 2009–10. This increase is due to one new audit, the Manningham Centre Association as detailed in Figure 1B.

Figure 1B
Change to audited entities

New audit	
Manningham Centre Association	In 2009–10 it was deemed that Manningham City Council had control over Manningham Centre Association. As a result, the Manningham Centre Association is now audited under the <i>Audit Act 1994</i> by the Victorian Auditor-General's Office.

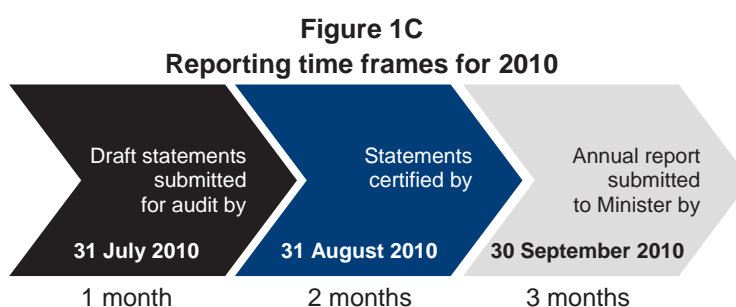
Source: Victorian Auditor-General's Office.

1.2 Reporting framework

The principal legislation governing the financial reporting requirements of councils and regional library corporations (RLCs) is the *Local Government Act 1989* (the LG Act). Local Government Victoria, a division of the Department of Planning and Community Development (DPCD), administers the LG Act.

Under the LG Act, councils and RLCs must submit their annual report to the Minister for Local Government by 30 September each year. The annual report for councils and RLCs must contain the audited financial and standard statements. Council reports must also contain the audited performance statement.

To enable the results of associated subsidiary companies, trusts and joint ventures to be consolidated in the relevant local government parent entities' annual report, these entities have undertaken to report in the shorter time frame applicable to councils. Figure 1C outlines better practice time frames to achieve the three month target.



Source: Victorian Auditor-General's Office.

Financial statements for all local government entities are required to be prepared in accordance with Australian accounting standards, including Australian accounting interpretations.

Under the LG Act, councils and RLCs must also prepare annual standard statements and submit them for audit. Councils are further required to prepare non-financial performance statements and have them audited. Figure 1D outlines the reporting requirements for all local government entities.

Figure 1D
Local government sector reporting requirements

Statement	Details	Councils	RLCs	Other
Financial	General purpose financial statements prepared in accordance with Australian accounting standards, as issued by the Australian Accounting Standards Board. The statements are: <ul style="list-style-type: none"> • comprehensive income statement • balance sheet • cash flow statement • statement of changes in equity. 	✓	✓	✓
Standard	Mirror the first three general purpose financial statements (above) with the addition of columns showing the original approved budget and the difference between actual and budget. A standard statement of capital works is also prepared to report actual against planned capital expenditure. A supporting narrative statement is prepared explaining any material variances between actual and budgeted results.	✓	✓	—
Performance (non-financial)	Key performance indicators set by each council for each strategic activity specified in the annual budget. Reports actual results achieved against targets for each performance indicator, with an explanation of material variances.	✓	—	—

Source: Victorian Auditor-General's Office.

1.3 Audit opinions issued

1.3.1 Financial and standard statements

Audit opinions have been issued for all 104 financial reports and standard statements. Of these opinions, 103 were clear and one financial report was qualified (103 clear opinions issued in 2008–09).

Independent audit opinions add credibility to financial reports and standard statements by providing assurance that the information is reliable.

A clear audit opinion confirms that the financial report and standard statements have been prepared according to the requirements of relevant accounting standards and legislation.

If the reports have not been prepared in accordance with the relevant reporting framework they are issued with a qualified audit opinion.

A qualified audit opinion means that the financial report and/or the standard statements are materially different to the requirements of the relevant reporting framework, and therefore, are less reliable and useful as accountability documents.

Definitions of qualified and clear audit opinions are included in the glossary in Appendix A of the Acquittal Report.

Qualification

A qualified audit opinion was issued on the financial statements of the City of Greater Dandenong. The council excluded capital grants, capital contributions and contributed assets from 'revenue from operations' in the comprehensive income statement. The council also excluded assets written off from 'expenses from operations'. As a result, the 'net underlying result from operations' reported in the comprehensive income statement did not include these items which are considered to be part of the councils operations. Accordingly, the council's comprehensive income statement was not presented in accordance with AASB 101. Excluding these items materially misstated the 'net underlying result from operations' by \$37.83 million. It is important to note; however, that these expenditure items were included in 'other non operational expenses' and therefore council's comprehensive result for the year was not affected.

1.3.2 Performance statements

Audit opinions were issued on 78 council performance statements. Of these opinions, 77 were clear and one was qualified (77 clear and one qualification in 2008–09).

Alpine Shire Council did not produce a performance statement, as no specific performance targets and measures were set when preparing the 2009–10 budget. The council is therefore non-compliant with section 132 of the LG Act.

Qualification

The performance statement for Yarra Ranges Shire Council was qualified. Yarra Ranges Shire Council did not include any performance targets and measures in its 2009–10 budget, as required by the LG Act. A revised budget was issued on 9 March 2010 and the performance targets and measures in this revised budget were reported in the 30 June 2010 performance statement. The LG Act requires the performance statement to report actual results against those performance targets and measures in the original budget, consequently the performance statement did not comply with the LG Act.

The performance statements of Moorabool Shire Council and Buloke Shire Council which were qualified in 2008–09, both received clear opinions in 2009–10. Hepburn Shire Council, which did not produce a performance statement in 2008–09, produced a performance statement in 2009–10 and received a clear audit opinion.

2 Quality of financial reporting

At a glance

Background

The timeliness and accuracy of the preparation and finalisation of a financial report underpins its quality. To achieve efficient and cost effective practice, reporting entities need to have well planned and managed financial report preparation processes.

Findings

- Overall, the financial reporting processes at councils were generally adequate. However, further improvement is needed in:
 - financial report preparation plans
 - shell statements
 - materiality assessments
 - rigorous analytical reviews
 - financial compliance reviews.
- The timeliness of financial reporting remained consistent with the average time taken to finalise financial statements staying at 11.1 weeks in 2009–10 (11.2 weeks in 2008–09), considerably longer than the average achieved by portfolio departments, public hospitals and water entities.
- Fifty-six material financial balance adjustments and 63 significant disclosure errors required correction. A large number of these adjustments occurred at large shire and inner metropolitan councils, indicating a need for greater rigour in their financial statement preparation processes.

2.1 Introduction

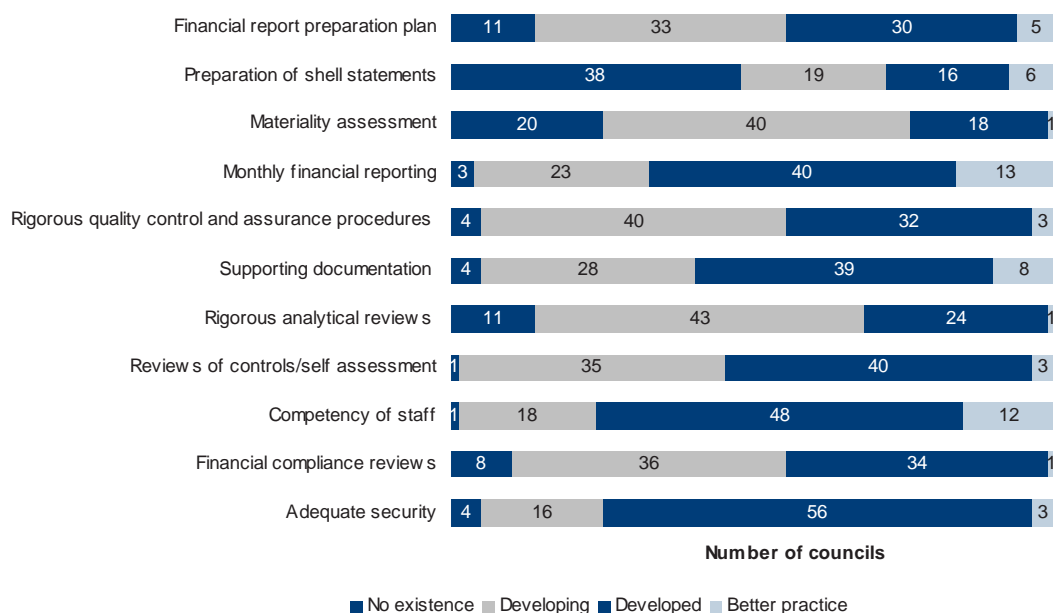
The timeliness and accuracy of the preparation and finalisation of the financial report underpins its quality. Councils need to plan for, and allocate sufficient and appropriate resources, to financial report preparation. This will allow them to produce a complete, accurate and compliant financial report within the legislative time frame.

2.2 Preparation of a financial report

The achievement of better practice financial reporting requires councils to plan and manage the preparation of a financial report. Councils should exhibit the specific practices detailed in Appendix D of the Acquittal Report.

An assessment of council performance against better practice was based on criteria also outlined in Appendix D of the Acquittal Report. The results of our assessment are summarised in Figure 2A.

Figure 2A
Better practice results for council financial report preparation processes



Source: Victorian Auditor-General's Office.

The areas where better practice is commonly shared by councils include:

- monthly financial reporting
- competency of staff
- supporting documentation.

However, further improvement is needed in preparing:

- financial report preparation plans
- shell statements
- materiality assessments
- rigorous analytical reviews
- financial compliance reviews.

Improving these areas will assist in the more timely preparation of quality financial reports, improved resource allocation planning and quality assurance procedures, and the earlier detection and correction of errors.

2.3 Timeliness

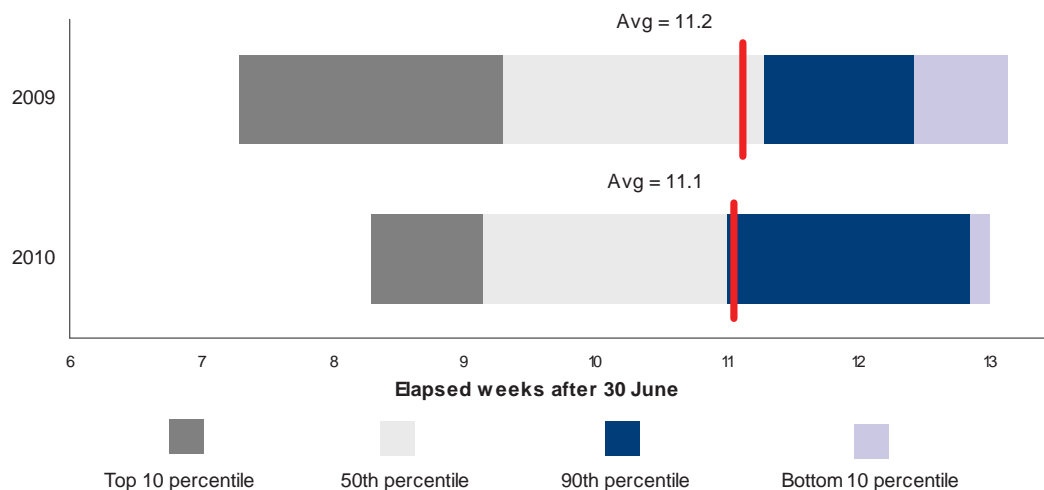
Recognising the accountability role that financial reports serve, councils should prepare and publish timely financial information. The later the reports are produced and published after year end, the less useful they are.

The legislated time frame for councils to finalise their audited financial reports is by 30 September each year. In 2009–10, 100 per cent (all 79) of councils achieved the 30 September time frame. This is an improvement from the prior year (76 of 79).

The average time taken to finalise financial statements has remained consistent at 11.1 weeks in 2009–10, compared to 11.2 weeks in 2008–09. This was considerably longer than the state sector where portfolio departments averaged 7.6 weeks, public hospitals averaged 7.9 weeks and water entities averaged 7.4 weeks. As local councils report under the *Local Government Act 1989*, there was no imperative for councils to report earlier due to the impending state election.

Figure 2B summarises, in percentile bands, the time taken after 30 June for councils to finalise their audited financial reports. It shows that the top 10 per cent of councils did not report as early as in 2008–09, and those in the 90th percentile took longer.

Figure 2B
Time taken for councils to finalise their financial statements



Source: Victorian Auditor-General's Office.

2.4 Accuracy

2.4.1 Financial statements

The frequency and size of errors in the draft financial statements requiring adjustment are direct measures of accuracy. Ideally, there should be no errors or adjustments.

When the auditor detects errors in the draft financial statements they are raised with management. Material errors need to be corrected before a clear audit opinion can be issued. The council itself may also change its draft report after submitting it to audit, if their procedures find that reported information is incorrect or incomplete.

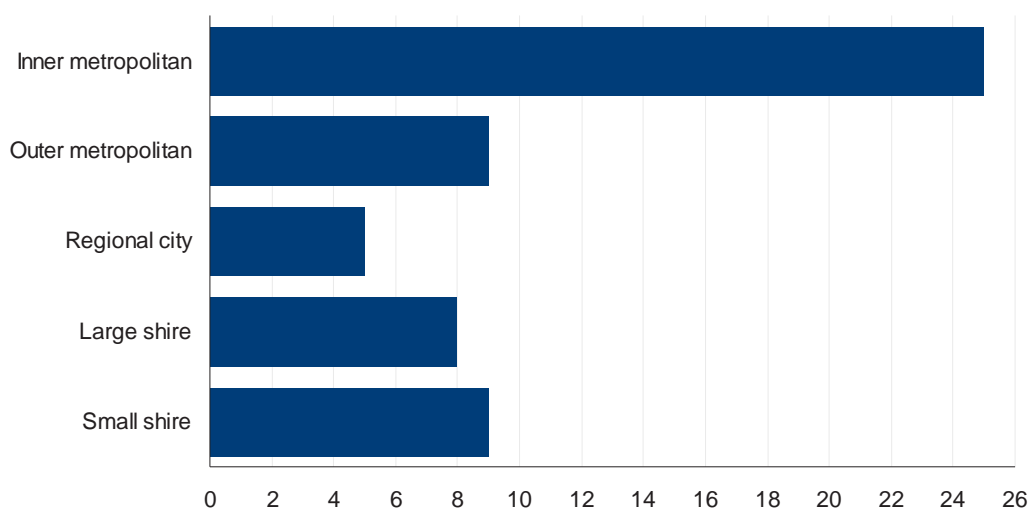
Overall, there are two types of adjustments:

- **financial balance adjustments**—changes to the balances being reported
- **disclosure adjustments**—changes to the commentary or financial note disclosure within the financial statements.

In 2009–10, there was a total of 56 material financial balance adjustments to the net result or the net asset position reported in the draft financial statements across the 79 councils.

Figure 2C shows the number of material financial balance adjustments by council category.

Figure 2C
2009–10 councils—
number of material financial balance adjustments by council category



Source: Victorian Auditor-General's Office.

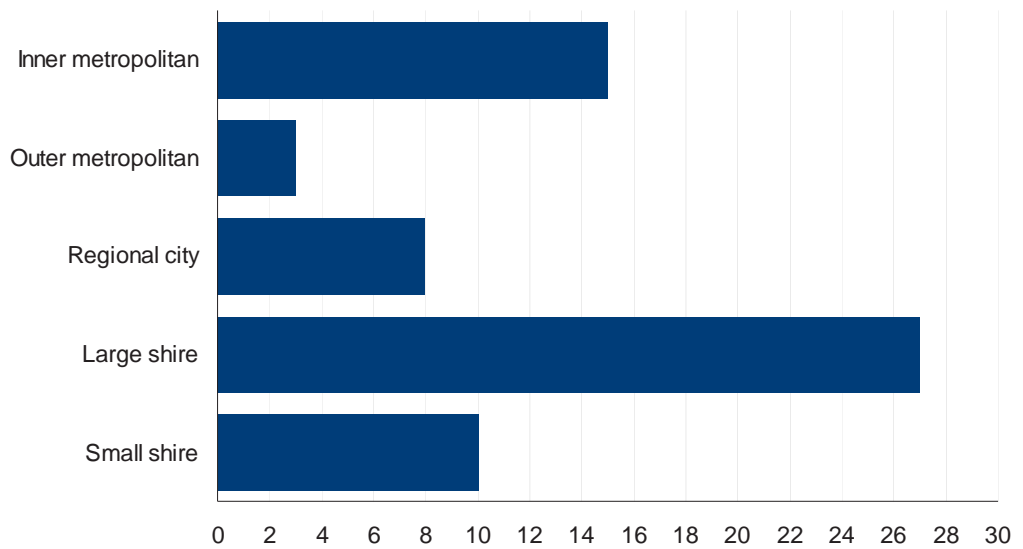
The total value of adjustments on the net asset position was \$55.8 million, comprising adjustments to assets of \$73.9 million and liabilities of \$18.1 million. The total value of adjustments to the net result was \$2.2 million, comprising adjustments to revenue of \$14.4 million and adjustments to expenses of \$16.6 million.

In addition to the financial balance adjustments, there were 63 significant disclosure errors that required adjustment in the 2009–10 draft financial statements. Figure 2D shows the number of significant disclosure adjustments by council category.

The nature of the material financial balance and significant disclosure adjustments was:

- **property, plant and equipment**—re-measurement of fixed assets occurred where inaccuracies were identified in underlying asset records, incorrect discount rates and condition assessments were used in valuations, and errors occurred in depreciation calculations
- **cash and investments**—adjustments were required to reclassify items from cash to investments as the expiry term was greater than three months.

Figure 2D
2009–10 councils—
number of significant disclosure adjustments by council category



Source: Victorian Auditor-General's Office.

The significant number of adjustments to both financial balances and disclosures at large shire councils and inner metropolitan councils indicates councils in these groups need to improve their financial statement preparation processes.



3 Financial sustainability

At a glance

Background

This chapter analyses the financial sustainability of the 79 councils and 12 regional library corporations (RLCs). The analysis is conducted using interrelated financial sustainability indicators which assess a council's and library's financial performance and position. The indicators analyse past results to identify trends.

To be financially sustainable, councils and libraries should have the capacity to meet current and future expenditure as it falls due. They should also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

Findings

- Financial sustainability of councils has improved in 2009–10 with the number of low-risk rated councils increasing from 71 to 74, and the number of medium-risk rated councils decreasing from eight to four. However, Buloke Shire Council has been rated high risk, previously rated medium risk.
- The capital replacement and renewal indicators have been assessed as medium risks for all council groups. This means the sector needs to continue addressing the challenge of spending to maintain existing assets.

3.1 Introduction

Financial sustainability indicators have been provided for the 79 councils. The councils range in population and size from thousands to hundreds of thousands and annual budgets from millions to hundreds of millions of dollars. Consistent with these diverse characteristics, the financial performance of individual councils also varies considerably.

Financial sustainability indicators have also been provided for the 12 regional library corporations (RLCs). The RLCs are wholly owned by councils and are highly dependent on councils' financial support for sustainability.

3.2 Financial performance

The objective for councils should be to generate a sufficient surplus from operations to meet financial obligations, fund asset replacement and new asset acquisitions. The ability of councils to achieve these objectives depends largely on their expenditure management and revenue maximisation practices. This is reflected in the composition and rate of change of their operating revenue and expenses.

Financial performance is measured by the net result—the difference between revenue inflows and expenditure outflows.

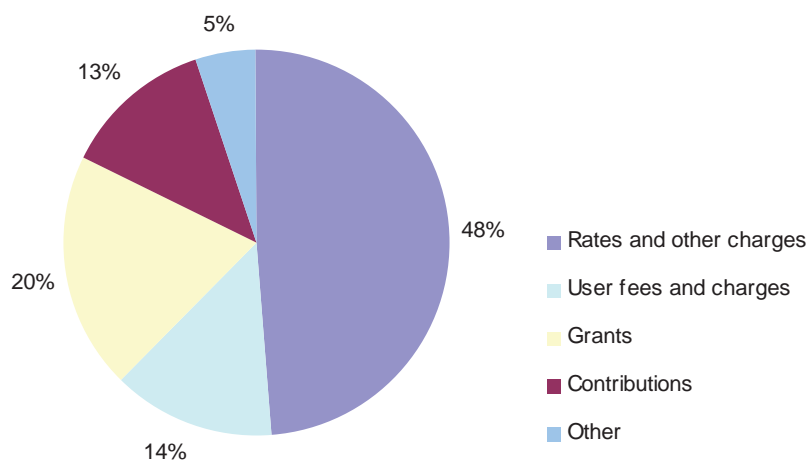
3.2.1 Operating revenue

In 2009–10, the 79 councils collectively generated \$7.08 billion in operating revenue—an increase of 11 per cent on the \$6.4 billion collected last year. Figure 3A shows the overall composition of operating revenue for these entities which remains relatively comparable to 2008–09.

Councils continue to generate half of their revenue from rates, user fees, and other charges. In 2009–10, councils collected \$4.4 billion worth of rates, user fees, and other charges representing 48 per cent of total revenue (\$4 billion collected in 2008–09).

Grant revenue received by councils has decreased as a percentage of revenue, from 22 per cent in 2008–09 to 20 per cent in 2009–10. The net decrease in grant revenue of \$33.7 million was due to timing, as councils received five grant payments in 2008–09, compared to the normal four quarterly payments received in 2009–10. The accelerated grant payments were in response to a state request to bring forward grant payments to assist councils with the financial effect of the bushfires.

Figure 3A
Revenue composition



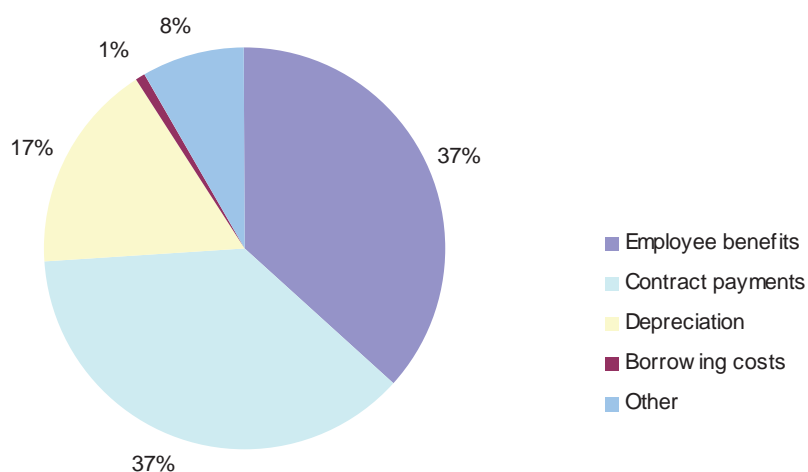
Source: Victorian Auditor-General's Office.

3.2.2 Operating expenditure

In 2009–10, the 79 councils collectively incurred \$6.01 billion in operating expenditure (\$5.4 billion in 2008–09). Figure 3B provides an overview of the composition of operating expenditure which is consistent with 2008–09.

The largest components of operating expenditure for local councils are employee benefits and contract payments.

Figure 3B
Expenditure composition



Source: Victorian Auditor-General's Office.

3.3 Financial sustainability

To be financially sustainable, councils should have the capacity to meet current and future expenditure as it falls due. They should also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

Insight into the financial sustainability of councils is obtained from analysis of financial sustainability indicators over a five-year period. The six indicators applied to councils are underlying result, liquidity, indebtedness, self-financing, capital replacement and renewal gap.

Financial sustainability should be viewed from both a short- and long-term perspective. The shorter-term indicators involve the council's ability to maintain a positive operating cash flow and adequate cash holdings, and to generate an operating surplus over time. These are the underlying result and liquidity indicators.

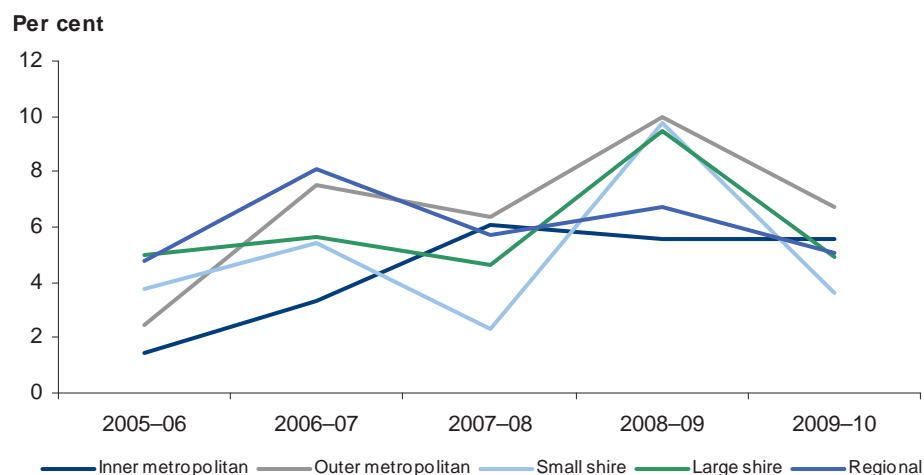
The longer-term indicators signify whether there is adequate funding available to cover long-term debt and for spending on asset replacement to enable the council to maintain the quality of service delivery, meet community expectations and the demand for services. The long-term indicators are indebtedness, self-financing, capital replacement and renewal gap.

Appendix E of the Acquittal Report describes the sustainability indicators and risk assessment criteria we use.

3.3.1 Underlying result

Figure 3C shows the average underlying result for all council categories has fluctuated since 2005–06. The average underlying result has been consistently above the benchmark zero per cent and is considered low risk.

Figure 3C
Average underlying result

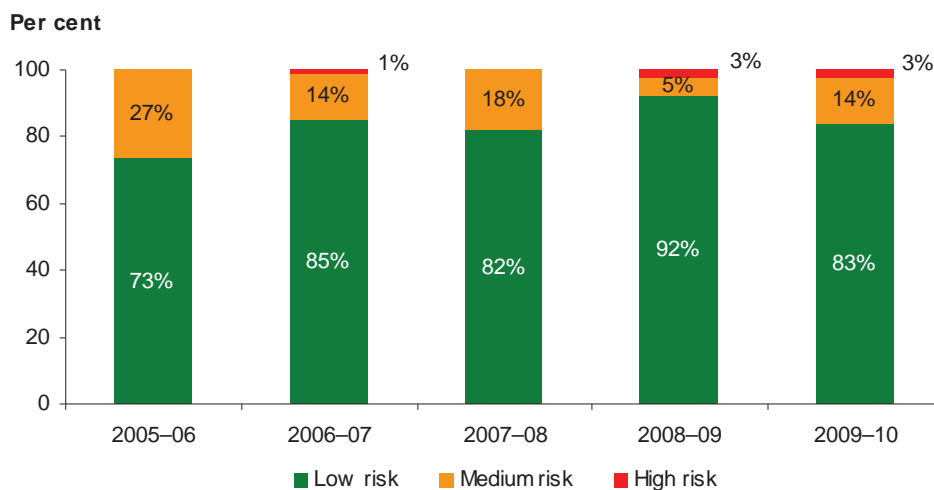


Source: Victorian Auditor-General's Office.

Figure 3D shows 17 per cent of councils (14 of 79) generated an operating deficit in 2009-10. This is an adverse trend from 2008-09 that needs to be monitored.

The number of councils whose underlying result was assessed as a medium financial sustainability risk has increased from four in 2008-09 to 11 in 2009-10. This can be linked to the additional grant payment councils received in June 2009. Effectively, as a result of the bushfires, councils collectively received from the Commonwealth extra funding of \$113 million in 2008-09, improving the underlying results reported in that year. The decrease in underlying results in 2009-10 reflects a movement back to receiving four quarterly grant payments a year.

Figure 3D
Underlying result risk assessment



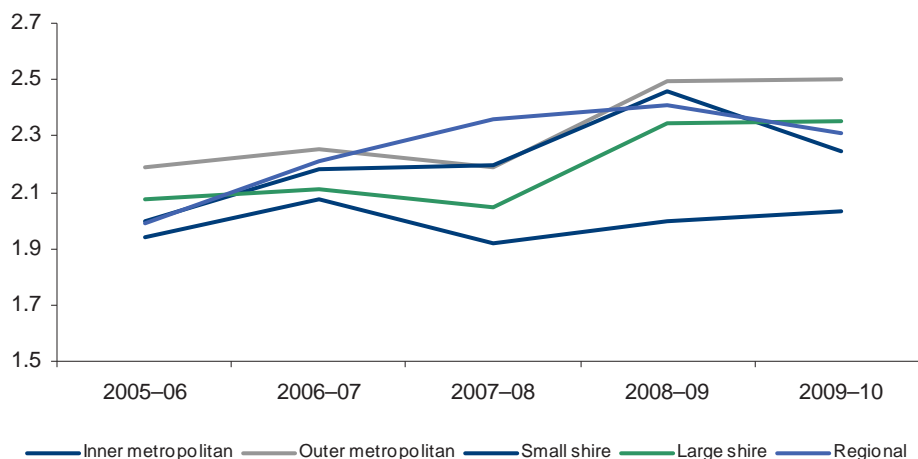
Source: Victorian Auditor-General's Office.

3.3.2 Liquidity

Figure 3E shows that overall the ability of councils to repay their short-term financial obligations has improved over the five-year period. Importantly, the average liquidity ratio for all local government groups is above 1.5 indicating no immediate operating concerns.

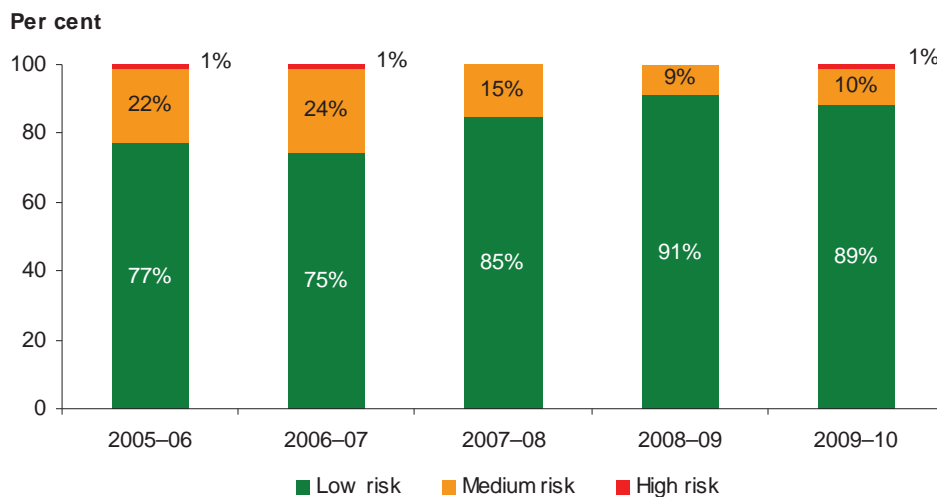
The liquidity assessments are summarised in Figure 3F. One council had higher current liabilities than current assets at 30 June 2010.

Figure 3E
Average liquidity ratio



Source: Victorian Auditor-General's Office.

Figure 3F
Liquidity risk assessment



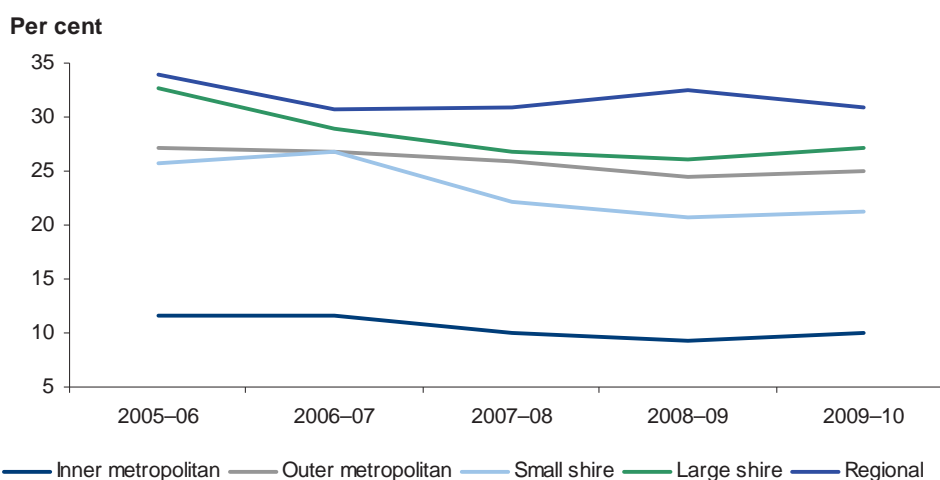
Source: Victorian Auditor-General's Office.

3.3.3 Indebtedness

Figure 3G shows that over the past five years, the average self-financing ratio for most council categories has been relatively consistent. The results varied significantly between councils, with the highest relative debt ratio being 92.95 per cent and the lowest being 1.23 per cent.

The inner metropolitan councils have the lowest indebtedness of all council groups, and the greatest capacity to increase revenue through fees and charges. As a result, there is a low risk that inner metropolitan councils will not service their debt. Conversely, regional councils have the highest indebtedness and more limited discretionary revenue options. For regional councils debt needs to be actively managed and monitored.

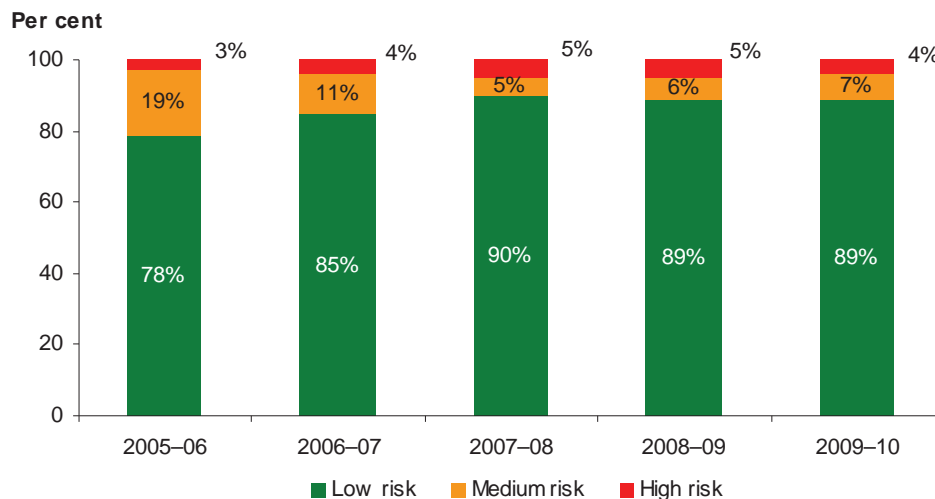
Figure 3G
Average indebtedness indicator



Source: Victorian Auditor-General's Office.

Figure 3H shows that three councils were assessed as having high-risk indebtedness assessments in 2009-10. The percentage of councils assessed as having a medium indebtedness risk has improved progressively from our first assessment in 2005-06. This indicates councils are focused on maintaining debt at sustainable levels.

Figure 3H
Indebtedness risk assessment



Source: Victorian Auditor-General's Office.

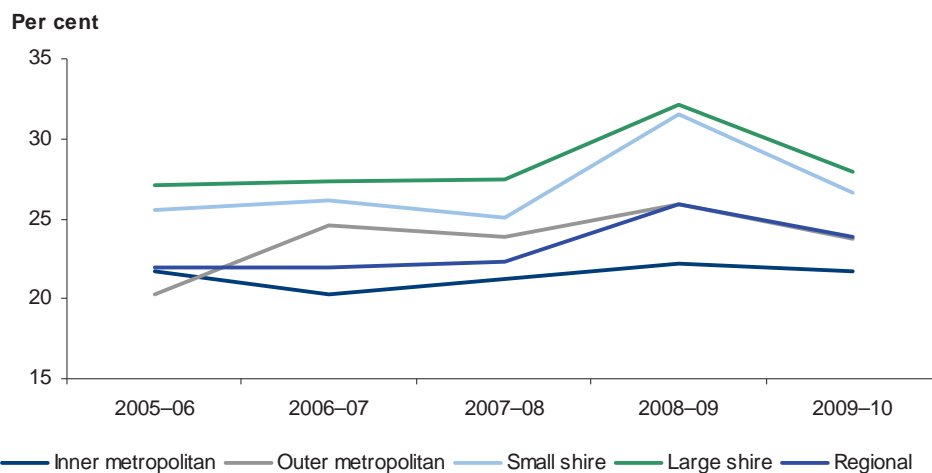
3.3.4 Self-financing

The average self-financing ratio across all council categories has been consistently over the minimum 20 per cent low-risk benchmark for the past five years, as shown in Figure 3I. This indicates that the sector can effectively replace consumed assets over the longer-term using income generated from operations.

The spike in 2008-09 is as a result of councils collectively receiving an additional \$113 million of grant funding as part of the Commonwealth response to the bushfires which occurred in that year. All councils received five grant payments in 2008-09, compared to the normal four quarterly payments received in 2009-10.

As shown in Figure 3J, no councils had high-risk self-financing assessments in 2009-10. Figure 3J also shows the incidence of high-risk and medium-risk self-financing assessments is decreasing year on year, demonstrating that councils are increasing their own-source revenue.

Figure 3I
Average self-financing indicator



Source: Victorian Auditor-General's Office.

Figure 3J
Self-financing risk assessment



Source: Victorian Auditor-General's Office.

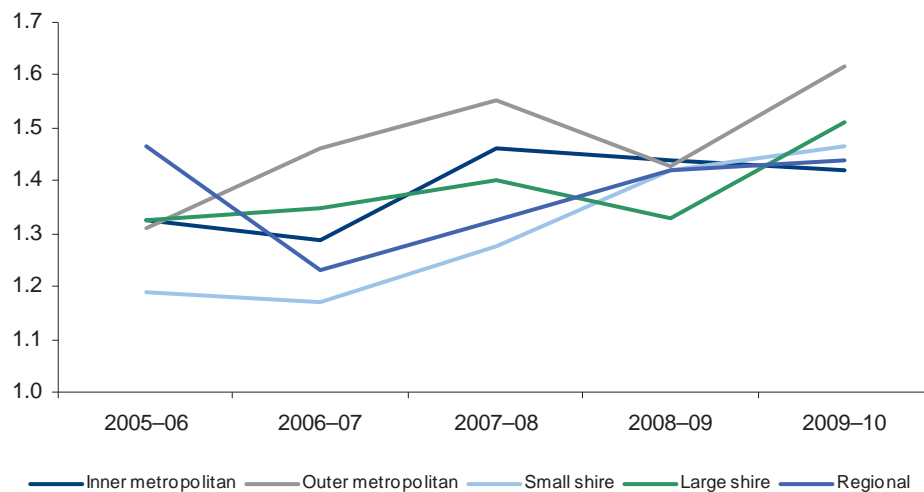
3.3.5 Capital replacement

Figure 3K shows the average capital replacement indicator across all council categories has improved over the five-year period. Aggregate capital spending on infrastructure, property, plant and equipment has consistently and significantly exceeded aggregate depreciation and amortisation.

While small shire councils were the most challenged group in 2005–06, the spending by these councils has grown each year to achieve parity with the other council groups.

Outer metropolitan councils have the highest spending on assets; however this indicator needs to be assessed in conjunction with the renewal gap indicator. As these councils service growth corridors, spending on new infrastructure can be high which drives a higher capital replacement result.

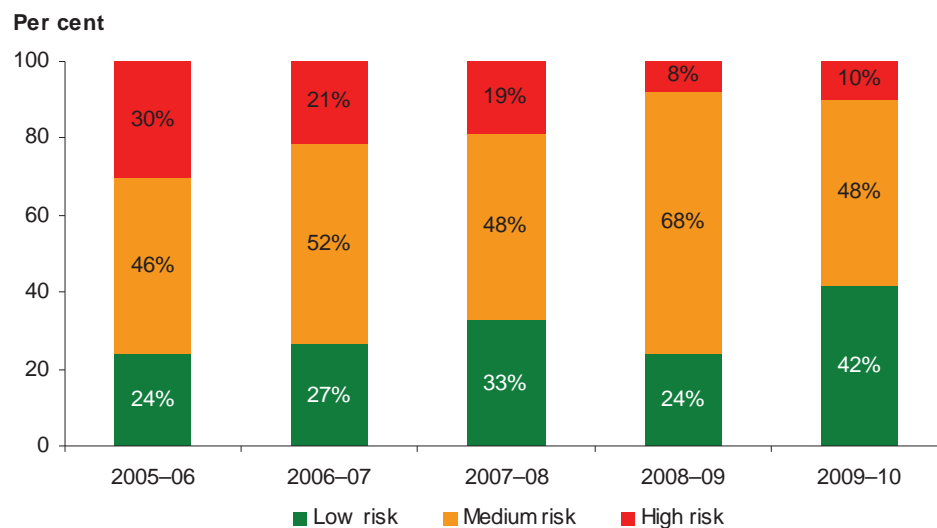
Figure 3K
Average capital replacement indicator



Source: Victorian Auditor-General's Office.

Figure 3L shows 10 per cent of councils (eight of 79) had a high-risk capital replacement indicator of equal to, or less than, one in 2009–10.

Figure 3L
Capital replacement risk assessment



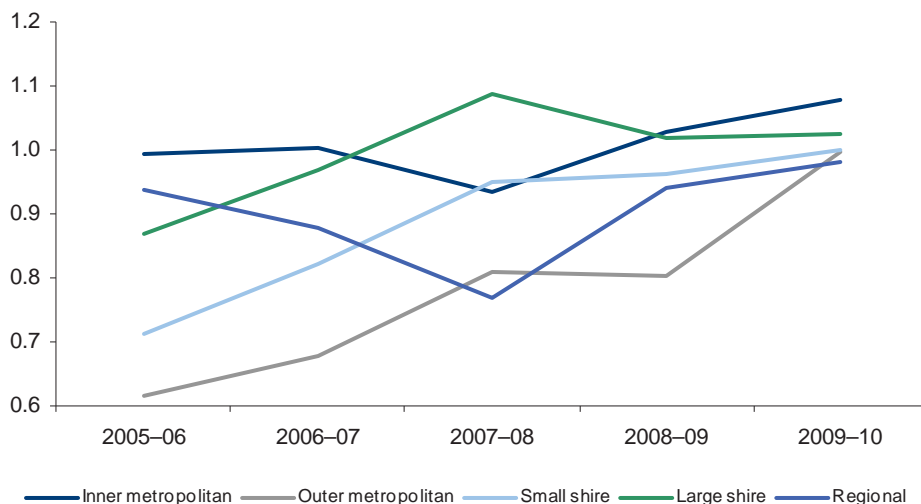
Source: Victorian Auditor-General's Office.

3.3.6 Renewal gap

Figure 3M shows the average renewal gap indicator across all council categories has improved over the five-year period. Aggregate spending on the renewal, restoration and maintenance of existing infrastructure, property, plant and equipment is at a rate in 2009–10 approximate to the rate at which those assets are depreciating.

The outer metropolitan councils and small shire councils have steadily increased spending on asset renewal from 2005–06 to 2009–10. Importantly, the 2009–10 assessment shows all council groups are spending at or about the 1:1 level for the first time.

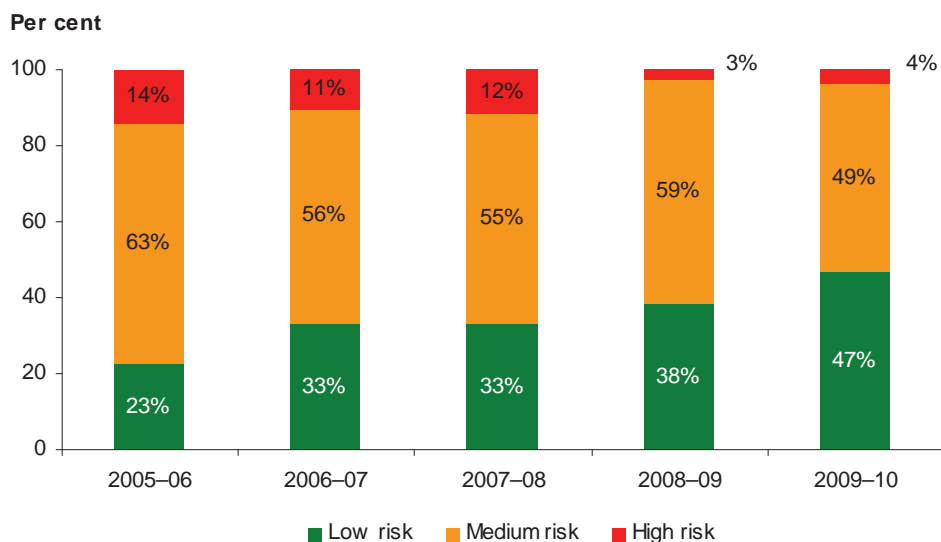
Figure 3M
Average renewal gap indicator



Source: Victorian Auditor-General's Office.

Figure 3N, shows that 4 per cent of councils (three of 79) had a high-risk renewal gap ratio of equal to, or less than, 0.5 in 2009-10.

Figure 3N
Renewal gap risk assessment



Source: Victorian Auditor-General's Office.

3.4 Financial sustainability risk assessment

A summary of the five-year average financial sustainability results for each council category is provided in Figure 30.

Figure 30
2009–10 overall financial sustainability risk assessment

Category	High	Medium	Low
Councils			
Inner metropolitan	–	1	16
Outer metropolitan	–	1	13
Regional city	–	–	11
Large shire	–	–	15
Small shire	1	2	19
Total	1	4	74
Regional library corporations	2	3	7

Source: Victorian Auditor-General's Office.

The result for 2009–10 shows that the sector is improving its financial sustainability year on year. The number of councils with an overall low-risk assessment has increased from 71 to 74.

The number of medium rated councils has dropped to four, down from 15 in 2007–08 and eight in 2008–09. However, Buloke Shire Council's overall assessment has declined from medium risk in 2008–09 to high risk in 2009–10 due to deteriorating liquidity. There were no high-risk rated councils in 2008–09.

The capital replacement and renewal indicators have been assessed as medium risk for all council groups. This means the sector needs to continue addressing the challenge of spending to maintain existing assets.

3.4.1 Inner metropolitan councils

The overall financial sustainability for inner metropolitan councils has been assessed as low risk in Figure 3P.

Figure 3P
Inner metropolitan councils—five-year average
financial sustainability risk assessment 2006 to 2010

Inner metropolitan	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Banyule	3.25	4.47	41.81	21.35	1.16	0.77	●
Bayside	4.33	1.31	22.03	21.57	1.34	0.64	●
Boroondara	6.34	1.52	5.97	26.90	1.52	1.44	●
Darebin	4.15	1.95	5.08	21.62	1.06	0.81	●
Glen Eira	9.10	1.99	12.95	28.76	1.84	1.55	●
Hobsons Bay	6.72	1.56	2.59	22.93	1.40	1.19	●
Kingston	3.89	1.32	2.74	17.96	0.94	1.03	●
Maribyrnong	3.89	2.01	13.33	23.62	1.52	0.87	●
Maroondah	3.26	2.65	1.66	17.92	1.26	0.72	●
Melbourne	1.91	2.94	3.28	20.61	1.83	0.68	●
Monash	0.03	1.10	8.93	16.42	1.27	0.71	●
Moonee Valley	6.40	1.71	15.66	22.76	1.49	1.39	●
Moreland	-0.41	1.25	20.29	23.17	1.12	0.77	●
Port Phillip	7.42	2.24	4.37	15.38	1.73	1.23	●
Stonnington	9.94	2.38	4.85	27.98	1.59	1.17	●
Whitehorse	-0.61	3.12	2.83	22.31	1.25	0.84	●
Yarra	5.22	1.06	1.65	17.75	1.27	1.09	●
Category average	4.40	2.03	10.00	21.71	1.39	1.00	●
Category risk assessment	Low	Low	Low	Low	Medium	Medium	Low

Source: Victorian Auditor-General's Office.

Kingston City Council continues to be assessed overall as a medium sustainability risk with their average capital replacement ratio remaining below one over the five-year period. An analysis of the forecast from 2011 shows that the level of spending on capital replacement is planned to improve and the indicator will be greater than one from 2011.

The average underlying deficits for Whitehorse and Moreland councils are primarily attributed to operating losses in 2006 and 2007. Without surpluses these councils will have reduced funding with which to maintain existing assets and purchase new assets. This is reflected in the medium-risk rating both councils received for the capital replacement and renewal gap indicators. However, the underlying result trend has improved over the five-year period and an analysis of forecast figures shows both councils are budgeting for surpluses between 2010–11 and 2012–13.

3.4.2 Outer metropolitan councils

The overall financial sustainability for outer metropolitan councils has been assessed as low risk in Figure 3Q.

Figure 3Q
Outer metropolitan councils—five-year average financial sustainability indicator results 2006 to 2010

Outer metropolitan	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Brimbank	7.77	2.50	18.22	27.18	1.42	0.81	●
Cardinia	5.53	1.96	84.91	23.22	2.18	0.65	●
Casey	6.98	1.84	28.78	18.04	2.30	0.80	●
Frankston	0.36	1.69	1.66	19.08	1.11	0.61	●
Greater Dandenong	7.70	2.28	22.79	21.52	1.27	0.75	●
Hume	11.51	2.07	21.60	29.22	1.83	0.61	●
Knox	4.54	2.24	8.91	17.80	1.29	0.81	●
Manningham	13.50	2.02	2.11	19.72	1.65	1.04	●
Melton	3.70	2.16	43.00	17.60	1.33	0.33	●
Mornington Peninsula	2.00	1.48	32.03	21.30	1.18	0.85	●
Nilumbik	5.56	2.44	36.42	20.68	1.59	1.21	●
Whittlesea	5.47	3.97	35.32	29.54	1.14	0.59	●
Wyndham	11.44	5.23	8.30	49.84	1.35	0.91	●
Yarra Ranges	6.43	3.12	6.75	17.44	1.01	1.09	●
Category average	6.61	2.50	25.06	23.73	1.47	0.79	●
Category risk assessment	Low	Low	Low	Low	Medium	Medium	Low

Source: Victorian Auditor-General's Office.

The indebtedness rating for Cardinia Shire Council is high at 84.91 and indicates a risk for the council. Forecast results for 2010–11 to 2012–13 shows a significant decrease in the indebtedness indicator. A strong underlying result and self-financing ratio indicate the council should have the ability to service the debt.

Melton Shire Council has recorded a high-risk renewal gap each year over the five-year period, indicating capital spending on the renewal, restoration and replacement of existing infrastructure, property, plant and equipment is insufficient. A medium-risk self-financing ratio indicates that the council may not be able to replace consumed assets over the long-term using income generated by their operations.

3.4.3 Regional city councils

The overall financial sustainability for regional city councils has been assessed as low risk in Figure 3R.

Figure 3R
Regional city councils—five-year average
financial sustainability risk assessment 2006 to 2010

Regional city	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Ballarat	7.70	2.49	13.12	29.15	1.22	1.00	●
Greater Bendigo	8.18	1.86	9.03	29.59	1.49	0.88	●
Greater Geelong	6.76	1.79	25.84	19.09	1.47	0.84	●
Greater Shepparton	4.62	1.69	7.91	24.63	1.18	0.81	●
Horsham	9.29	2.87	19.53	28.62	1.34	0.83	●
Latrobe	6.63	2.24	50.55	28.62	1.33	0.99	●
Mildura	9.87	1.64	32.77	24.47	1.66	0.93	●
Swan Hill	-0.61	2.25	24.73	16.25	1.13	0.80	●
Wangaratta	9.30	1.73	41.02	24.97	1.54	0.79	●
Warrnambool	3.62	1.73	22.23	17.67	1.27	0.90	●
Wodonga	1.50	5.11	92.95	19.79	1.49	1.13	●
Category average	6.08	2.31	30.88	23.90	1.38	0.90	●
Category risk assessment	Low	Low	Low	Low	Medium	Medium	Low

Source: Victorian Auditor-General's Office.

The high indebtedness result for Wodonga City Council remains. Forecast results to 2012–13 show no significant decrease in the indebtedness indicator. The level of indebtedness will remain high to medium in the short- to medium-term due in part to the council's long-term investment in industrial development land, known as LOGIC. As at 30 June 2010, the council reported the value of LOGIC to be \$27.2 million compared to total interest bearing liabilities of \$30.3 million. The sale of LOGIC at its current value will not extinguish all of council's debt, however the council has additional cash reserves of \$11 million.

The increased spending on capital works in 2009–10 by Swan Hill Rural City Council has resulted in their overall sustainability assessment improving from medium risk to low risk. Forecast figures indicate capital spending will be greater than depreciation for the next three financial years.

3.4.4 Large shire councils

The overall financial sustainability for large shire councils has been assessed as low risk in Figure 3S.

Figure 3S
Large shire councils—five-year average
financial sustainability risk assessment 2006 to 2010

Large shire	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Baw Baw	3.54	1.77	39.73	20.44	1.78	1.16	●
Campaspe	3.82	4.44	22.34	24.01	1.22	0.85	●
Colac Otway	1.74	2.18	27.07	31.53	1.21	1.06	●
Corangamite	5.23	2.27	19.02	28.32	1.21	0.90	●
East Gippsland	16.36	3.64	20.63	29.82	1.38	1.12	●
Glenelg	9.40	2.91	22.03	26.78	1.44	1.24	●
Macedon Ranges	13.30	1.52	20.99	28.55	1.95	1.14	●
Mitchell	8.66	2.12	21.41	28.87	1.52	0.85	●
Moira	3.09	1.87	72.76	24.88	1.35	1.05	●
Moorabool	-5.67	1.17	29.55	29.29	1.15	0.86	●
Moyne	6.43	1.60	7.02	35.74	1.36	1.19	●
South Gippsland	8.44	2.79	7.28	27.12	1.16	0.75	●
Southern Grampians	6.17	2.85	32.83	26.28	1.39	0.77	●
Surf Coast	3.43	1.96	30.84	24.95	1.33	0.71	●
Wellington	4.82	2.23	33.24	33.11	1.30	1.09	●
Category average	5.92	2.35	27.12	27.98	1.38	0.98	●
Category risk assessment	Low	Low	Low	Low	Medium	Medium	Low

Source: Victorian Auditor-General's Office.

The indebtedness rating of Moira Shire Council is high at 72.76 and is a risk for the council. Forecast results for 2010–11 to 2012–13 shows a decrease in the indebtedness ratio. A strong underlying result and self-financing ratio indicate the council should have the ability to service the debt.

For 12 of the 15 large shire councils, the capital replacement indicator has been assessed as a medium risk. The renewal gap ratio also indicates low spending on renewing, restoring and replacing existing assets.

3.4.5 Small shire councils

The overall financial sustainability for small shire councils has been assessed as low risk in Figure 3T.

Figure 3T
Small shire councils—five-year average
financial sustainability risk assessment 2006 to 2010

Small shire	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Ararat	5.62	2.71	1.23	22.53	1.19	0.86	●
Alpine	3.19	1.91	21.57	20.80	1.32	0.90	●
Bass Coast	11.15	2.11	14.51	31.53	1.72	1.18	●
Benalla	1.89	1.64	47.27	21.06	1.15	0.90	●
Borough of Queenscliffe	5.24	1.61	21.20	20.38	2.10	1.40	●
Buloke	-5.12	0.41	13.64	15.29	1.04	0.88	●
Central Goldfields	-4.96	1.64	59.67	24.20	1.33	0.52	●
Gannawarra	1.97	2.61	30.00	26.67	1.20	0.85	●
Golden Plains	11.32	1.71	22.37	25.92	1.92	0.95	●
Hepburn	2.94	1.83	25.72	33.59	1.19	0.80	●
Hindmarsh	13.41	2.54	1.87	32.65	1.50	1.13	●
Indigo	10.00	1.57	10.06	35.37	1.43	1.02	●
Loddon	4.44	3.59	31.18	30.71	1.08	0.70	●
Mansfield	11.86	4.09	24.89	26.45	1.13	0.74	●
Mount Alexander	-2.55	2.34	18.19	28.40	0.90	0.70	●
Murrindindi	6.71	2.59	29.03	22.71	1.37	0.99	●
Northern Grampians	2.65	1.50	15.80	24.56	1.13	0.76	●
Pyrenees	15.43	4.01	30.87	30.02	1.47	1.09	●
Strathbogie	1.32	1.54	28.59	25.11	1.21	0.59	●
Towong	6.01	2.28	10.62	23.53	1.15	0.90	●
West Wimmera	5.04	1.68	2.66	30.06	1.20	1.07	●
Yarriambiack	1.32	3.55	5.49	35.26	0.97	0.71	●
Category average	4.95	2.25	21.20	26.67	1.30	0.89	●
Category risk assessment	Low	Low	Low	Low	Medium	Medium	Low

Source: Victorian Auditor-General's Office.

The results show that three of 22 small shire councils reported an average underlying deficit for the five-year period. This is an improvement from six in 2008–09 and eight in 2007–08.

The councils with continuing operating deficits are at a higher risk of long-term sustainability issues, particularly where the other long-term indicators are also rated as high risk.

In 2009–10, Buloke Shire Council's sustainability assessment worsened from medium risk to high risk. Buloke Shire Council has a high-risk liquidity ratio due to a reduced level of cash inflows since 2008–09. Forecast results for 2010–11 to 2012–13 for Buloke Shire Council show an improving liquidity ratio; however it is not budgeted to exceed one. This means that Buloke Shire Council must rely on new funds generated in the next financial year to meet their short-term obligations. Buloke Shire Council will need to review and monitor this position closely.

The increased spending on capital works in 2009–10 by Hepburn Shire Council has resulted in their overall sustainability assessment improving from medium risk to low risk. Forecast figures indicate capital spending will be greater than depreciation for the next three financial years.

3.4.6 Regional library corporations

Regional library corporations (RLCs) generate little of their own revenue, and are highly dependent on the annual contributions from councils. In 2009–10, 71 per cent of RLC funding was from council contributions compared to 76 per cent in 2008–09.

The high dependence on council contributions and grants compared to the low proportion of self-generated user fees and charges, which was 2 per cent of total revenue, means that RLCs have little or no flexibility in their financial capacity. RLCs must focus on containing their operational requirements within their existing revenue streams.

The overall financial sustainability for RLCs has been assessed as low risk in Figure 3U. However, the overall financial sustainability of RLCs has worsened since 2008–09, when there were no RLCs rated as high risk.

The number of RLCs assessed as having underlying deficits has increased from two in 2008–09, to five in 2009–10. An underlying deficit is not sustainable in the long-term and indicates that these RLCs need to continue to work with their member councils to look at strategies to control expenditure, increase self-generated income or increase funding for the RLC.

Three RLCs have recorded high-risk capital replacement ratios which indicates that spending on capital assets is not keeping pace with the depreciation of these assets.

Figure 3U
Regional library corporations—
financial sustainability risk assessment 2009–10

Regional library corporations	Underlying result (%)	Liquidity	Capital replacement	Sustainability assessment
Casey – Cardinia	-2.32	2.25	1.36	●
Central Highlands	0.19	1.10	1.06	●
Corangamite	-4.05	2.02	0.75	●
Eastern	1.23	1.65	1.37	●
Geelong	11.01	1.70	1.29	●
Goulburn Valley	-1.03	0.85	1.14	●
High Country	1.00	2.05	1.12	●
North Central Goldfields	10.68	3.95	1.28	●
West Gippsland	2.23	2.92	0.98	●
Whitehorse Manningham	-4.93	1.16	0.75	●
Wimmera	20.17	1.95	1.09	●
Yarra Plenty	-8.84	0.92	1.05	●
Category average	2.11	1.88	1.10	●
Category risk assessment	Low	Low	Medium	Low

Source: Victorian Auditor-General's Office.

Goulburn Valley RLC and Yarra Plenty RLC have been assessed as high risk. Both RLCs have a liquidity ratio of less than one. The poor liquidity ratio is the result of lower cash inflow in 2009–10 compared to 2008–09. As a result, current assets do not cover their current liabilities as at the 30 June 2010 indicating that these RLCs may not be able to meet their short-term liabilities when they are due. This risk is mitigated by both RLCs having commitments to receive council contributions in the new financial year to meet the operating costs of the libraries in 2010–11. If not for the continuing financial commitment of the member councils, the financial sustainability issues of these libraries would lead to qualified audit opinions.

Appendix A.

Audit status

Inner metropolitan councils and associated entities

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Banyule	●		✓	15 Sep 2010	●	
Bayside	●		✓	10 Sep 2010	●	
Boroondara	●		✓	3 Sep 2010	●	
Darebin	●		✓	8 Sep 2010	●	
Glen Eira	●		✓	24 Sep 2010	●	
Hobsons Bay	●		✓	23 Sep 2010	●	
Kingston	●		✓	13 Sep 2010	●	
Maribyrnong	●		✓	2 Sep 2010	●	
Maroondah	●		✓	3 Sep 2010	●	
Melbourne	●		✓	8 Sep 2010	●	
City Wide Service Solutions Pty Ltd		C	✓	12 Aug 2010	●	
Melbourne Wholesale Fish Market Pty Ltd		C	✓	17 Aug 2010	●	
Queen Victoria Market Pty Ltd		C	✓	17 Aug 2010	●	
Regent Management Company Pty Ltd		C	✓	29 Sep 2010	●	
Sustainable Melbourne Trust Fund		O	✓	27 Sep 2010	●	
Monash	●		✓	9 Sep 2010	●	
Moonee Valley	●		✓	21 Sep 2010	●	
Moreland	●		✓	10 Sep 2010	●	
Port Phillip	●		✓	9 Sep 2010	●	
Stonnington	●		✓	8 Sep 2010	●	
Prahran Market Pty Ltd		C	✓	10 Sep 2010	●	

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES – continued						
Whitehorse	●		✓	27 Aug 2010	●	
Yarra	●		✓	23 Sep 2010	●	
2009–10 Total number of entities = 23	17	6			23	0
				Per cent	100	0
2008–09 Total number of entities = 23	17	6			23	0
				Per cent	100	0

Note: Non-LG audit types: RLC – Regional library corporation, A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

(a) Includes performance statement for all councils.

Source: Victorian Auditor-General's Office.

Outer metropolitan councils and associated entities

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Brimbank	●		✓	8 Sep 2010	●	
Cardinia	●		✓	28 Sep 2010	●	
Casey	●		✓	8 Sep 2010	●	
Frankston	●		✓	22 Sep 2010	●	
Greater Dandenong	●		x ^(b)	24 Sep 2010	●	
Hume	●		✓	23 Sep 2010	●	
Knox	●		✓	16 Sep 2010	●	
Manningham	●		✓	8 Sep 2010	●	
<i>Manningham Centre Association</i>		A	✓	9 Nov 2010		●
Melton	●		✓	15 Sep 2010	●	
Mornington Peninsula	●		✓	2 Sep 2010	●	
Nillumbik	●		✓	3 Sep 2010	●	
Whittlesea	●		✓	29 Sep 2010	●	
Wyndham	●		✓	9 Sep 2010	●	
Yarra Ranges ^(c)	●		✓	20 Sep 2010	●	
2009–10 Total number of entities = 15	14	1			14	1
				Per cent	93	7
2008–09 Total number of entities = 14	14	0			13	1
				Per cent	93	7

Note: Non-LG audit types: RLC – Regional library corporation, A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

Note: (a) Includes performance statement for all councils.

(b) Only financial statement received a qualification.

(c) Only performance statement received a qualification.

Source: Victorian Auditor-General's Office.

Regional city councils and associated entities

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Ballarat	●		✓	10 Sep 2010	●	
Greater Bendigo	●		✓	20 Sep 2010	●	
Greater Geelong	●		✓	27 Aug 2010	●	
Greater Shepparton	●		✓	24 Sep 2010	●	
Horsham	●		✓	24 Sep 2010	●	
Latrobe	●		✓	15 Sep 2010	●	
Mildura	●		✓	28 Sep 2010	●	
<i>Mildura Airport Pty Ltd</i>		C	✓	28 Sep 2010	●	
Swan Hill	●		✓	24 Sep 2010	●	
Wangaratta	●		✓	24 Sep 2010	●	
Warrnambool	●		✓	8 Sep 2010	●	
Wodonga	●		✓	23 Sep 2010	●	
2009–10 Total number of entities = 12	11	1			12	0
				Per cent	100	0
2008–09 Total number of entities = 12	11	1			11	1
				Per cent	92	8

Note: Non-LG audit types: RLC – Regional library corporation, A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

(a) Includes performance statement for all councils.

Source: Victorian Auditor-General's Office.

Large shire councils

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Baw Baw	●		✓	20 Sep 2010	●	
Campaspe	●		✓	8 Sep 2010	●	
Colac-Otway	●		✓	29 Sep 2010	●	
Corangamite	●		✓	29 Sep 2010	●	
East Gippsland	●		✓	20 Sep 2010	●	
Glenelg	●		✓	3 Sep 2010	●	
Macedon Ranges	●		✓	21 Sep 2010	●	
Mitchell	●		✓	8 Sep 2010	●	
Moira	●		✓	28 Sep 2010	●	
Moorabool	●		✓	24 Sep 2010	●	
Moyne	●		✓	3 Sep 2010	●	
South Gippsland	●		✓	24 Sep 2010	●	
Southern Grampians	●		✓	3 Sep 2010	●	
Surf Coast	●		✓	30 Aug 2010	●	
Wellington	●		✓	15 Sep 2010	●	
2009–10 Total number of entities = 15	15	0		Per cent	15	0
2008–09 Total number of entities = 15	15	0		Per cent	15	0

Note: (a) Includes performance statement for all councils.
Source: Victorian Auditor-General's Office.

Small shire councils

Entity	Audit types		Financial statements ^(a)		Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010
COMPLETED AUDITS WITH 30 JUNE 2010 BALANCE DATES						
Alpine ^(b)	●		✓	10 Sep 2010	●	
Ararat	●		✓	3 Sep 2010	●	
Bass Coast	●		✓	23 Sep 2010	●	
Benalla	●		✓	13 Sep 2010	●	
Buloke	●		✓	29 Sep 2010	●	
Central Goldfields	●		✓	28 Sep 2010	●	
Gannawarra	●		✓	15 Sep 2010	●	
Golden Plains	●		✓	10 Sep 2010	●	
Hepburn	●		✓	27 Sep 2010	●	
Hindmarsh	●		✓	24 Sep 2010	●	
Indigo	●		✓	20 Sep 2010	●	
Loddon	●		✓	16 Sep 2010	●	
Mansfield	●		✓	24 Sep 2010	●	
Mount Alexander	●		✓	29 Sep 2010	●	
Murrindindi	●		✓	28 Sep 2010	●	
Northern Grampians	●		✓	3 Sep 2010	●	
Pyrenees	●		✓	9 Sep 2010	●	
Queenscliffe	●		✓	16 Sep 2010	●	
Strathbogie	●		✓	16 Sep 2010	●	
Towong	●		✓	28 Sep 2010	●	
West Wimmera	●		✓	28 Sep 2010	●	
Yarriambiack	●		✓	28 Sep 2010	●	

Entity	Audit types		Financial statements ^(a)			Finalised within statutory time frame	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2010	After 30 Sep 2010	
	22	0			22	0	
2009–10 Total number of entities = 22				Per cent	100	0	
2008–09 Total number of entities = 22				Per cent	21	1	
					95	5	

Note: (a) Includes performance statement for all councils.

(b) Performance statement was not prepared.

Source: Victorian Auditor-General's Office.

Regional library corporations

Entity	Audit types		Financial statements ^(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before	After
					30 Sep 2010	30 Sep 2010
Regional library corporations						
Casey-Cardinia	●		✓	15 Sep 2010	●	
Central Highlands	●		✓	23 Sep 2010	●	
Corangamite	●		✓	28 Sep 2010	●	
Eastern	●		✓	10 Sep 2010	●	
Geelong	●		✓	24 Aug 2010	●	
Goulburn Valley	●		✓	21 Sep 2010	●	
High Country	●		✓	23 Sep 2010	●	
North Central Goldfields	●		✓	2 Sep 2010	●	
West Gippsland	●		✓	22 Sep 2010	●	
Whitehorse-Manningham	●		✓	27 Aug 2010	●	
Wimmera	●		✓	24 Sep 2010	●	
Yarra Plenty	●		✓	22 Sep 2010	●	
2009–10 Total number of entities = 12	12	0			12	0
				Per cent	100	0
2008–09 Total number of entities = 12	12	0			11	1
				Per cent	92	8

Note: (a) Includes performance statement for all councils.

Source: Victorian Auditor-General's Office.

Associated companies

Entity	Audit types		Financial statements ^(a)			Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before	After	
					30 Sep 2010	30 Sep 2010	
Associated Companies							
Clayton Landfill Joint Venture		O	✓	30 Aug 2010	●		
RFK Pty Ltd / Community Chef		C	✓	21 Sep 2010	●		
Regional Kitchen Pty Ltd		C	✓	20 Sep 2010	●		
Streetsahead Cleaning Services		A	✓	8 Sep 2010	●		
Wimmera Development Association		A	✓	24 Sep 2010	●		
2009–10 Total number of entities = 5	0	5			5	0	0
2008–09 Total number of entities = 5	0	5			100	0	0
				Per cent	4	1	20
				Per cent	80		

Note: Non-LG audit types: RLC – Regional library corporation, A – Associations Incorporation Act 1981, C – Corporations Act 2001 and O – other reporting framework.

(a) Includes performance statement for all councils.

Source: Victorian Auditor-General's Office.

Appendix B.

Financial sustainability

Inner metropolitan

Figure B1
Underlying result (%) 2006 to 2010

Inner metropolitan councils	Underlying result (%) 2006 to 2010										Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010	Mean	2011	2012	2013						
Banyule City Council	-6.37	0.03	3.54	10.23	8.83	3.25	5.04	0.40	0.00	▲	▲				
Bayside City Council	-1.52	2.00	6.40	6.29	8.48	4.33	8.24	7.13	7.86	▲	■				
Boroondara City Council	1.57	4.80	7.56	7.36	10.39	6.34	6.76	9.36	10.21	▲	▲				
Darebin City Council	0.17	0.49	3.28	9.87	6.95	4.15	3.19	0.37	0.44	▲	▼				
Glen Eira City Council	4.69	5.20	10.06	8.71	16.85	9.10	6.39	6.57	5.99	▲	■				
Hobsons Bay City Council	1.12	5.60	7.04	10.79	9.06	6.72	7.49	5.51	5.91	▲	▼				
Kingston City Council	-3.64	3.90	4.29	7.79	7.09	3.89	5.01	4.98	5.54	▲	▲				
Maribymong City Council	12.14	3.00	4.81	-10.22	9.70	3.89	11.33	9.34	9.53	▼	▼				
Maroondah City Council	-0.51	1.10	3.19	9.31	3.23	3.26	-1.99	-0.43	2.30	■	▲				
Melbourne City Council	8.56	-0.62	12.54	1.89	-12.80	1.91	4.10	3.27	2.83	▼	▼				
Monash City Council	-1.73	2.60	-1.00	-1.05	1.32	0.03	-1.89	-3.76	-3.38	■	■				
Moonee Valley City Council	4.69	3.90	6.57	7.46	9.38	6.40	3.97	3.77	3.68	▲	▼				
Moreland City Council	-6.95	-2.90	1.13	2.89	3.76	-0.41	3.61	4.79	6.66	▲	▲				
Port Phillip City Council	4.42	16.00	12.91	6.64	-2.86	7.42	7.25	4.76	4.94	■	▼				
Stonnington City Council	7.27	9.79	13.87	11.59	7.17	9.94	4.59	5.37	5.84	■	▲				
Whitehorse City Council	-7.16	-4.34	0.75	4.24	3.48	-0.61	1.32	4.01	3.03	▲	■				
Yarra City Council	8.13	6.14	6.34	0.59	4.91	5.22	13.34	12.58	10.69	▼	▼				
Average underlying result (%)	1.46	3.33	6.07	5.55	5.58	4.40	5.16	4.59	4.83						

Source: Victorian Auditor-General's Office.

Figure B2
Liquidity 2006 to 2010

Inner metropolitan councils	Actual					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Banyule City Council	3.23	3.25	3.44	3.78	4.47	3.63	2.02	2.00	2.13	■
Bayside City Council	1.31	1.27	1.51	1.45	1.31	1.37	1.27	1.42	1.61	▲
Boroondara City Council	1.22	1.62	1.75	1.52	1.52	1.53	1.25	1.24	1.25	■
Darebin City Council	1.02	1.14	1.39	1.63	1.95	1.43	1.21	1.14	1.11	▼
Glen Eira City Council	2.08	1.77	1.52	1.47	1.99	1.77	1.38	1.07	0.90	▼
Hobsons Bay City Council	1.33	1.21	1.03	1.64	1.56	1.36	1.24	1.20	1.36	■
Kingston City Council	1.40	1.47	1.60	1.72	1.32	1.50	1.19	1.16	1.12	▼
Maribyrnong City Council	1.72	1.65	1.72	1.86	2.01	1.79	1.52	1.63	1.49	■
Maroondah City Council	2.27	2.98	2.54	2.67	2.65	2.62	1.99	1.47	2.06	■
Melbourne City Council	2.83	5.34	2.83	2.31	2.94	3.25	1.88	1.90	1.89	■
Monash City Council	2.15	2.01	1.66	1.63	1.10	1.71	1.69	1.60	1.67	■
Moonee Valley City Council	1.80	1.48	1.41	1.71	1.71	1.62	1.44	1.48	1.53	▲
Moreland City Council	1.57	1.64	1.52	1.41	1.25	1.48	1.15	1.14	1.15	■
Port Phillip City Council	3.23	2.66	2.22	2.23	2.24	2.51	1.54	1.60	1.58	■
Stonnington City Council	2.00	2.16	2.42	2.67	2.38	2.33	1.93	1.78	1.75	▼
Whitehorse City Council	2.54	2.26	2.67	3.19	3.12	2.76	2.92	2.85	2.57	▼
Yarra City Council	1.25	1.34	1.37	1.07	1.06	1.22	1.39	1.44	1.41	■
Average liquidity	1.94	2.07	1.92	2.00	2.03	1.99	1.59	1.54	1.56	

Source: Victorian Auditor-General's Office.

Inner metropolitan – continued

Figure B3
Indebtedness (%) 2006 to 2010

Inner metropolitan councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Banyule City Council	1.80	1.70	1.48	3.88	41.81	10.13	39.79	37.10	33.88	▼
Bayside City Council	26.10	26.60	24.59	23.43	22.03	24.55	21.12	19.64	18.79	▼
Boroondara City Council	14.60	12.00	8.89	7.52	5.97	9.80	12.60	20.92	34.60	▲
Darebin City Council	5.10	6.00	6.69	6.03	5.08	5.78	4.35	3.56	2.78	▼
Glen Eira City Council	1.70	1.60	1.44	1.62	12.95	3.86	30.33	37.80	35.18	▲
Hobsons Bay City Council	7.90	5.90	4.44	3.83	2.59	4.93	2.75	2.32	1.88	▼
Kingston City Council	17.60	16.30	13.28	11.78	2.74	12.34	2.23	2.06	5.46	▲
Maribymong City Council	40.30	31.80	25.25	19.76	13.33	26.09	8.54	7.46	6.44	▼
Maroondah City Council	5.40	5.00	4.43	1.87	1.66	3.67	1.07	0.90	43.08	▲
Melbourne City Council	1.25	8.41	3.64	3.50	3.28	4.01	1.57	1.60	1.61	▲
Monash City Council	22.70	24.50	26.99	28.74	8.93	22.37	23.80	22.97	22.05	▼
Moonee Valley City Council	19.90	24.30	19.04	19.78	15.66	19.74	17.52	14.90	12.55	▼
Moreland City Council	2.80	13.50	12.26	10.83	20.29	11.94	15.41	15.50	15.48	▲
Port Phillip City Council	9.80	4.20	3.54	3.70	4.37	5.12	2.04	3.31	2.59	▲
Stonnington City Council	7.50	7.40	5.84	5.79	4.85	6.28	4.84	4.15	3.62	▼
Whitehorse City Council	1.11	1.06	4.04	3.68	2.83	2.54	2.94	6.15	5.48	▲
Yarra City Council	11.20	6.00	3.82	2.54	1.65	5.04	0.85	0.86	0.85	▲
Average indebtedness (%)	11.57	11.55	9.98	9.31	10.00	10.48	11.28	11.84	14.49	

Source: Victorian Auditor-General's Office.

Figure B4
Self-financing (%) 2006 to 2010

Inner metropolitan councils	Actual					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Banyule City Council	3.12	14.41	13.57	15.39	21.35	13.57	13.75	10.45	10.18	▼
Bayside City Council	12.95	18.60	21.80	23.15	21.57	19.61	22.99	22.34	22.88	■
Boroondara City Council	19.92	23.00	24.02	27.46	26.90	24.26	26.27	25.50	25.99	■
Darebin City Council	15.07	16.80	16.68	22.55	21.62	18.55	19.39	17.06	16.91	▼
Glen Eira City Council	20.48	23.10	28.08	25.60	28.76	25.20	21.90	22.08	21.18	■
Hobsons Bay City Council	16.67	23.60	24.78	22.00	22.93	22.00	23.44	21.30	21.24	▼
Kingston City Council	11.03	8.08	19.02	19.33	17.96	15.08	16.64	16.79	17.61	▲
Maribyrnong City Council	95.36	28.10	21.83	21.40	23.62	38.06	23.73	22.44	22.23	▼
Maroondah City Council	14.49	14.70	20.66	26.58	17.92	18.87	13.31	17.74	19.32	▲
Melbourne City Council	17.60	19.02	18.09	21.49	20.61	19.36	18.69	18.05	16.55	▼
Monash City Council	14.93	16.90	17.42	17.70	16.42	16.67	16.80	15.03	14.65	▼
Moonee Valley City Council	20.14	25.80	15.55	24.30	22.76	21.71	20.89	20.48	20.53	■
Moreland City Council	13.51	18.07	21.61	20.85	23.17	19.44	19.52	21.03	22.59	▲
Port Phillip City Council	23.60	28.60	25.83	22.37	15.38	23.15	15.69	17.18	17.30	▲
Stonnington City Council	25.60	25.80	27.84	27.41	27.98	26.93	24.03	24.94	25.32	▲
Whitehorse City Council	18.80	19.33	23.28	19.18	22.31	20.58	17.63	17.95	18.60	▲
Yarra City Council	26.61	21.61	20.52	20.18	17.75	21.34	21.51	21.86	20.61	■
Average self-financing (%)	21.76	20.32	21.21	22.17	21.71	21.43	19.78	19.54	19.63	

Source: Victorian Auditor-General's Office.

Inner metropolitan – continued

Figure B5
Capital replacement 2006 to 2010

Inner metropolitan councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Banyule City Council	0.52	0.93	1.75	1.34	1.24	1.16	■	6.44	1.07	0.76	▼
Bayside City Council	1.13	1.18	1.15	1.45	1.77	1.34	▲	1.44	1.30	1.34	■
Boroondara City Council	1.66	1.23	1.12	1.89	1.70	1.52	■	2.24	2.43	2.90	▲
Darebin City Council	0.92	1.02	1.02	1.30	1.03	1.06	▲	1.90	1.24	1.19	▼
Glen Eira City Council	1.41	1.75	2.08	1.80	2.16	1.84	▲	3.54	2.55	1.69	▼
Hobsons Bay City Council	1.31	1.59	1.47	1.18	1.44	1.40	■	1.51	1.43	1.18	▼
Kingston City Council	0.49	0.41	1.13	1.37	1.29	0.94	■	1.49	1.36	1.65	▲
Maribyrnong City Council	2.64	1.09	1.10	1.31	1.48	1.52	▲	1.86	1.70	2.08	▲
Maroondah City Council	0.81	1.25	1.75	1.17	1.31	1.26	■	1.03	1.67	2.58	▲
Melbourne City Council	2.96	1.55	1.48	1.78	1.36	1.83	■	1.17	1.16	1.16	■
Monash City Council	1.00	1.28	1.71	1.11	1.26	1.27	■	1.08	1.08	0.87	▼
Moonee Valley City Council	1.32	1.79	1.38	1.53	1.44	1.49	■	1.30	1.27	1.27	■
Moreland City Council	0.96	0.82	0.99	1.45	1.38	1.12	■	1.33	1.38	1.48	▲
Port Phillip City Council	1.47	2.44	2.30	1.67	0.75	1.73	▼	1.52	1.44	1.47	■
Stonnington City Council	1.50	1.29	1.91	1.23	2.02	1.59	▲	1.67	1.59	1.47	▼
Whitehorse City Council	1.21	1.07	1.31	1.43	1.22	1.25	■	1.08	1.48	1.51	▲
Yarra City Council	1.22	1.21	1.18	1.49	1.27	1.27	■	1.86	1.77	1.67	▼
Average investment gap	1.33	1.29	1.46	1.44	1.42	1.39		1.91	1.52	1.54	

Source: Victorian Auditor-General's Office.

Figure B6
Renewal gap 2006 to 2010

Inner metropolitan councils	2006	2007	2008	2009	2010	Mean	Actual trend
Banyule City Council	-	0.69	0.72	1.01	0.65	0.77	■
Bayside City Council	0.58	0.59	0.52	0.54	0.96	0.64	■
Boroondara City Council	1.73	1.10	1.28	1.84	1.25	1.44	■
Darebin City Council	0.71	0.80	0.75	0.99	0.80	0.81	■
Glen Eira City Council	1.30	1.55	1.59	1.41	1.92	1.55	▲
Hobsons Bay City Council	0.93	1.46	1.38	0.93	1.26	1.19	■
Kingston City Council	-	1.08	0.79	1.11	1.16	1.03	▲
Maribyrnong City Council	0.53	0.49	0.71	0.93	1.68	0.87	▲
Maroondah City Council	0.61	0.72	0.76	0.71	0.81	0.72	▲
Melbourne City Council	0.60	0.69	0.64	0.70	0.76	0.68	■
Monash City Council	-	-	0.69	0.69	0.75	0.71	▲
Moonee Valley City Council	2.26	1.44	0.88	1.22	1.16	1.39	▼
Moreland City Council	0.65	0.57	0.77	1.06	0.81	0.77	■
Port Phillip City Council	0.83	1.81	1.65	1.26	0.61	1.23	▼
Stonnington City Council	1.19	1.07	1.07	1.00	1.51	1.17	■
Whitehorse City Council	-	-	0.67	0.86	0.99	0.84	▲
Yarra City Council	1.01	0.97	1.01	1.21	1.27	1.09	▲
Average renewal gap	0.99	1.00	0.93	1.03	1.08	1.00	

Source: Victorian Auditor-General's Office.

Outer metropolitan

Figure B7
Underlying result (%) 2006 to 2010

Outer metropolitan councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Brimbank City Council	3.23	4.51	10.41	13.94	6.74	7.77	▲	6.81	6.42	3.69	▼
Cardinia Shire Council	6.63	8.47	-2.61	12.97	2.17	5.53	■	2.70	4.66	8.26	▲
Casey City Council	1.86	17.80	10.67	2.01	2.55	6.98	▼	30.84	27.10	26.95	▼
Frankston City Council	-5.71	-2.50	-7.09	16.51	0.61	0.36	▲	4.22	2.35	2.37	▼
Greater Dandenong City Council	8.45	3.84	4.61	8.73	12.87	7.70	▲	12.40	11.44	10.42	▼
Hume City Council	7.15	10.26	15.24	13.59	11.32	11.51	▲	12.21	3.64	5.21	▼
Knox City Council	1.93	2.47	5.53	5.55	7.20	4.54	▲	7.03	1.90	3.27	▼
Manningham City Council	8.90	14.90	16.66	16.66	10.38	13.50	■	11.73	18.63	12.96	■
Melton Shire Council	-2.28	7.78	9.93	2.45	0.61	3.70	■	2.57	0.73	6.18	▲
Mornington Peninsula Shire Council	-1.68	1.70	1.19	2.33	6.45	2.00	▲	5.37	3.23	5.70	■
Nillumbik Shire Council	-1.59	10.70	9.34	1.89	7.43	5.56	■	16.60	7.93	9.05	▼
Whittlesea City Council	5.86	2.33	1.90	9.33	7.92	5.47	▲	1.72	6.45	11.79	▲
Wyndham City Council	4.63	8.33	8.49	21.86	13.91	11.44	▲	18.01	15.43	13.31	▼
Yarra Ranges Shire Council	-2.89	14.60	5.21	11.56	3.66	6.43	■	3.39	0.60	0.53	▼
Average underlying result (%)	2.46	7.51	6.39	9.96	6.70	6.61		9.69	7.89	8.55	

Source: Victorian Auditor-General's Office.

**Figure B8
Liquidity 2006 to 2010**

Outer metropolitan councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Brimbank City Council	2.48	2.23	2.07	2.65	2.50	2.39	■	1.47	1.26	1.19	▼
Cardinia Shire Council	1.73	1.60	1.24	1.31	1.96	1.57	■	1.15	1.15	1.26	■
Casey City Council	3.42	3.54	2.86	1.58	1.84	2.65	▼	3.01	3.27	3.24	■
Frankston City Council	1.61	1.59	1.60	1.97	1.69	1.69	■	1.47	1.34	1.29	▼
Greater Dandenong City Council	0.64	1.11	1.22	1.73	2.28	1.40	▲	1.46	1.52	1.71	▲
Hume City Council	1.02	1.37	1.96	2.03	2.07	1.69	▲	1.01	1.02	1.04	▲
Knox City Council	1.60	1.66	1.78	2.12	2.24	1.88	▲	1.49	1.49	1.49	■
Manningham City Council	1.55	1.82	2.05	2.97	2.02	2.08	■	2.04	1.53	1.46	▼
Melton Shire Council	3.34	2.92	1.89	1.81	2.16	2.42	▼	3.12	3.09	3.49	▲
Mornington Peninsula Shire Council	1.37	1.43	1.45	1.34	1.48	1.41	▲	1.29	1.17	1.16	▼
Nillumbik Shire Council	2.14	2.46	2.26	2.41	2.44	2.34	▲	2.50	2.84	2.50	■
Whittlesea City Council	4.49	4.06	4.16	4.13	3.97	4.16	▼	3.40	3.23	3.34	■
Wyndham City Council	2.89	2.80	2.88	5.20	5.23	3.80	▲	3.22	2.83	2.67	▼
Yarra Ranges Shire Council	2.37	2.99	3.26	3.68	3.12	3.08	▲	1.34	1.24	1.22	▼
Average liquidity	2.19	2.26	2.19	2.50	2.50	2.33		2.00	1.93	1.93	

Source: Victorian Auditor-General's Office.

Outer metropolitan – continued

Figure B9
Indebtedness (%) 2006 to 2010

Outer metropolitan councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Brimbank City Council	30.10	29.00	21.18	15.64	18.22	22.83	16.07	18.62	23.46	▲
Cardinia Shire Council	101.20	97.80	95.97	74.03	84.91	90.78	73.79	67.24	57.15	▼
Casey City Council	18.10	15.10	20.61	23.55	28.78	21.23	34.90	32.15	29.89	▼
Frankston City Council	5.40	5.00	10.70	1.67	1.66	4.89	4.05	18.09	18.45	▲
Greater Dandenong City Council	25.20	22.10	14.24	16.15	22.79	20.10	25.12	37.18	44.67	▲
Hume City Council	20.60	37.20	32.12	28.00	21.60	27.90	19.89	23.76	21.27	■
Knox City Council	9.20	8.37	7.90	8.80	8.91	8.64	21.23	25.97	24.11	▲
Manningham City Council	13.30	13.30	11.34	13.03	2.11	10.62	11.47	9.93	10.68	■
Melton Shire Council	34.70	37.80	36.78	41.01	43.00	38.66	43.32	37.64	33.29	▼
Mornington Peninsula Shire Council	48.20	44.00	40.23	37.23	32.03	40.34	28.20	27.71	26.49	▼
Nillumbik Shire Council	22.60	23.70	35.06	40.50	36.42	31.66	45.25	44.39	39.34	▼
Whittlesea City Council	23.30	21.00	17.95	28.12	35.32	25.14	37.69	35.32	33.07	▼
Wyndham City Council	11.05	8.69	7.71	7.03	8.30	8.56	12.63	21.28	18.86	▲
Yarra Ranges Shire Council	16.40	12.40	10.60	8.64	6.75	10.96	12.33	21.80	20.05	▲
Average indebtedness (%)	27.10	26.82	25.89	24.53	25.06	25.88	27.57	30.08	28.63	

Source: Victorian Auditor-General's Office.

**Figure B10
Self-financing (%) 2006 to 2010**

Outer metropolitan councils	Self-financing (%)										Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010	Mean	2011	2012	2013						
Brimbank City Council	24.09	28.50	34.02	23.83	27.18	27.52	24.55	23.75	19.54	▲	▲	▲	▼		
Cardinia Shire Council	25.11	32.20	22.85	29.46	23.22	26.57	20.42	25.09	26.82	■	■	■	▲		
Casey City Council	28.44	30.60	28.67	27.76	18.04	26.70	26.11	21.63	22.30	▼	■	■	■		
Frankston City Council	21.36	14.10	24.60	24.67	19.08	20.76	22.47	22.43	23.19	■	■	■	■		
Greater Dandenong City Council	22.46	21.80	23.26	27.03	21.52	23.21	27.20	28.38	26.71	■	■	■	■		
Hume City Council	14.49	28.96	31.80	32.60	29.22	27.41	29.79	25.24	21.81	▲	▲	▲	▼		
Knox City Council	14.41	17.26	18.48	19.04	17.80	17.40	12.84	14.81	16.12	▲	▲	▲	▲		
Manningham City Council	24.83	30.30	29.15	30.02	19.72	26.80	29.32	28.59	28.79	■	■	■	■		
Melton Shire Council	19.62	23.98	17.94	20.85	17.60	20.00	18.19	20.33	22.46	■	■	■	▲		
Mornington Peninsula Shire Council	12.65	18.21	13.97	18.87	21.30	17.00	18.97	16.12	18.78	■	■	■	■		
Nillumbik Shire Council	16.25	19.10	17.12	17.81	20.68	18.19	26.83	19.93	20.39	■	■	■	▼		
Whittlesea City Council	19.27	15.90	20.04	25.60	29.54	22.07	22.99	25.58	29.37	▲	▲	▲	▲		
Wyndham City Council	25.10	35.65	32.89	44.57	49.84	37.61	42.20	38.53	37.69	▲	▲	▲	▼		
Yarra Ranges Shire Council	15.81	27.90	18.77	20.92	17.44	20.17	16.61	14.67	15.10	■	■	■	■		
Average self-financing (%)	20.28	24.60	23.83	25.93	23.73	23.67	24.18	23.22	23.51						

Source: Victorian Auditor-General's Office.

Outer metropolitan – continued

Figure B11
Capital replacement 2006 to 2010

Outer metropolitan councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Brimbank City Council	0.90	1.58	1.74	1.39	1.49	1.42	■	2.44	1.91	1.73	▼
Cardinia Shire Council	2.74	2.20	2.50	1.38	2.09	2.18	▼	1.38	1.48	1.35	■
Casey City Council	2.11	2.11	2.69	2.77	1.80	2.30	■	1.60	1.79	2.18	▲
Frankston City Council	0.89	0.90	0.97	1.32	1.47	1.11	▲	1.88	1.89	1.27	▼
Greater Dandenong City Council	1.65	1.19	0.94	1.12	1.47	1.27	■	2.09	2.31	1.94	■
Hume City Council	1.28	2.31	1.41	1.86	2.27	1.83	■	2.79	1.85	1.29	▼
Knox City Council	0.97	1.11	1.29	1.07	2.01	1.29	▲	2.67	1.61	1.34	▼
Manningham City Council	1.79	1.75	1.66	1.30	1.74	1.65	■	2.28	3.13	1.99	■
Melton Shire Council	0.83	1.60	2.04	1.31	0.85	1.33	■	1.27	1.12	1.24	■
Mornington Peninsula Shire Council	1.15	1.13	1.11	1.20	1.31	1.18	▲	1.68	1.47	1.52	■
Nillumbik Shire Council	0.90	1.62	2.34	1.32	1.77	1.59	▲	3.32	1.82	1.88	■
Whittlesea City Council	0.95	0.75	0.63	1.69	1.66	1.14	▲	2.04	1.81	1.82	▼
Wyndham City Council	1.34	1.16	1.50	1.15	1.59	1.35	■	3.14	2.29	1.71	▼
Yarra Ranges Shire Council	0.87	1.04	0.92	1.12	1.10	1.01	▲	2.83	1.63	1.06	▼
Average investment gap	1.31	1.46	1.55	1.43	1.62	1.47		2.24	1.86	1.59	

Source: Victorian Auditor-General's Office.

Figure B12
Renewal gap 2006 to 2010

Outer metropolitan councils	2006	2007	2008	2009	2010	Mean	Actual trend
Brimbank City Council	-	-	0.85	0.83	0.75	0.81	■
Cardinia Shire Council	0.13	0.55	1.31	0.53	0.71	0.65	■
Casey City Council	0.72	0.79	0.86	0.85	0.79	0.80	■
Frankston City Council	0.41	0.34	0.63	0.61	1.05	0.61	▲
Greater Dandenong City Council	0.41	0.68	0.53	0.69	1.43	0.75	▲
Hume City Council	0.40	0.34	0.40	0.85	1.04	0.61	▲
Knox City Council	0.85	0.00	0.00	1.45	1.78	0.81	▲
Manningham City Council	1.16	1.06	1.01	1.00	0.99	1.04	▼
Melton Shire Council	0.39	0.34	0.46	0.45	0.01	0.33	▼
Mornington Peninsula Shire Council	0.59	0.64	0.84	1.05	1.14	0.85	▲
Nillumbik Shire Council	0.96	1.05	1.98	0.54	1.53	1.21	■
Whittlesea City Council	0.62	0.59	0.39	0.76	0.57	0.59	■
Wyndham City Council	-	1.43	1.20	0.63	0.38	0.91	▼
Yarra Ranges Shire Council	0.76	0.99	0.87	0.99	1.82	1.09	■
Average renewal gap	0.62	0.68	0.81	0.80	1.00	0.79	

Source: Victorian Auditor-General's Office.

Regional

Figure B13
Underlying result (%) 2006 to 2010

Regional city councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Ballarat City Council	-7.08	10.30	8.98	16.28	10.01	7.70	■	16.89	11.44	7.70	▼
Greater Bendigo City Council	4.90	11.40	8.89	8.42	7.30	8.18	■	3.44	5.52	8.24	▲
Greater Geelong City Council	5.34	5.10	7.05	13.00	3.30	6.76	■	8.11	7.85	6.17	▼
Greater Shepparton City Council	6.14	6.10	0.50	5.10	5.25	4.62	■	3.92	6.79	4.74	■
Horsham Rural City Council	10.03	12.50	8.02	13.83	2.07	9.29	■	36.88	4.68	7.67	▼
Latrobe City Council	5.40	6.36	6.16	4.96	10.26	6.63	▲	7.04	3.66	3.36	▼
Mildura Rural City Council	11.42	12.40	12.63	9.57	3.32	9.87	■	5.74	5.25	1.98	▼
Swan Hill Rural City Council	0.30	-1.27	-1.73	2.12	-2.47	-0.61	▼	5.66	6.53	7.58	▲
Wangaratta Rural City Council	10.53	9.36	6.06	12.59	7.98	9.30	■	7.40	-0.36	2.27	▼
Warrnambool City Council	-4.74	6.20	10.37	5.76	0.50	3.62	■	8.77	8.19	3.35	▼
Wodonga Rural City Council	10.21	10.39	-3.76	-17.85	8.52	1.50	▼	5.23	2.29	-3.27	▼
Average underlying result (%)	4.77	8.08	5.74	6.71	5.10	6.08		9.92	5.62	4.53	

Source: Victorian Auditor-General's Office.

Figure B14
Liquidity 2006 to 2010

Regional city councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Ballarat City Council	1.70	2.10	1.99	2.54	2.49	2.16	▲	1.68	1.48	1.56	■
Greater Bendigo City Council	1.35	1.58	1.81	1.89	1.86	1.70	▲	1.00	0.95	0.95	▼
Greater Geelong City Council	1.04	1.13	1.36	1.82	1.79	1.43	▲	1.28	1.16	1.13	▼
Greater Shepparton City Council	2.06	2.01	2.05	1.99	1.69	1.96	■	1.26	1.17	1.28	■
Horsham Rural City Council	2.07	2.27	3.01	3.07	2.87	2.66	■	2.00	1.54	1.70	▼
Latrobe City Council	2.06	1.73	2.11	2.20	2.24	2.07	▲	1.14	1.19	1.21	▲
Mildura Rural City Council	1.90	2.27	2.27	2.53	1.64	2.12	▲	1.91	1.59	1.24	▼
Swan Hill Rural City Council	2.23	2.86	2.66	2.51	2.25	2.50	■	1.41	1.40	1.46	■
Wangaratta Rural City Council	1.84	1.92	2.13	1.51	1.73	1.83	■	1.35	1.20	1.12	▼
Warrnambool City Council	1.34	1.92	1.97	1.82	1.73	1.76	▲	1.20	1.16	1.17	▼
Wodonga Rural City Council	4.29	4.52	4.64	4.63	5.11	4.64	▲	3.71	3.19	3.83	■
Average liquidity	1.99	2.21	2.36	2.41	2.31	2.26		1.63	1.46	1.52	

Source: Victorian Auditor-General's Office.

Regional – continued

Figure B15
Indebtedness (%) 2006 to 2010

Regional city councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Ballarat City Council	24.60	19.80	17.43	15.31	13.12	18.05	10.36	9.31	8.64	▼
Greater Bendigo City Council	14.80	9.60	11.39	11.47	9.03	11.26	8.96	9.56	10.39	▲
Greater Geelong City Council	14.30	12.70	12.89	19.18	25.84	16.98	21.84	17.18	17.52	▼
Greater Shepparton City Council	2.90	2.60	2.68	1.98	7.91	3.61	20.07	22.89	30.50	▲
Horsham Rural City Council	37.40	28.60	24.32	22.70	19.53	26.51	30.22	30.02	28.39	▼
Latrobe City Council	33.90	30.30	29.99	44.62	50.55	37.87	41.84	35.07	29.21	▼
Mildura Rural City Council	44.10	45.90	45.71	36.31	32.77	40.96	37.60	34.47	31.39	▼
Swan Hill Rural City Council	49.50	40.30	36.42	27.65	24.73	35.72	26.94	26.82	24.01	▼
Wangaratta Rural City Council	46.70	38.20	49.21	43.00	41.02	43.63	34.80	32.32	28.76	▼
Warrnambool City Council	22.90	23.30	21.42	22.83	22.23	22.53	24.70	20.58	18.01	▼
Wodonga Rural City Council	81.80	86.80	88.33	113.26	92.95	92.63	65.34	60.33	64.13	■
Average indebtedness (%)	33.90	30.74	30.89	32.57	30.88	31.80	29.33	27.14	26.45	

Source: Victorian Auditor-General's Office.

Figure B16
Self-financing (%) 2006 to 2010

Regional city councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Ballarat City Council	21.12	24.80	29.59	34.40	29.15	27.81	▲	29.21	23.89	20.53	▼
Greater Bendigo City Council	25.18	24.60	25.41	32.19	29.59	27.39	▲	26.18	28.75	30.32	▲
Greater Geelong City Council	17.69	22.30	19.15	23.76	19.09	20.40	■	17.99	17.94	19.16	■
Greater Shepparton City Council	25.92	27.87	17.33	24.25	24.63	24.00	■	22.68	25.85	24.25	■
Horsham Rural City Council	42.38	28.96	27.51	39.32	28.62	33.36	■	57.96	31.10	30.92	▼
Latrobe City Council	23.76	21.34	28.01	21.43	28.62	24.63	■	23.41	20.84	20.71	▼
Mildura Rural City Council	28.09	30.21	30.11	26.54	24.47	27.88	■	24.34	24.33	21.57	■
Swan Hill Rural City Council	17.76	11.13	15.51	16.33	16.25	15.40	■	19.74	20.14	22.03	▲
Wangaratta Rural City Council	31.39	23.34	31.76	35.75	24.97	29.44	■	25.58	25.58	24.89	■
Warrnambool City Council	16.80	19.46	21.63	24.89	17.67	20.09	▲	22.35	22.20	18.37	▼
Wodonga Rural City Council	-8.87	7.87	-0.22	6.20	19.79	4.95	▲	17.11	16.46	11.37	▼
Average self-financing (%)	21.93	21.99	22.34	25.91	23.90	23.21		26.05	23.37	22.19	

Source: Victorian Auditor-General's Office.

Regional – continued

Figure B17
Capital replacement 2006 to 2010

Regional city councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Ballarat City Council	0.97	0.90	1.15	1.43	1.65	1.22	▲	1.92	1.47	1.06	▼
Greater Bendigo City Council	1.36	1.11	1.62	1.87	1.51	1.49	▲	2.02	1.83	1.85	■
Greater Geelong City Council	1.22	1.43	1.35	1.76	1.59	1.47	▲	1.62	1.56	1.58	■
Greater Shepparton City Council	1.07	1.18	1.02	1.03	1.61	1.18	■	2.20	1.60	1.52	▼
Horsham Rural City Council	2.10	1.15	1.01	1.29	1.13	1.34	▼	4.22	1.81	1.42	▼
Latrobe City Council	1.16	1.23	1.34	1.33	1.61	1.33	▲	1.93	0.99	1.04	▼
Mildura Rural City Council	1.84	1.82	1.82	1.31	1.52	1.66	▼	2.31	1.73	1.66	▼
Swan Hill Rural City Council	1.27	0.80	0.80	0.93	1.87	1.13	▲	2.23	1.67	1.56	▼
Wangaratta Rural City Council	1.61	1.66	1.19	2.09	1.17	1.54	■	1.77	1.15	1.20	▼
Warrnambool City Council	0.92	1.04	1.48	1.56	1.38	1.27	▲	2.26	1.48	1.16	▼
Wodonga Rural City Council	2.61	1.23	1.82	1.02	0.78	1.49	▼	1.34	1.36	0.95	▼
Average investment gap	1.47	1.23	1.33	1.42	1.44	1.38		2.17	1.51	1.36	

Source: Victorian Auditor-General's Office.

Figure B18
Renewal gap 2006 to 2010

Regional city councils	2006	2007	2008	2009	2010	Mean	Actual trend
Ballarat City Council	0.59	0.84	0.98	1.08	1.50	1.00	▲
Greater Bendigo City Council	0.74	0.90	0.88	1.30	0.60	0.88	■
Greater Geelong City Council	0.82	0.96	0.76	0.84	0.80	0.84	▼
Greater Shepparton City Council	0.67	0.82	0.49	0.83	1.23	0.81	▲
Horsham Rural City Council	0.79	0.75	0.84	0.96	0.79	0.83	■
Latrobe City Council	0.82	1.04	0.97	0.91	1.22	0.99	▲
Mildura Rural City Council	1.07	1.00	0.72	0.77	1.12	0.93	■
Swan Hill Rural City Council	0.50	0.55	0.73	0.82	1.42	0.80	▲
Wangaratta Rural City Council	0.59	0.62	0.74	1.05	0.94	0.79	▲
Warrambool City Council	0.83	0.80	0.87	1.12	0.90	0.90	■
Wodonga Rural City Council	2.91	1.37	0.46	0.67	0.27	1.13	▼
Average renewal gap	0.94	0.88	0.77	0.94	0.98	0.90	

Source: Victorian Auditor-General's Office.

Large shires

Figure B19
Underlying result (%) 2006 to 2010

Large shire councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Baw Baw Shire Council	4.92	3.24	1.10	7.23	1.23	3.54	5.68	-0.87	3.99	▲
Campaspe Shire Council	10.49	8.94	5.75	-4.32	-1.76	3.82	-1.29	0.28	-1.00	▲
Colac Otway Shire Council	5.02	-5.03	0.77	2.79	5.16	1.74	5.66	5.81	5.08	▲
Corangamite Shire Council	1.80	-3.87	9.73	11.76	6.72	5.23	-0.64	2.52	2.75	▲
East Gippsland Shire Council	13.95	16.77	11.40	18.63	21.05	16.36	8.66	18.80	11.33	▲
Glenelg Shire Council	8.48	13.10	7.75	11.76	5.89	9.40	10.99	4.36	4.01	▼
Macedon Ranges Shire Council	6.24	19.40	9.33	17.51	14.02	13.30	0.52	7.10	1.44	▲
Mitchell Shire Council	9.75	5.60	7.26	10.81	9.89	8.66	0.09	1.97	3.73	▲
Moira Shire Council	4.99	1.95	-2.15	9.91	0.76	3.09	-3.35	-1.00	-0.78	▲
Moorabool Shire Council	-8.67	-11.11	-5.07	5.59	-9.10	-5.67	-1.18	0.08	2.20	▲
Moyne Shire Council	5.07	8.10	6.07	8.58	4.32	6.43	3.15	1.96	4.96	▲
South Gippsland Shire Council	8.28	4.51	3.83	13.36	12.23	8.44	9.50	4.72	4.43	▼
Southern Grampians Shire Council	7.28	6.25	2.81	12.76	1.78	6.17	-3.12	-1.34	-0.74	▲
Surf Coast Shire Council	1.22	10.61	1.20	3.54	0.59	3.43	15.53	-2.86	6.37	▲
Wellington Shire Council	-4.00	5.94	9.64	11.64	0.86	4.82	8.59	0.30	2.65	▲
Average underlying result (%)	4.99	5.63	4.63	9.44	4.91	5.92	3.92	2.79	3.36	▲

Source: Victorian Auditor-General's Office.

Figure B20
Liquidity 2006 to 2010

Large shire councils	Actual					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Baw Baw Shire Council	1.88	1.60	1.25	1.73	1.77	1.65	1.31	1.38	1.49	▲
Campaspe Shire Council	2.38	2.79	3.10	3.25	4.44	3.19	3.16	3.01	2.49	▼
Colac Otway Shire Council	2.43	2.67	2.26	2.27	2.18	2.36	2.02	2.20	2.33	▲
Corangamite Shire Council	1.96	1.44	1.63	1.91	2.27	1.84	1.29	1.25	1.26	■
East Gippsland Shire Council	2.49	2.68	2.83	2.74	3.64	2.88	1.64	1.71	2.03	▲
Glenelg Shire Council	2.99	3.00	2.89	3.27	2.91	3.01	1.88	2.00	2.04	▲
Macedon Ranges Shire Council	1.65	1.69	1.56	2.18	1.52	1.72	1.39	1.20	1.19	▼
Mitchell Shire Council	1.35	1.31	1.36	1.82	2.12	1.59	1.10	1.13	1.23	▲
Moira Shire Council	2.03	2.05	1.82	1.60	1.87	1.87	1.58	1.62	1.65	▲
Moorabool Shire Council	1.69	1.06	1.59	1.63	1.17	1.43	1.55	1.43	1.41	▼
Moyne Shire Council	2.47	2.88	2.23	2.58	1.60	2.35	1.32	1.29	1.32	■
South Gippsland Shire Council	2.15	1.27	1.60	2.30	2.79	2.02	1.87	2.16	2.38	▲
Southern Grampians Shire Council	1.74	2.39	2.60	3.27	2.85	2.57	1.85	1.28	1.28	▼
Surf Coast Shire Council	1.88	2.30	2.37	2.39	1.96	2.18	1.11	1.21	1.44	▲
Wellington Shire Council	2.00	2.49	1.64	2.28	2.23	2.13	1.22	1.21	1.39	■
Average liquidity	2.07	2.11	2.05	2.35	2.35	2.19	1.62	1.61	1.66	

Source: Victorian Auditor-General's Office.

Large shires – continued

Figure B21
Indebtedness (%) 2006 to 2010

Large shire councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Baw Baw Shire Council	50.00	39.70	31.67	35.41	39.73	39.30	40.05	32.11	25.39	▼
Campaspe Shire Council	19.90	26.60	26.38	23.17	22.34	23.68	25.33	24.95	21.93	▼
Colac Otway Shire Council	34.20	31.30	24.11	20.03	27.07	27.34	27.96	24.68	21.57	▼
Corangamite Shire Council	17.80	16.90	18.42	23.76	19.02	19.18	26.28	23.62	21.83	▼
East Gippsland Shire Council	28.70	22.30	17.40	13.95	20.63	20.60	25.07	24.27	22.51	▼
Glenelg Shire Council	41.10	34.80	30.24	29.77	22.03	31.59	26.93	27.96	25.84	■
Macedon Ranges Shire Council	37.90	30.40	27.59	26.14	20.99	28.60	22.41	21.16	19.96	▼
Mitchell Shire Council	30.10	24.20	20.36	21.89	21.41	23.59	21.58	19.64	17.78	▼
Moira Shire Council	45.80	55.20	66.24	64.74	72.76	60.95	72.90	63.18	56.65	▼
Moorabool Shire Council	25.67	26.65	28.37	28.17	29.55	27.68	53.98	44.99	36.70	▼
Moyne Shire Council	7.60	3.20	7.06	6.02	7.02	6.18	13.97	11.95	10.21	▼
South Gippsland Shire Council	48.80	25.20	16.38	12.98	7.28	22.13	5.25	3.75	3.75	▼
Southern Grampians Shire Council	39.50	34.60	35.37	34.94	32.83	35.45	32.17	29.91	33.00	■
Surf Coast Shire Council	32.70	25.40	21.80	17.81	30.84	25.71	49.12	45.98	39.81	▼
Wellington Shire Council	30.40	37.20	30.88	32.79	33.24	32.90	37.64	35.14	34.80	▼
Average indebtedness (%)	32.68	28.91	26.82	26.11	27.12	28.33	32.04	28.89	26.12	

Source: Victorian Auditor-General's Office.

Figure B22
Self-financing (%) 2006 to 2010

Large shire councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Baw Baw Shire Council	23.40	27.70	21.58	29.50	20.44	24.52	30.61	22.03	24.89	■
Campaspe Shire Council	36.49	23.00	27.22	29.86	24.01	28.12	22.38	25.08	22.96	■
Colac Otway Shire Council	22.49	24.20	25.76	29.99	31.53	26.79	21.50	22.00	22.05	▲
Corangamite Shire Council	29.93	25.10	36.05	39.33	28.32	31.74	24.28	27.55	27.45	▲
East Gippsland Shire Council	27.96	27.00	34.18	37.65	29.82	31.32	30.43	37.77	33.25	■
Glenelg Shire Council	25.38	34.80	28.66	29.86	26.78	29.10	28.57	22.46	21.96	▼
Macedon Ranges Shire Council	23.13	30.20	26.00	32.72	28.55	28.12	19.90	25.20	20.55	■
Mitchell Shire Council	24.65	30.90	26.92	31.14	28.87	28.49	23.71	24.55	25.36	▲
Moira Shire Council	32.73	27.90	18.75	31.77	24.88	27.21	20.12	21.28	21.83	▲
Moorabool Shire Council	20.48	16.46	18.38	26.61	29.29	22.24	22.97	23.27	23.80	▲
Moyne Shire Council	38.64	35.30	26.45	31.04	35.74	33.43	29.33	29.33	31.23	■
South Gippsland Shire Council	19.89	23.00	19.98	31.53	27.12	24.30	26.11	22.24	23.45	■
Southern Grampians Shire Council	24.57	27.25	32.78	34.37	26.28	29.05	24.08	24.40	24.90	▲
Surf Coast Shire Council	26.82	22.93	29.47	28.07	24.95	26.45	34.16	22.65	25.76	■
Wellington Shire Council	29.51	34.20	39.54	37.92	33.11	34.85	33.16	31.78	32.02	■
Average self-financing (%)	27.07	27.33	27.45	32.09	27.98	28.38	26.09	25.44	25.43	

Source: Victorian Auditor-General's Office.

Large shires – continued

Figure B23
Capital replacement 2006 to 2010

Large shire councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Baw Baw Shire Council	2.16	1.74	2.14	1.21	1.63	1.78	▼	1.86	0.96	1.17	▼
Campaspe Shire Council	1.57	1.48	1.22	1.01	0.84	1.22	▼	1.30	1.28	1.27	▼
Colac Otway Shire Council	1.13	1.12	1.19	0.90	1.70	1.21	■	1.31	1.18	1.16	▼
Corangamite Shire Council	1.05	0.93	1.29	1.49	1.28	1.21	▲	1.76	1.17	1.18	▼
East Gippsland Shire Council	0.96	0.98	1.14	1.85	1.95	1.38	▲	1.94	1.99	1.42	■
Glenelg Shire Council	1.37	1.41	1.36	1.41	1.64	1.44	▲	1.93	1.35	1.24	▼
Macedon Ranges Shire Council	1.16	2.53	2.21	1.34	2.50	1.95	■	1.30	1.72	1.09	■
Mitchell Shire Council	1.86	1.47	1.50	1.43	1.34	1.52	▼	1.36	1.36	1.37	■
Moira Shire Council	1.37	1.38	1.44	1.40	1.18	1.35	■	1.17	1.10	0.99	▼
Moorabool Shire Council	0.72	1.36	1.02	1.47	1.18	1.15	▲	1.87	1.03	1.09	▼
Moyne Shire Council	1.12	1.19	1.52	1.31	1.64	1.36	▲	1.66	1.11	1.18	▼
South Gippsland Shire Council	1.01	1.26	1.12	1.25	1.17	1.16	▲	2.00	1.22	1.24	▼
Southern Grampians Shire Council	2.09	1.52	1.00	1.22	1.14	1.39	▼	1.54	1.63	1.52	■
Surf Coast Shire Council	1.44	0.75	0.97	1.26	2.20	1.33	■	3.87	1.44	1.44	▼
Wellington Shire Council	0.87	1.11	1.87	1.37	1.30	1.30	■	1.94	1.03	1.02	▼
Average investment gap	1.33	1.35	1.40	1.33	1.51	1.38		1.79	1.30	1.23	

Source: Victorian Auditor-General's Office.

Figure B24
Renewal gap 2006 to 2010

Large shire councils	2006	2007	2008	2009	2010	Mean	Actual trend
Baw Baw Shire Council	1.30	1.20	1.29	0.82	1.18	1.16	■
Campaspe Shire Council	0.67	1.17	1.14	0.73	0.52	0.85	▼
Colac Otway Shire Council	1.05	1.09	1.17	0.84	1.17	1.06	▲
Corangamite Shire Council	0.61	0.56	1.18	1.15	0.98	0.90	■
East Gippsland Shire Council	0.86	0.88	0.94	1.40	1.50	1.12	▲
Gleneig Shire Council	1.33	1.36	1.07	1.19	1.24	1.24	■
Macedon Ranges Shire Council	0.75	1.62	1.31	0.82	1.20	1.14	■
Mitchell Shire Council	1.16	0.60	0.83	0.79	0.84	0.85	■
Moira Shire Council	0.92	0.91	1.22	1.09	1.13	1.05	▲
Moorabool Shire Council	0.57	0.95	0.87	1.34	0.59	0.86	■
Moyne Shire Council	0.95	1.12	1.41	1.25	1.23	1.19	■
South Gippsland Shire Council	0.55	0.79	0.73	0.88	0.82	0.75	▲
Southern Grampians Shire Council ^(a)	-	-	-	-	0.77	0.77	■
Surf Coast Shire Council	0.69	0.54	0.48	0.79	1.05	0.71	▲
Wellington Shire Council	0.75	0.76	1.58	1.20	1.19	1.09	■
Average renewal gap	0.87	0.97	1.09	1.02	1.03	0.98	

Note: (a) Data not available for analysis between 2006 and 2009.

Source: Victorian Auditor-General's Office.

Small shires

Figure B25
Underlying result (%) 2006 to 2010

Small shire councils	2006	2007	2008	2009	2010	Mean	Forecast			Future trend
							2011	2012	2013	
Ararat Rural City Council	-0.56	15.70	12.42	2.25	-1.71	5.62	-1.06	2.81	2.50	▲
Alpine Shire Council	9.79	0.68	1.87	-0.60	4.21	3.19	-4.55	-5.75	-4.75	■
Bass Coast Shire Council	7.19	8.17	7.61	15.96	16.81	11.15	3.77	5.88	8.45	▲
Benalla Rural City Council	6.08	-6.80	2.78	3.17	4.20	1.89	5.15	-0.54	-0.01	▼
Borough of Queenscliffe	4.92	7.98	0.64	6.77	5.90	5.24	3.88	6.71	8.54	▲
Buloke Shire Council	5.45	3.92	-7.04	-5.25	-22.66	-5.12	-2.40	-0.16	2.46	▲
Central Goldfields Shire Council	-9.10	-4.34	-7.92	0.92	-4.37	-4.96	-1.75	-8.46	-6.25	▲
Gannawarra Shire Council	-1.70	0.60	0.60	7.07	3.28	1.97	-2.79	0.50	1.35	▲
Golden Plains Shire Council	5.87	22.10	4.03	11.85	12.74	11.32	8.56	6.26	9.05	■
Hepburn Shire Council	-6.96	-0.87	-1.90	14.60	9.83	2.94	5.23	3.36	6.75	▲
Hindmarsh Shire Council	15.95	13.70	11.09	15.83	10.49	13.41	10.11	10.18	9.48	▼
Indigo Shire Council	1.37	5.67	5.95	17.98	19.01	10.00	-3.32	-1.39	4.03	▲
Loddon Shire Council	4.63	1.60	0.81	14.67	0.47	4.44	-9.16	-7.85	-8.02	▲
Mansfield Shire Council	5.43	0.74	2.39	27.43	23.32	11.86	29.70	25.55	7.32	▼
Mount Alexander Shire Council	-4.63	-4.30	-7.04	8.78	-5.57	-2.55	10.03	7.64	9.34	■
Murrindindi Shire Council	4.22	3.90	2.93	11.18	11.33	6.71	3.00	-2.16	-0.86	▼
Northern Grampians Shire Council	4.82	4.50	-0.92	8.04	-3.19	2.65	3.39	-9.05	-7.85	▼
Pyrenees Shire Council	9.47	24.50	12.17	27.78	3.24	15.43	10.52	-9.44	-8.09	▼
Strathbogie Shire Council	5.53	1.07	-0.49	4.67	-4.17	1.32	4.48	1.56	6.75	▲
Towong Shire Council	2.16	10.80	5.41	9.39	2.30	6.01	2.94	3.46	4.05	▲
West Wimmera Shire Council	8.37	6.03	5.94	7.08	-2.22	5.04	7.37	-1.42	-0.37	▼
Yarriambiack Shire Council	3.84	3.45	-0.89	4.47	-4.26	1.32	5.29	4.48	3.87	▼
Average underlying result (%)	3.73	5.40	2.29	9.73	3.59	4.95	4.02	1.46	2.17	

Source: Victorian Auditor-General's Office.

Figure B26
Liquidity 2006 to 2010

Small shire councils	2006 to 2010					Mean	Actual trend	Forecast			Future trend
	2006	2007	2008	2009	2010			2011	2012	2013	
Ararat Rural City Council	1.81	1.59	2.77	2.75	2.71	2.33	▲	2.53	1.96	1.93	▼
Alpine Shire Council	2.43	2.56	2.83	1.96	1.91	2.34	▼	2.15	2.48	2.44	▲
Bass Coast Shire Council	1.35	1.81	1.88	1.93	2.11	1.82	▲	1.70	1.88	1.87	▲
Benalla Rural City Council	1.52	1.49	1.65	1.52	1.64	1.56	■	1.10	1.11	1.11	■
Borough of Queenscliffe	2.71	3.77	2.80	1.69	1.61	2.52	▼	1.34	1.31	1.22	▼
Buloke Shire Council	1.09	0.74	1.68	1.44	0.41	1.07	▼	0.50	0.55	0.71	▲
Central Goldfields Shire Council	2.36	1.53	2.48	3.01	1.64	2.20	■	1.20	1.02	0.97	▼
Gannawarra Shire Council	1.96	1.94	1.85	2.89	2.61	2.25	▲	1.38	1.27	1.26	▼
Golden Plains Shire Council	2.94	3.47	3.32	2.82	1.71	2.85	▼	1.38	1.27	1.18	▼
Hepburn Shire Council	1.45	1.54	1.11	1.99	1.83	1.58	■	1.06	1.05	1.20	▲
Hindmarsh Shire Council	2.34	3.50	2.71	2.55	2.54	2.73	■	1.74	1.50	1.65	■
Indigo Shire Council	1.30	1.49	1.81	2.43	1.57	1.72	■	1.23	1.57	1.02	■
Loddon Shire Council	2.74	3.52	3.38	4.35	3.59	3.52	▲	2.51	2.71	2.79	▲
Mansfield Shire Council	1.43	1.49	1.67	3.68	4.09	2.47	▲	2.10	1.17	1.31	■
Mount Alexander Shire Council	2.38	2.86	2.88	3.56	2.34	2.80	■	2.04	2.47	3.12	▲
Murrindindi Shire Council	1.56	1.37	1.41	2.31	2.59	1.85	▲	2.37	1.68	1.45	▼
Northern Grampians Shire Council	1.61	1.82	1.51	1.67	1.50	1.62	■	0.96	0.96	1.04	▲
Pyrenees Shire Council	1.91	2.93	2.41	2.53	4.01	2.76	▲	1.04	1.05	1.06	▲
Strathbogie Shire Council	2.07	1.33	2.05	1.75	1.54	1.75	■	1.01	1.00	0.99	▼
Towong Shire Council	2.06	2.78	2.48	2.33	2.28	2.39	■	1.14	1.40	1.54	▲
West Wimmera Shire Council	1.95	1.81	2.13	2.31	1.68	1.98	■	1.57	1.56	1.98	▲
Yarriambiack Shire Council	2.71	2.13	2.07	2.88	3.55	2.67	▲	1.68	1.47	1.34	▼
Average liquidity	1.99	2.18	2.20	2.46	2.25	2.22		1.53	1.47	1.51	

Source: Victorian Auditor-General's Office.

Small shires – continued

Figure B27
Indebtedness (%) 2006 to 2010

Small shire councils	Actual trend					Forecast			Future trend	
	2006	2007	2008	2009	2010	Mean	2011	2012		2013
Ararat Rural City Council	6.60	4.30	13.80	1.29	1.23	5.45	0.19	3.12	2.21	▲
Alpine Shire Council	17.60	16.10	2.87	16.01	21.57	14.83	13.14	12.50	11.27	▼
Bass Coast Shire Council	13.70	12.00	13.66	14.78	14.51	13.73	14.53	13.99	13.25	▼
Benalla Rural City Council	56.70	59.60	49.24	44.34	47.27	51.43	50.47	46.06	41.21	▼
Borough of Queenscliffe	14.70	26.80	31.04	26.13	21.20	23.97	17.76	13.67	10.31	▼
Buloke Shire Council	13.50	10.40	8.38	7.93	13.64	10.77	1.37	2.38	2.87	▲
Central Goldfields Shire Council	56.70	112.60	76.53	71.03	59.67	75.31	45.94	41.70	30.31	▼
Gannawarra Shire Council	45.40	41.90	36.10	32.25	30.00	37.13	25.85	22.03	18.42	▼
Golden Plains Shire Council	23.70	17.20	13.84	11.41	22.37	17.70	31.34	30.46	38.52	▲
Hepburn Shire Council	21.20	18.20	23.68	28.60	25.72	23.48	26.23	21.64	15.19	▼
Hindmarsh Shire Council	12.80	8.00	1.91	2.10	1.87	5.34	2.27	2.30	2.35	▲
Indigo Shire Council	28.30	25.50	19.42	14.32	10.06	19.52	11.31	24.03	22.65	▲
Loddon Shire Council	47.40	44.20	33.28	31.41	31.18	37.50	33.80	32.37	30.80	▼
Mansfield Shire Council	31.10	32.80	28.56	30.95	24.89	29.66	28.08	36.10	38.63	▲
Mount Alexander Shire Council	25.00	24.10	22.90	20.49	18.19	22.14	24.62	21.39	18.38	▼
Murrindindi Shire Council	45.10	40.90	39.86	25.32	29.03	36.04	26.50	26.03	23.81	▼
Northern Grampians Shire Council	18.50	19.50	12.80	19.84	15.80	17.29	18.21	14.64	11.86	▼
Pyrenees Shire Council	22.70	20.20	14.72	17.06	30.87	21.11	35.84	33.85	31.66	▼
Strathbogie Shire Council	51.20	42.50	35.12	31.01	28.59	37.68	23.00	17.45	12.67	▼
Towong Shire Council	5.20	3.60	2.30	2.42	10.62	4.83	4.30	4.13	3.97	▼
West Wimmera Shire Council	2.10	0.80	1.18	2.22	2.66	1.79	2.44	2.41	2.39	▼
Yarriambiack Shire Council	7.60	7.80	7.65	6.52	5.49	7.01	3.66	3.41	2.92	▼
Average indebtedness (%)	25.76	26.77	22.22	20.79	21.20	23.35	20.04	19.35	17.53	

Source: Victorian Auditor-General's Office.

Figure B28
Self-financing (%) 2006 to 2010

Small shire councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Ararat Rural City Council	23.82	27.10	27.60	27.47	22.53	25.70	■	19.73	24.15	24.19	▲
Alpine Shire Council	22.70	15.40	17.41	16.61	20.80	18.58	■	14.20	20.67	20.60	▲
Bass Coast Shire Council	27.90	23.58	23.55	26.16	31.53	26.54	■	22.80	23.94	26.41	▲
Benalla Rural City Council	19.60	18.64	17.54	21.87	21.06	19.74	■	20.18	16.77	17.49	▼
Borough of Queenscliffe	11.27	13.60	10.97	16.18	20.38	14.48	▲	15.41	16.71	18.64	▲
Buloke Shire Council	30.43	25.80	27.15	24.76	15.29	24.68	▼	15.52	18.65	25.20	▲
Central Goldfields Shire Council	24.66	21.40	18.59	26.77	24.20	23.12	■	23.56	18.43	19.98	▼
Gannawarra Shire Council	24.10	29.40	25.40	30.06	26.67	27.12	■	19.69	24.01	24.10	■
Golden Plains Shire Council	25.85	39.60	23.94	31.80	25.92	29.42	■	25.87	24.42	26.29	■
Hepburn Shire Council	20.69	13.60	27.88	31.12	33.59	25.37	▲	30.74	25.31	27.80	■
Hindmarsh Shire Council	44.66	33.30	31.88	38.67	32.65	36.23	■	34.51	34.58	33.95	■
Indigo Shire Council	2.90	24.50	24.88	40.40	35.37	25.61	▲	18.94	20.52	25.23	▲
Loddon Shire Council	33.76	33.10	30.91	39.73	30.71	33.64	■	24.15	25.65	25.28	■
Mansfield Shire Council	24.66	19.20	19.73	45.07	26.45	27.02	■	42.62	41.93	27.76	▼
Mount Alexander Shire Council	24.67	18.70	23.43	31.74	28.40	25.39	■	24.77	29.60	31.73	▲
Murrindindi Shire Council	22.09	25.40	29.04	18.74	22.71	23.60	■	17.76	16.23	17.43	■
Northern Grampians Shire Council	25.60	25.00	20.03	32.26	24.56	25.49	■	26.67	16.30	16.43	▼
Pyrenees Shire Council	43.78	40.70	41.42	54.99	30.02	42.18	■	47.07	27.82	28.37	▼
Strathbogie Shire Council	22.25	19.10	17.54	30.86	25.11	22.97	■	26.22	21.63	25.02	■
Towong Shire Council	17.09	38.61	35.39	36.82	23.53	30.29	■	27.07	27.98	28.86	▲
West Wimmera Shire Council	34.13	36.43	29.33	39.35	30.06	33.86	■	38.03	33.50	33.35	▼
Yarriambiack Shire Council	33.93	32.89	27.26	33.19	35.26	32.51	▲	25.59	31.89	32.59	▲
Average self-financing (%)	25.48	26.14	25.04	31.57	26.67	26.98		25.50	24.58	25.30	

Source: Victorian Auditor-General's Office.

Small shires – continued

Figure B29
Capital replacement 2006 to 2010

Small shire councils	2006	2007	2008	2009	2010	Mean	Actual trend	Forecast			Future trend
								2011	2012	2013	
Ararat Rural City Council	0.81	1.34	1.63	1.04	1.13	1.19	■	1.03	1.30	1.17	■
Alpine Shire Council	1.84	0.92	0.99	1.25	1.58	1.32	▲	0.75	1.14	1.21	▲
Bass Coast Shire Council	1.70	0.95	1.78	2.31	1.88	1.72	■	1.83	1.99	2.31	▲
Benalla Rural City Council	1.61	0.90	1.15	1.16	0.91	1.15	▼	2.83	0.84	0.87	▼
Borough of Queenscliffe	2.50	0.80	2.00	3.59	1.61	2.10	■	2.15	1.50	1.88	■
Buloke Shire Council	1.34	0.92	0.88	0.86	1.22	1.04	■	1.09	0.72	0.78	▼
Central Goldfields Shire Council	1.03	1.59	0.92	1.68	1.43	1.33	■	1.54	0.77	0.71	▼
Gannawarra Shire Council	1.20	1.06	1.46	0.92	1.34	1.20	■	1.66	1.07	1.06	▼
Golden Plains Shire Council	1.20	1.80	1.39	2.29	2.92	1.92	▲	2.62	1.60	1.37	▼
Hepburn Shire Council	0.71	1.00	1.49	1.31	1.43	1.19	▲	2.37	1.20	1.24	▼
Hindmarsh Shire Council	1.14	1.17	1.82	1.73	1.64	1.50	▲	1.84	1.81	1.52	▼
Indigo Shire Council	1.11	1.29	0.89	1.16	2.70	1.43	▲	1.36	1.27	1.68	■
Loddon Shire Council	1.30	1.01	0.98	1.14	0.98	1.08	▼	1.15	0.80	0.81	▼
Mansfield Shire Council	1.20	1.13	1.05	1.07	1.20	1.13	■	5.68	3.96	1.52	▼
Mount Alexander Shire Council	0.49	0.59	0.88	1.14	1.40	0.90	▲	2.42	1.28	1.50	▼
Murrindindi Shire Council	1.32	1.31	1.29	0.95	1.97	1.37	■	2.36	1.85	1.25	▼
Northern Gramplains Shire Council	1.00	1.21	1.21	1.28	0.93	1.13	■	1.52	0.74	0.74	▼
Pyrenees Shire Council	1.05	1.64	1.73	1.77	1.17	1.47	▲	2.41	0.97	0.98	▼
Strathboggy Shire Council	1.03	1.60	0.87	1.17	1.38	1.21	■	1.57	1.10	1.40	■
Towong Shire Council	0.59	1.16	1.50	1.28	1.22	1.15	■	1.45	1.13	1.18	▼
West Wimmera Shire Council	1.16	1.19	1.26	1.20	1.20	1.20	■	1.45	1.02	0.87	▼
Yarriambiack Shire Council	0.84	1.20	0.89	0.95	0.97	0.97	▲	1.56	1.52	1.41	▼
Average investment gap	1.19	1.17	1.27	1.42	1.46	1.30		1.94	1.34	1.25	

Source: Victorian Auditor-General's Office.

Figure B30
Renewal gap 2006 to 2010

Small shire councils	2006	2007	2008	2009	2010	Mean	Actual trend
Ararat Rural City Council	0.69	1.07	0.77	0.89	0.88	0.86	■
Alpine Shire Council	1.00	0.62	1.37	0.74	0.76	0.90	■
Bass Coast Shire Council	1.18	0.74	1.07	1.81	1.07	1.18	■
Benalla Rural City Council	0.88	0.80	0.85	0.94	1.01	0.90	▲
Borough of Queenscliffe	0.76	0.52	2.32	2.45	0.95	1.40	■
Buloke Shire Council	1.09	0.70	0.80	0.87	0.93	0.88	▲
Central Goldfields Shire Council	0.38	0.43	0.42	0.86	0.51	0.52	▲
Gannawarra Shire Council	-	0.83	1.00	0.59	0.97	0.85	■
Golden Plains Shire Council	0.64	1.25	0.68	1.21	0.98	0.95	■
Heppburn Shire Council	0.70	0.75	0.81	0.68	1.06	0.80	▲
Hindmarsh Shire Council	0.78	1.06	1.39	1.27	1.15	1.13	▲
Indigo Shire Council	0.65	1.12	0.61	0.00	2.70	1.02	■
Loddon Shire Council	0.51	0.72	0.69	0.84	0.73	0.70	■
Mansfield Shire Council	0.52	0.66	0.83	0.76	0.91	0.74	▲
Mount Alexander Shire Council	0.45	0.48	0.75	0.74	1.09	0.70	▲
Murrindindi Shire Council	0.91	1.02	0.92	0.69	1.39	0.99	■
Northern Grampians Shire Council	0.73	0.84	0.90	0.70	0.61	0.76	■
Pyrenees Shire Council	0.72	0.93	1.33	1.53	0.94	1.09	▲
Strathbogie Shire Council	0.57	0.50	0.48	0.65	0.77	0.59	■
Towong Shire Council	0.17	1.05	1.27	1.23	0.79	0.90	▲
West Wimmera Shire Council	1.06	1.05	0.99	1.12	1.10	1.07	■
Yarriambiack Shire Council	0.58	0.97	0.66	0.62	0.72	0.71	■
Average renewal gap	0.71	0.82	0.95	0.96	1.00	0.89	

Source: Victorian Auditor-General's Office.

Appendix C.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to all named agencies with a request for submissions or comments.

The submissions and comments provided for publication are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

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 - Yarra Plenty Regional Library.....81

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Submissions and comments received

RESPONSE provided by the Secretary of the Department of Planning and Community Development



Department of Planning and Community Development

1 Spring Street
Melbourne Victoria 3000
GPO Box 2392
Melbourne Victoria 3001
Telephone: (03) 9208 3333
Facsimile: (03) 9208 3680

Ref: CSEC002377

Mr D D R Pearson
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson *LY/01*

AUDIT ACT 1994, S16(3) - PROPOSED AUDIT REPORT - ACQUITTAL REPORT: RESULTS OF THE 2009-10 AUDITS

Thank you for your letter dated 14 December 2010 seeking the Department of Planning and Community Development's (DPCD) comments for inclusion in the proposed audit report, *Acquittal Report: Results of the 2009-10 Audits*.

DPCD comments on the report are enclosed.

Please contact [REDACTED] should you require any further information.

Yours sincerely

[Signature]
Yehudi Blacher
SECRETARY



RESPONSE provided by the Secretary of the Department of Planning and Community Development – continued

Attachment 1

DPCD comments on proposed audit report – acquittal report: results of the 2009-10 audits

Financial sustainability measures	<p>In relation to the financial sustainability measures, DPCD would like to reiterate its concerns from previous years about use of the measures, particularly for the States Sports Centres Trust and Queen Victoria Women's Centre Trust. The current measures do not adequately take into account the government funding model currently used by both trusts. This issue was raised with the Auditor-General in response to the 2007-08 and 2008-09 audit reports (refer Attachment 2).</p> <p>In 2009-10, the net surplus for the States Sports Centre and Queen Victoria Women's Centre Trusts were \$62,000 and \$10,000 respectively.</p>
Financial sustainability calculation of averages	<p>DPCD has concerns regarding the calculation of averages for the five-year financial sustainability rating. The current calculation does not take into account the relative differences in modes of operation of the Department's entities. The report should also note that some of the entities have only been with DPCD since 2008. This issue was raised with the Auditor-General in response to the 2008-09 audit (refer Attachment 2).</p>
Local councils	<p>The Department has no concern in regard to the accuracy and fairness of the Report as they pertain to the results of the financial audits of local government for 2009-10.</p> <p>DPCD notes the Auditor-Generals report on the overall improvement in the financial sustainability of councils.</p>

RESPONSE provided by the Secretary of the Department of Planning and Community Development – continued

Attachment 2:

DPCD comments on proposed audit report – acquittal report: results of the 2008-09 audits

RESPONSE provided by the Secretary, Department of Planning and Community Development

The report offers a valuable assessment of the Department of Planning and Community Development (DPCD) and its associated entities. While DPCD is generally in agreement with the overall proposed report, there is one specific area that we would like to bring to your attention.

As with the previous year, the Department continues to have concerns regarding the use of financial sustainability measures particularly for the State Sport Centre Trust (SSC) and the Queen Victoria Women's Centre Trust (QVWC). Any analysis about the financial performance and sustainability of the SSC and QVWC should be considered in light of their current business models which are as follows:

- Under the SSC model any large new capital projects or substantial refurbishments are funded from government appropriations. These have included the \$50 million redevelopment of the Melbourne Sports and Aquatic Centre in Albert Park. The redevelopment, which included the construction of an Olympic sized outdoor pool and hydrotherapy pool, have been used to host major international events such as the Commonwealth Games in 2006 and FINA World Championships in 2007.
- The QVWC model is underpinned by the former Queen Victoria Memorial Hospital heritage building which was gifted to the Trust in 1994.

Based on the business model of both Trusts, a more suitable measure of sustainability and financial performance is the operating result excluding depreciation. It is appropriate to exclude depreciation in this circumstance as the Trusts are generally not required to fund significant capital expenditures.

For the SSC, the average net result over the four years from 2005–06 to 2008–09 with depreciation excluded was an average surplus of \$331,000. This equates to an underlying result of 2.75 per cent (compared to -41.94 per cent cited in your report). For the QVWC, the average net result over the four years from 2005–06 to 2008–09 with depreciation excluded was an average surplus of \$75,000. This equates to an underlying result of 8.24 per cent (compared to -34.28 per cent cited in your report).

I would also like to draw your attention to the calculation used to derive the Portfolio average which is also on page 59 of the report. This calculation is based on a simple average of DPCD entities. This method of calculation does not reflect the relative differences of magnitude of the various operating positions of the entities listed. Therefore, it would be more appropriate to calculate a weighted portfolio average, which would give a better, more robust indication of the total overall financial sustainability of the Department's portfolio entities.

RESPONSE provided by the CEO of the City of Wodonga

14 January 2011

Enquiries: Trevor Ierino
Reference: A10.0014 OUT

D.D.R. (Des) Pearson
Auditor General
Level 24,
35 Collins Street
Melbourne VIC 3000



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Dear Mr Pearson,

Re: 2009/10 Financial Performance of Councils

Thank you for the opportunity to provide comment on your report on the financial performance of Councils for the 2009/10 financial year.

You have provided us with extracts of data and commentary from your proposed report which we have reviewed and wish to comment on.

Whilst we agree with the accuracy of the data with respect to the City of Wodonga, we believe in order to provide a more complete and conclusive understanding of Council's future financial sustainability, the following points should be taken into account by readers of the report:-

1. Council's investment at LOGIC was always with a long term view of some 20-25 years. LOGIC has been a success story for Wodonga with regard to actual land sales themselves, but more importantly, the jobs and economic activity generated by the additional investment by the purchasers of land. Land sales to date have exceeded the "most likely case" envisaged in the original business plan. To date at more than 500 direct jobs and many indirect jobs on an ongoing basis have been created, more than \$130 million worth of development has occurred, generating an annual rate receipt of \$490,000.
2. Logic is conservatively valued in the balance sheet as at 30 June 2010 at \$27.2m under the historical cost convention in accordance with accounting standards. The City of Wodonga is confident, however, that its market value is far greater, and that eventual sales at Logic will be well in excess of the current book value. This has been confirmed by confidential independent land valuations commissioned by the City of Wodonga.
3. Council has land holdings that council has identified as surplus to its needs. These assets are in the process of being divested, with land valued in the order of \$9 million being put to the market in the very near future.
4. Wodonga City Council's Strategic Resource Plan (SRP) does not rely upon the realisation of LOGIC or any other land sale proceeds which are currently in the process of eventuating. A copy of the SRP can be found under Documents and Publications at www.wodonga.vic.gov.au.



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RESPONSE provided by the CEO of the City of Wodonga – continued

5. Council's Strategic Resource Plan provides for a long term prudent financial management platform to ensure the City of Wodonga's key strategic activities are able to be achieved. Also, emphasis on the implementation of a strong asset management ethos will see the knowledge of the City's investment gap strengthened. By linking asset management to the City's strategic financial direction this will provide further information to assist in improving the long term sustainability of the City.
6. City of Wodonga has communicated a clear and concise financial strategy to its community. It is our strong and clear view that the City's finances are sustainable and that the strategies that have already been put in place will ensure that rates growth will not be compromised, whilst delivering the services, assets, and events expected by the Wodonga community.

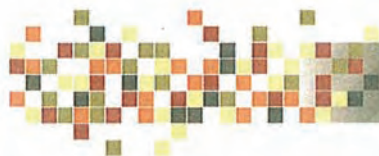
The Council believes consideration of the above points provides for Council's outstanding debt to be extinguished in its entirety with a significantly amount remaining for cash reserves in the longer term. We trust that the above explanation provides clarification to readers of the report to the financial sustainability indicators developed by your office.

Yours sincerely



Gavin Cator
Chief Executive Officer

RESPONSE provided by the CEO of the Yarra Plenty Regional Library



Yarra Plenty Regional Library

Monday 20 December 2010

Mr D D R Pearson
Auditor-General
Victorian Auditor General's Office
Level 24, 35 Collins Street
Melbourne 3000

Dear Mr Pearson

Acquittal Report: Results of the 2009 – 10 Audits

Please find attached comments from Yarra Plenty Regional Library for inclusion in the report to be tabled in Parliament in February 2011.

Yours sincerely

Christine Mackenzie
CEO

Library Support Services
Civic Centre – East Wing
Ferres Boulevard
South Morang

Postal Address
Bag 65
Bundoora Victoria
Australia 3083

t: 03 9408 7888
f: 03 9408 8231
e: ypmail@ypri.vic.gov.au
w: www.ypri.vic.gov.au

**RESPONSE provided by the CEO of the Yarra Plenty Regional Library –
continued**

Comments for inclusion in the Acquittal Report: Results of the 2009 – 10 Audits

From Yarra Plenty Regional Library (YPRL)

Despite correspondence and meetings with VAGO discussing the high risk rating for the Library Service, there has been no movement by VAGO to amend the rating of "high risk" assigned to YPRL.

The following information is presented in light of this assessment:

1. YPRL's 2009/10 General Purpose Financial Report and Standard Statements were unqualified by VAGO who advised that the 'financial report presents fairly in all material aspects in accordance with applicable accounting standards and the financial reporting requirements of the Local Government Act 1989.' As YPRL received an unqualified opinion, it can be implied VAGO believes that YPRL can meet their commitments as they fall due.
2. VAGO's 2009/10 Closing Report and Management Letter did not include any reference to YPRL being at a high financial sustainability risk.
3. YPRL's 'underlying deficit' was discussed at length at the YPRL Audit Committee Meeting on 9 September 2010. The Director responsible for Local Government from VAGO was in attendance at that meeting when the Board Members indicated their dissatisfaction with the accounting treatment (in accordance with the Australian Accounting Standards) of \$1.187 million Council Contribution Income that was paid in June 2009 but related to the 2009/10 financial year. The Accounting Standards treatment does not allow these funds to be shown as 'income received in advance' in the year they are received, thereby distorting the financial results for the particular years - in this case the 2008/09 income was overstated by this \$1.187 million and the 2009/10 income understated by this amount. This resulted in the 2009/10 underlying result being a deficit of \$881,000 - if the correct yearly income could have been shown the result would have been an underlying surplus of \$306,000.
4. The Board's 2009/10 General Purpose Financial Report explained this in Note 2(b) with the 2009/10 Standard Statements referred to this situation on note 1(b).
5. The Board's Liquidity ratio is adversely affected by the majority of its Long Service Liability being treated as a current liability - \$857,000 of the total liability of \$913,000 is treated as current. The adjusted liquidity ratio (refer Note 26 (b) of the 2009/10 General Purpose Financial Report) is 1.73. This adjusted ratio is a much more reliable liquidity measure. It should be noted that the Board's Long Service Leave liability is fully 'cash backed' in a separate bank account in full compliance with the Local Government Long Service Leave regulations. This must be considered when assessing financial sustainability.
6. The Board has confidence that in the unlikely event that it is required to liquidate it has sufficient assets, both cash and non cash, to cover all liabilities.
7. YPRL has the full support of its three Member Councils – Whittlesea, Nillumbik and Banyule. The following statement has been made by these three Councils:

**RESPONSE provided by the CEO of the Yarra Plenty Regional Library –
continued**

"The Councils accept that Yarra Plenty Regional Library was incorporated under Section 196 of the Victorian Local Government Act 1989 and is dependent on funding from Member Councils for its continued existence and ability to carry out its normal activities. The Yarra Plenty Regional Library Service has the full financial support of its three Member Councils as part of the Library's Agreement which reduces any viability risk to nil".

8. The three Member Councils of YPRL are not high risk. This must be taken into account when evaluating the sustainability of YPRL.

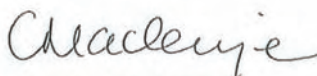
To determine the financial sustainability of YPRL based on the timing of cash contributions from Member Councils and the Long Service Leave delineation between 'current and non-current' cannot be construed as any form of financial sustainability analysis. YPRL operates on an annual cash based operational and capital budget, with the majority of funding from Member Councils. The Board's 2010/11 Budget provides for the following funding contributions:

Member Councils – 77.5%

Government Grants – 16.2%

Library Fees – 6.3%

YPRL refutes VAGO's methodology to determine its financial sustainability. This methodology is obviously flawed. The criteria that VAGO applies to Victorian Councils to measure financial sustainability should not apply to Regional Library Corporations.



Christine Mackenzie

CEO

Auditor-General's acquittal response to the CEO of the Yarra Plenty Regional Library

VAGO

Victorian Auditor-General's Office

17 January 2011

File No. 26471/01

Christine Mackenzie
CEO
Yarra Plenty Regional Library
Bag 65
Bundoora VIC 3083

Dear Ms Mackenzie

Acquittal Report: Results of the 2009-10 audits

I refer to your letter of 20 December 2010 providing comments on the above report.

You assert in your response that, as the Yarra Plenty Regional Library Corporation (YPRL) received an unqualified audit opinion, it can be implied that the Victorian Auditor General's Office believes that YPRL can meet their commitments as they fall due. You infer that the unqualified audit opinion contradicts the financial sustainability analysis in the report. This is not correct.

The financial sustainability of the YPRL is assessed during each financial audit as required by Australian auditing standards. In that assessment, the financial support and commitment of member councils is relied on when forming a view on the YPRL's ability to meet its financial obligations when they fall due. Without the commitment of financial support from member councils, the 2009-10 financial statements of the YPRL would have been qualified. The fact that your member councils provide commitments of financial support confirms the financial sustainability risk assessment made in our report.

In your response you state the view that the methodology applied to calculate the financial sustainability for libraries is obviously flawed. In particular you identify concerns with the calculation of the financial sustainability indicators for underlying deficit and liquidity. I disagree with your conclusion.

The 2009-10 financial statements of the YPRL were prepared in accordance with Australian accounting standards and reported a comprehensive result of a deficit of \$881,273. You certified that these financial statements presented fairly the financial balances and transactions for the year ended 30 June 2010. Our financial sustainability analysis is performed using your financial statements. If the YPRL and member councils are dissatisfied with the requirements of Australian accounting standards, these concerns should be raised with the Australian Accounting Standards Board.

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Auditor-General's acquittal response to the CEO of the Yarra Plenty Regional Library – continued

VAGO

Victorian Auditor-General's Office

The YPRL has a current long service leave liability of \$835,921. As required by the *Local Government Act 1989*, an asset of \$810,000 in cash has been set aside to cover the liability. In calculating the liquidity ratio these two amounts offset each other and have no effect. It would be misleading to omit the current long service leave liability and not the corresponding asset when calculating liquidity.

Yours sincerely



D D R Pearson
Auditor-General

