

Local Government: Results of the 2008–09 Audits



VICTORIA

Victorian
Auditor-General

Local Government: Results of the 2008–09 Audits

Ordered to be printed

VICTORIAN
GOVERNMENT PRINTER
November 2009

ISBN 978 1 921650 15 4

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on
Local Government: Results of the 2008–09 Audits.

Yours faithfully



D D R PEARSON
Auditor-General

11 November 2009

Contents

Audit summary.....	vii
Quality of reporting	viii
Effectiveness of internal control.....	ix
Financial sustainability	x
Recommendations.....	xii
General	xii
Audit Act 1994 section 16 – submissions and comments.....	xiii
Introduction	xiii
Submissions and comments received	xiii
1. Result of audits	1
1.1 Introduction.....	3
1.2 Financial audit framework	4
1.3 Scope	5
1.4 Reporting framework.....	5
1.5 Audit opinions issued	6
1.6 Quality of reporting.....	7
1.7 Reporting issue	13
2. Effectiveness of internal control	15
2.1 Introduction.....	16
2.2 Common control weaknesses	17
2.3 Business planning	18
2.4 IT security.....	21
3. Financial sustainability	23
3.1 Introduction.....	24
3.2 Financial performance.....	24
3.3 Financial position.....	26
3.4 Indicators of financial sustainability	27
3.5 Financial sustainability trends	29
3.6 Financial sustainability assessment	33
3.7 Bushfire impact.....	50
3.8 Regional library corporations.....	51

Appendix A. Acronyms and glossary	55
Appendix B. Audit status	59
Appendix C. Financial sustainability tables.....	67
Appendix D. Audit Act 1994 section 16 — submissions and comments	99

Audit summary

This is the first of six reports to Parliament scheduled for 2009–10 covering the results of the annual financial report audits of the Victorian state and local government sectors. This report provides the results of the 2008–09 audit of 79 councils, 12 entities they control, and 12 regional library corporations (RLCs).

The key conclusion from this audit is that Parliament can have confidence in the financial statements of the 103 completed entities included in this report.

Our external audit provides authoritative independent assurance regarding the financial, standard and performance statements which have been prepared by the management of the reporting entities. Not all entities are required to prepare all three types of statements.

76 councils and 11 RLCs received a 'clear' or unqualified opinion on their financial and standard statements as at 30 September, which means the financial and standard statements fairly present the financial position and results of the entity.

Manningham City, Mildura Rural, Murrindindi Shire councils' statements were not complete by 30 September, however ministerial extensions were provided to **Manningham** due to an office fire, **Murrindindi** due to the bushfire and **Mildura** has subsequently been completed on 20 October 2009.

Goulburn Valley RLC's statements were not complete as at 30 September.

11 associated entities received a 'clear' or unqualified opinion on their financial statements as at 30 September, with **Regional Landfill Clayton South Joint Venture's** financial statement subsequently completed on 23 October 2009.

74 councils received 'clear' or unqualified opinion on their performance statement as at 30 September, however **Moorabool Shire Council** received a qualification on their performance statement because their annual budget did not set out targets to enable performance to be judged and **Hepburn Shire Council** did not prepare a performance statement as no specific performance measures or targets were set. **Manningham City, Mildura Rural, Murrindindi Shire** councils' statements were not complete as at 30 September.

The most efficient audits are the ones where management takes a mature and responsible approach to their reporting obligations and constructively embraces their responsibility to understand and apply the relevant accounting standards in the preparation of their financial statements, including engaging with the auditor at an early stage of the preparation process when issues of principle or major accounting policy changes are being considered. In these circumstances the audits generally proceed in a smooth and predictable manner as the respective responsibilities of preparer and auditor are recognised, respected and exercised in a complementary manner.

In addition to this reporting of significant matters arising from audits to the Parliament, a management letter is provided to individual reporting entities which also covers lesser and procedural matters identified during the course of the audit.

Timely submission is also an indicator of the good quality of the financial statements. Results for timeliness were strong with 97 per cent of statements being finalised by 30 September, as required by the *Local Government Act 1989* (the LG Act).

Local governments are the third tier of government and while administered under the LG Act, each council operates autonomously and is directly accountable to its own constituency.

Local government entities are required by the LG Act to prepare financial statements, standard statements and performance statements. The financial and performance statements must be independently audited, and an audit opinion expressed on each statement. The statements and the accompanying audit opinions are included in the annual report of each entity.

The independent audit opinion adds credibility to the financial and other reports by providing reasonable assurance that the information in the statements is reliable.

A qualified audit opinion means that a statement has not been prepared in accordance with the relevant reporting framework and, therefore, is less reliable and useful as an accountability document.

Quality of reporting

Important attributes of the quality of reporting are its accuracy, the timeliness of preparation and finalisation of the financial report. The later the reports are produced and published after year end, the less useful they become.

Quality of financial statements

Ideally, each council should prepare only one draft set of statements for audit that require no adjustments. However, this financial year the majority of councils were still required to make material adjustments to their draft accounts as a result of the audit process.

In 2008–09, the number of material adjustments required indicates that while quality control over reporting was not totally effective, there has been some improvement. On average, 1.5 adjustments to the financial statements prior to audit clearance, compared with two last year.

To improve further on the timeliness and accuracy of draft financial statements, most councils need better processes and systems to produce their financial statements.

Quality of performance statements

Measures and targets that form the performance statement are set and agreed prior to the start of the financial year. These are included in the published budgets and submitted to the Minister for Local Government by 31 August yearly. This year data reported by councils was found to be accurate and the quality of narrative has improved. However **Moorabool Shire Council** received a qualification and **Hepburn Shire Council** did not prepare a statement for audit. Further statement deficiencies were not detected and addressed when the budget was submitted as legislatively required under the LG Act.

The 2008–09 performance measures were set and agreed prior to the start of the year and after issue of our June 2008 Report, *Performance Reporting in Local Government* (2007–08:27) and better practice guide *Performance Reporting: Turning Principles into Practice* (2007–08:29). We expect these reports to serve as a catalyst for councils to significantly improve the relevance and appropriateness of performance statements in 2009–10.

Accordingly, enhancement to the 2009–10 performance measures are expected and should lead to progressively improving performance statements in the future.

Current issues

New standard AASB 1051 *Land Under Roads* required councils to elect either to recognise all land under roads held at 30 June 2009, or to recognise land under roads acquired after 1 July 2008 and then on either a cost basis or on a fair value basis.

The LG Act requires that local government entities prepare their financial reports to comply with standards set by the Australian Accounting Standards Board (AASB).

In the absence of guidance from Local Government Victoria, a division of the Department of Planning and Community Development, councils have variously utilised all four elections available to account for land under roads when implementing the new standard. Therefore dependent on which elections are used, large variation in values are possible. This reduces the utility and consistency of financial reporting across the local government sector.

Effectiveness of internal control

Internal control encompasses the systems, policies, processes, behaviours and other aspects of an organisation that are established to assure that business objectives will be met reliably and cost effectively.

Business planning

This year we focused on Business Continuity Management (BCM) as a significant financial management control within councils.

All councils had started to implement some elements of BCM, however there remains a need for substantial further development before the sector can claim to have adequate systems in place to mitigate, and recover from an unexpected event that adversely affect council's operations.

62 councils had a Business Continuity Plan (BCP) in place, however on only six of those councils was it up to date and tested.

Overall however, internal control as it relates to financial reporting was sound although the following weaknesses common to a number of councils were identified:

- Reconciliations of cash, payroll and creditors were not performed or were lacking in accuracy, timeliness and quality.
- Inadequate controls over employee and creditor masterfile amendments.

IT security

Councils need to balance the requirement to provide staff with ready access to systems and information to enable them to perform their roles; with the obligation to protect sensitive information, guard against manipulation of financial data and prevent unauthorised changes to their IT systems.

Our review of IT security found 65 (84 per cent) of councils had a formal process for granting user access to new members of staff. However, only 45 of the 65 councils or 69 per cent reviewed the access levels on a regular basis.

Financial sustainability

Financial sustainability bears directly on the audit process and as required by Australian Auditing Standards annually, we evaluate whether a council is a going concern for the next 12 months. This annual assessment of financial sustainability is a by-product of our audit process and its scope is limited to reviewing key financial ratios. The assessment, nevertheless, is of interest to those governing and managing councils—councillors and executive management—and to those who hold councils to account for their financial stewardship.

In Part 3 and Appendix C a further detailed analysis of financial sustainability is provided. This analysis provides each council a sustainability risk rating for the past five financial years, based on the five key indicators that we commenced reporting in 2003–04.

To be financially sustainable, councils should have sufficient financial capacity to meet future expected requirements and be able to absorb financial risks and shocks without radically altering their expenditure and revenue policies.

Our analysis of five indicators of financial sustainability shows that there has been an overall improvement in financial sustainability of the local government sector in 2008-09. This year as with last year, no council result was assessed as high risk. Further the councils rated as medium risk decreased from 15 to eight. Figure A summarises the sustainability risk assessment results for the 76 councils that have completed their audited statements across five council groups which have regard to size and location.

Figure A
Summary sustainability risk rating

Council group	2007-08			2008-09		
	High	Medium	Low	High	Medium	Low
Inner metropolitan	–	2	15	–	1	16
Outer metropolitan	–	2	12	–	1	12
Regional city	–	4	7	–	2	8
Large shire	–	4	11	–	–	15
Small shire	–	3	19	–	4	17
Total	–	15	64	–	8	68

Note: Three councils financial reports not complete by 30 September.

Source: Victorian Auditor-General's Office.

The medium risk ratings provided to eight councils reflects the challenge the sector faces in addressing the maintenance and upgrade requirements for existing assets, while balancing community requests for new facilities.

An additional indicator for 2008-09 which builds on the investment gap ratio is the renewal gap. It shows that 70 per cent of councils are not spending sufficient financial resources on maintaining and restoring existing infrastructure.

Impact of bushfires

The bushfires affected 19 councils directly and the extent of damage varied.

There has not been any significant impact from the bushfires affecting the financial sustainability indicators. However these councils will be monitored in the coming years for medium to longer term effects.

Recommendations

Number	Recommendation	Page
1.	The Department of Planning and Community Development (DPCD) should review the submitted budgets against the requirements of the <i>Local Government Act 1989</i> and initiate remedial action when non-compliance occurs.	7
2.	DPCD should provide guidance to entities within the local government sector to improve the consistency and comparability of the financial information across the sector.	14
3 & 4.	Relevant reconciliations should be prepared, reviewed and authorised in a timely manner.	18
5.	DPCD should work with the councils to develop an effective better practice BCM, including addressing the key areas of risk registers, BCPs and DRPs.	20
6, 7 & 8.	Councils should maintain a current risk register, business continuity plan and disaster recovery plan. These should be tested at least annually.	20
10.	Councils should have an approved IT security policy which restricts user access to only the IT systems required to undertake and perform their role; regularly review user access levels for continued appropriateness; and enforce password complexity.	22

General

The total cost of preparing and printing this report was \$172 000.

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 relevant agencies with a request for comments or submissions.

The comments and submissions provided 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 entity.

Submissions and comments received

RESPONSE provided by the Department of Planning and Community Development

The secretary of DPCD provided a response the detailed comments are provided at Appendix D.

His response indicated no concern with the accuracy and fairness of the audit report and has made the following comments:

- **Recommendation 1** – *Councils are required to submit a copy of their budget to the Minister for Local Government by 31 August each year. He indicated it has not been the role of Local Government Victoria to review the detailed content of the budgets but they are involved in the development of a model budget each year.*

The Local Government Investigation and Compliance Inspectorate formed on 1 September 2009 will as part of its compliance regime include spot audits of submitted budgets against compliance with the requirements of the Local Government Act 1989.

- **Recommendation 2** – *Local Government Victoria coordinates the review and preparation of the model financial report yearly which assists in the preparation of the financial statements and associated notes. The Act was also amended in 2003 to introduce Standard Statements to improve the consistency of financial reporting.*

In the absence of a nationally consistent approach having been determined LGV will prepare guidance for councils regarding the recognition and measurement of the value of land under roads.

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

- **Recommendation 5** – DPCD agrees that councils should have effective business continuity management plans, the draft Best Practice Guideline for Local Government Audit Committees includes an oversight of BCM by the Audit Committee. DPCD will examine how this role can be further strengthened as part of a sector wide consultation.

The secretary concluded his remarks by indicating that he was pleased the Audit Report showed an overall improvement in the financial sustainability of councils.

1 Result of audits

At a glance

Background

This sector comprises 103 reporting entities—79 councils, 12 associated subsidiary companies, trusts or joint ventures and 12 regional library corporations (RLCs).

All entities are required to prepare annual financial statements. Councils and RLCs are also required to prepare standard financial statements. Councils are further required to prepare non-financial performance statements. All statements must be audited, and the audit opinions included in the published Council Annual Reports.

Findings

- **Manningham, Mildura Rural and Murrindindi Shire** councils did not achieve the statutory timeframe for submitting audited statements by 30 September to the Minister for Local Government; however ministerial extensions were provided to **Manningham City** due to office fire and **Murrindindi Shire** due to the bushfires.
- **Moorabool Shire Council** received a qualification on their performance statement because their annual budget did not set out targets to enable performance to be judged.
- **Hepburn Shire Council** did not prepare a performance statement, as no specific performance measures or targets were set.
- These deficiencies were not detected when the **Moorabool Shire** and **Hepburn Shire** councils' budgets were submitted as required by the *Local Government Act 1989*.
- The utility and consistency of financial reporting across the sector was reduced as in the absence of guidance, four approaches to valuing land under roads were variously used resulting in large variations in values.

At a glance – *continued*

Recommendations

- The Department of Planning and Community Development on receiving the submitted budgets of each council by 31 August each year should review these statements against the relevant requirements of the *Local Government Act 1989* for compliance. Councils should be informed of any non-compliance so that a revision can be made in accordance with the Act.
- DPCD should provide guidance to entities within the local government sector to improve the utility and comparability of the financial information across the sector.

1.1 Introduction

This is the first of six reports to be presented to Parliament covering the results of our audits of public sector financial reports. The reports in the series are outlined in Figure 1A.

The purpose of this report is to inform Parliament on the key outcomes of the financial audits within the local government sector, augmenting the assurance provided through audit opinions issued on financial, standard and performance statements and provide details on significant issues arising from financial audits for 2008–09. The report also assesses the financial sustainability of councils and regional library corporations and provides recommendations for improving internal controls.

Figure 1A
VAGO reports on the results of audits

Reports	Description
Local Government: Results of the 2008–09 Audits	The first report, tabled in Parliament on 11 November 2009, contains the results of the annual audit of 79 councils, 12 entities they control and 12 regional library corporations.
Public Hospitals: Results of the 2008–09 Audits	The second report, tabled in Parliament on 11 November 2009, contains the results of the annual audit of 88 public hospitals, 22 entities they control and four associated entities.
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008–09	The third report, to be tabled contains the results of the audit of the State's Annual Financial Report.
Water Entities: Results of the 2008–09 Audits	The fourth report, to be tabled contains the results of the annual audit of 19 entities, comprising 16 water corporations and three retail distribution companies.
Portfolio Departments and Associated Entities: Results of the 2008–09 Audits	The fifth report, to be tabled provides a summary of the results of the annual audit of financial reports of the 10 portfolio departments and 198 associated entities with 30 June 2009 balance dates.
Results of Audits for Entities with other than 30 June 2009 Balance Dates	The sixth of these reports, to be tabled by mid 2010 provides the results of the annual audit of financial reports of 120 entities in Victoria's public sector which has a financial year other than 30 June 2009. These entities principally comprise 76 higher education entities, 34 vocational training entities and Victoria's five alpine resorts.

Source: Victorian Auditor-General's Office.

1.2 Financial audit framework

The financial audit framework applied in the conduct of the 2008–09 audits of the local government sector is outlined in Figure 1B.

Figure 1B
Financial audit framework

Planning

Planning is not a discrete phase of a financial audit, rather it continues throughout the engagement. However, initial audit planning is conducted at two levels:

- At a high or entity level, planning involves obtaining an understanding of the entity and its environment, including its internal controls. The auditor identifies and assesses: the key risks facing the entity; the entity's risk mitigation strategies; any significant recent developments; and the entity's governance and management control framework.
- At a low or financial statements line item level, planning involves the identification, documentation and initial assessment of processes and controls over management, accounting and information technology systems.

The output from the initial audit planning process is a detailed audit plan and a client strategy document, which outlines the proposed approach to the audit. This strategy document is issued to the client after initial audit planning and includes an estimate of the audit fee.

Conduct

The conduct phase involves the performance of audit procedures aimed at testing whether or not financial statement balances and transactions are free of material error. There are two types of tests undertaken during this phase:

- Tests of controls, which determine whether controls identified during planning were effective throughout the period of the audit and can be relied upon to reduce the risk of material error.
- Substantive tests, which involve: detailed examination of balances and underlying transactions; assessment of the reasonableness of balances using analytical procedures; and a review of the presentation and disclosure in the financial statements, for compliance with the applicable reporting framework.

The output from this phase is a final (and possibly an interim) management letter which details significant findings along with value-adding recommendations on improving controls and processes. These documents are issued to the client after any interim audit work and during the reporting phase.

Reporting

The reporting phase involves the formal presentation and discussion of audit findings with the client management, and / or the audit committee. The key outputs from this process are:

- A signed audit opinion, which is presented in the client's annual report alongside the certified financial statements.
- A report to the minister responsible for the entity of significant findings identified during the audit
- A report to Parliament on significant issues arising from audits either for the individual entity or for the sector as a whole.

Source: Victorian Auditor-General's Office.

1.3 Scope

Local government entities have balance dates of 30 June 2009.

The local government sector comprises 103 reporting entities, including councils, regional library corporations and entities controlled by councils such as companies, trusts and joint ventures. Figure 1C shows the numbers of each type of local government entity.

Figure 1C
Local government reporting entities

Type of entity	2007–08	2008–09
Council	79	79
Companies, trusts and joint ventures	11	12
Regional library corporation	12	12
Total	102	103

Source: Victorian Auditor-General's Office.

1.4 Reporting framework

The principal legislation governing the establishment and operation of councils 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, all local government entities must prepare annual financial statements and submit them for audit. Councils and RLCs must also prepare annual standard statements and submit them for audit.

In addition, the councils are 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 audit accountability statement

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

Source: Victorian Auditor-General's Office.

1.5 Audit opinions issued

Councillors and library board members are responsible for the preparation of their financial, standard and performance statements. An independent audit opinion adds credibility to these statements and a clear audit opinion confirms that they have been prepared according to the requirements of the LG Act and relevant accounting standards.

1.5.1 Financial statements

At 30 September 2009, 98 (95 per cent) clear audit opinions were issued on the completed financial statements and the standard statements for all of the entities in the local government sector. This continues the positive result since 2007–08, where 97 clear opinions were issued on all financial and standard statements at the same time last year.

1.5.2 Performance statements

The performance statement for **Moorabool Shire Council** was qualified for 2008–09. This occurred because the annual budget did not set targets for key strategic activities against the council's performance. Accordingly, the statement did not meet the requirements of the LG Act, and an adverse audit opinion was used.

Hepburn Shire Council did not prepare a performance statement, as no specific performance measures or targets were set when preparing the 2008–09 budget. The council is therefore non-compliant with section 132 of the LG Act.

Measures and targets that form the performance statement are set and agreed prior to the start of the financial year. These are included in the published budgets and submitted to the Minister for Local Government by 31 August yearly. These deficiencies were not detected in either of these cases when the budget was submitted in accordance with the LG Act.

Last year the performance statement for **Buloke Shire** was qualified; however council has improved reporting in 2008–09 and a clear audit opinion was issued.

Recommendation

1. Local Government Victoria, a division of Department of Planning and Community Development, should review the submitted budgets of each council against the requirements of the *Local Government Act 1989* and initiate remedial action when non-compliance occurs.

1.6 Quality of reporting

Councillors and board members are responsible for the quality of their financial reports and performance reports, including:

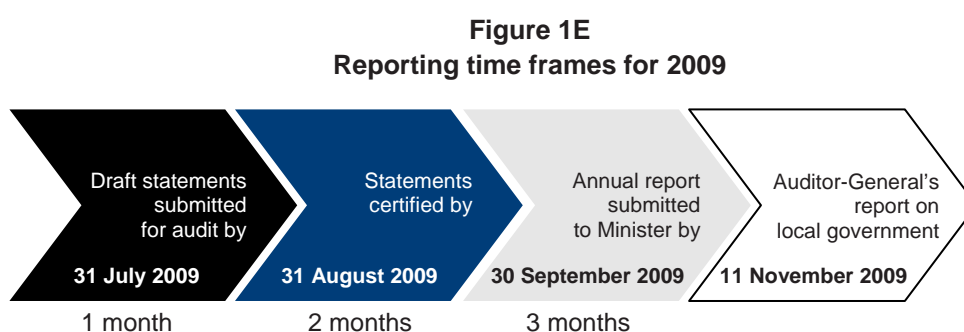
- the rigour of financial systems and their oversight
- the number of drafts required prior to their finalisation
- the significance, value and number of adjustments or corrections made to drafts
- additional or amended disclosures required.

Ideally, each council should prepare only one draft set of statements, with no adjustments required to finalise statements. However, in practice the majority of councils are required to adjust their draft accounts as a result of the audit process.

The quality of reporting can be measured by the timeliness, the accuracy of report preparation and finalisation, accompanied by an unqualified audit opinion.

1.6.1 Timeliness

Under the LG Act, entities must submit their annual report to the Minister for Local Government by 30 September each year. The annual report must contain the audited financial and standard statements, as well as the 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 timeframe applicable to councils. Figure 1E outlines better practice timeframes to achieve the three month target.



Source: Victorian Auditor-General's Office.

Councils

The performance of councils that had their audited financial statements completed by 30 September is provided in Figure 1F. Further detail of the reporting dates achieved for each council can be found in Appendix B.

In 2008–09 there were three councils that did not have audited financial statements completed by 30 September:

- **Manningham City Council**—council offices were subject to extreme fire damage resulting in damage to council records and equipment.
- **Mildura Rural City Council**—a complete set of statements was not finalised within the reporting time frames. It has since been finalised on 20 October 2009.
- **Murrindindi Shire Council**—council was severely affected by the recent bushfires.

Manningham City and **Murrindindi Shire** have received approval from the Minister for Local Government to submit their annual reports after the statutory deadlines.

Last year **Buloke Shire** and **Central Goldfields Shire** did not achieve the 30 September legislative time frames. However, both councils improved in 2008–09 certifying their financial statements on 23 September and 15 September respectively.

Figure 1F
Timeliness of councils' audited financial statements

Number of months after the end of financial year audited statements were finalised	2007–08		2008–09	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	3	4	2	3
2–3 months	74	97	74	96
Not complete by 30 September	2	100	3	100
Total	79	–	79	–

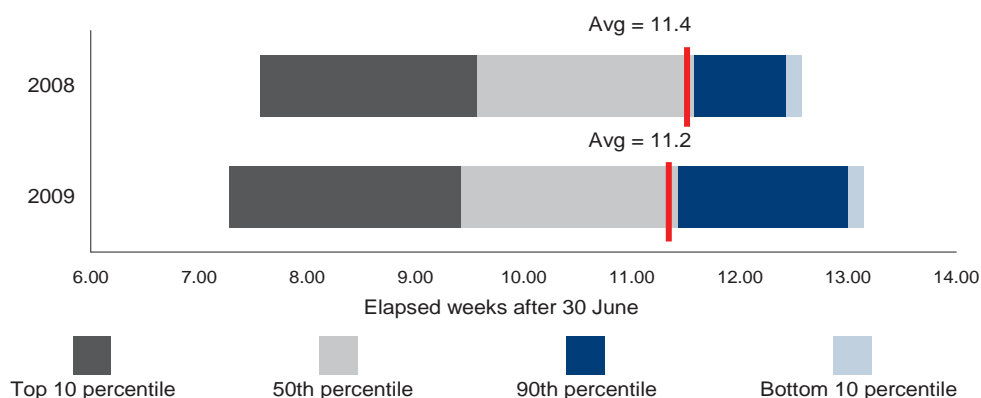
Source: Victorian Auditor-General's Office.

Comparative analysis of timeliness

The ability of councils to meet the three-month report submission requirement is directly affected by the timeliness of the finalisation of their financial statements.

Figure 1G summarises, in percentile bands, the time taken after 30 June for councils to finalise their financial statements at 30 September. It shows, on average, councils made no significant improvement in the time taken to finalise their financial statements.

Figure 1G
Time taken for councils to finalise their financial statements



Note: data as at 30 September.

Source: Victorian Auditor-General's Office.

Across the group, most councils took longer to finalise their 2008–09 financial statements compared with 2007–08.

Only two councils (3 per cent) were able to finalise their financial statements within two months of the end of the financial year, compared with three councils (4 per cent) last year.

Regional library corporations

The performance of RLCs in having their audited financial statements completed by 30 September is summarised in Figure 1H. Further detail of the reporting dates achieved for each RLC is provided in Appendix B.

In 2008–09 the **Goulburn Valley Regional Library Corporation** did not have audited financial statements completed and certified by 30 September.

Overall however, while one entity did not meet the 30 September timeline two additional entities finalised their financial statements within two months.

Figure 1H
Timeliness of RLCs audited financial statement completion

Number of months after the end of financial year audited statements were finalised	2007–08		2008–09	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	1	8	3	25
2–3 months	11	100	8	92
Not complete by 30 September	–	–	1	100
Total	12	–	12	–

Source: Victorian Auditor-General's Office.

Other entities

The performance of council controlled other entities in having their audited financial statements completed by 30 September are summarised Figure 1I. Further detail of the reporting dates achieved for each entity provided in Appendix B.

In 2008–09 the **Regional Landfill Clayton South Joint Venture** did not have audited financial statements completed and certified by 30 September. It has since been finalised on 23 October 2009.

Overall however, there has been an improvement in timeliness with 92 per cent finalising their financial statements within three months, compared with 73 per cent last year.

Figure 1I
Timeliness of Other Entities audited financial statement completion

Number of months after the end of financial year audited statements were finalised	2007–08		2008–09	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	3	28	3	25
2–3 months	5	73	8	92
Not complete by 30 September	3	100	1	100
Total	11	–	12	–

Source: Victorian Auditor-General's Office.

1.6.2 Accuracy

The frequency and the size of the errors in the draft financial statements requiring adjustments are seen as a direct measure of accuracy. Errors identified in the draft financial statements during the audit process are raised with the entity. If the errors are considered to be material, adjustments are requested.

Councils

As at 30 September 2009, 76 of the 79 councils had completed audited financial statements.

Of these 76 councils 48 (63 per cent) required audit adjustments to finalise their financial statements with an average of one and a half adjustments per council to the financial information included in the statements. This is an improvement on 2007–08, when an average of two adjustments was required per council, and is indicative of an overall improvement in internal processes to complete the financial statements.

The audit adjustments affected a wide range of areas across the statements that were material in value and/or nature. Overall, 116 audit adjustments were required to the financial statements and the average value of adjustment was \$1.2 million.

As well as adjustments to the figures included in the statements, a number of corrections were required to the disclosures and narratives. Across the 76 councils, an average of 11 adjustments per council was made to such elements of the financial statements. The majority of these adjustments were required to amend the information included in the notes to the financial statements, so as to improve the readers' understanding of the financial information.

Regional library corporations

As at 30 September 2009, 11 of the 12 RLCs have had audited financial statements completed.

Four out of the 11 RLCs required audit adjustments to finalise their financial statements with an average of one audit adjustment per RLC to the financial information included in the statements. The average value of adjustment was \$16 000.

RLCs required six adjustments, on average, to the disclosures and narratives included in the financial statements. Similarly to councils, the majority of these were made to amend the information included in the notes to the financial statement to enhance the readers' understanding of the RLCs' financial performance.

1.6.3 Quality of financial statements

There has been improvement in the timeliness and accuracy of council and RLC financial statements. While the overall positive change is commendable, there remains room for further improving the process. Figure 1J identifies important factors in financial statement preparation.

Figure 1J
Important factors in financial statement preparation

Factors
Demonstrating ownership and commitment.
Maintaining robust risk management practices and internal controls.
Adopting good financial reporting practices throughout the year.
Establishing open and constructive relationships between key stakeholders.
Managing staff and other resources effectively.

Source: Australian National Audit Office – Better Practice Guide Preparation of Financial Statements by Public Sector Entities June 2009.

1.6.4 Quality of performance statements

Councils are required to prepare an annual budget setting out the financial projections and parameters for the coming year. The LG Act requires the budget to include the key strategic activities the councils will undertake, and performance measures and targets for each key strategic activity. A performance statement is prepared at the end of the financial year to acquit actual performance against these measures and targets.

The performance statements for 2008–09 were reviewed in line with the recommendations made in our previous report *Local Government: Results of the 2007–08 Audits* (2008–09:12). Councils in the current year have provided better explanations for significant material variances between target measures and the actual results.

The current year’s performance measures and targets were set and agreed prior to the start of the 2008–09 year in the published budget submitted to the Minister for Local Government by 31 August 2007. Enhancement to the 2009–10 performance measures and targets are expected and should lead to improving the quality of performance statements in the future.

To be useful, the results reported in the performance statements need appropriate context. This includes explanatory notes that assist in interpreting the reported results and to support and explain the statements.

These matters were highlighted in our June 2008 report —*Performance Reporting in Local Government* (2007–08:27) and better practice guide *Performance Reporting: Turning Principles into Practice* (2007–08:29).

1.7 Reporting issue

Local government entities should prepare their financial reports to comply with standards set by the Australian Accounting Standards Board (AASB). It is important for the local government sector to keep abreast of emerging accounting issues and to analyse the impact of pending and amended standards.

1.7.1 AASB 1051 *Land Under Roads*

This new standard required councils to first elect either to recognise all land under roads held at 30 June 2009, or to recognise land under roads acquired after 1 July 2008. Councils must then also make an election whether to measure land under roads on either a cost basis or on a fair value basis.

The key components of this standard are outlined in Figure 1K.

Figure 1K
AASB 1051 Land Under Roads

Key components of AASB 1051
Land under roads includes roadways, road reserves, footpaths, nature strips and median strips.
Entities can elect whether or not to recognise land under roads existing at 30 June 2008.
The election regarding land under roads existing at 30 June 2008 is effective as of 1 July 2008.
Entities that elect to recognise land under roads existing at 30 June 2008 can take the fair value at that date as deemed cost and do not need to revalue the asset in future periods.
Land under roads acquired after 1 July 2008 must be recognised as an asset.

Source: Australian Accounting Standards Board.

However, although councils have made their elections for the treatment of land under roads in accordance with the accounting standard, one consequence of exercising this discretion has been a lack of consistency in approach. Figure 1L summarises the various valuation methods adopted and the councils' elections.

Figure 1L
AASB 1051 Land Under Roads Elections

Election options	Number of councils	% of total
All roads using the cost method	4	5
All roads using the fair value method	7	9
Roads acquired after 1 July 2008 using the cost method	40	51
Roads acquired after 1 July 2008 using the fair value method	28	35
	79	100

Source: Victorian Auditor-General's Office.

These differing elections have resulted in a wide range of values being reported at 30 June 2009 under this standard – ranging from \$0 to \$395m (0–19 per cent) of total assets. Figure 1M summarises the range of values for capitalised land under roads against each election option.

Figure 1M
Value of Land Under Roads by election

Election opinions	Value range (\$000's)	
	From	To
All roads using the cost method	13,108	395,220
All roads using the fair value method	408	60,397
Roads acquired after 1 July 2008 using the cost method	–	6,590
Roads acquired after 1 July 2008 using the fair value method	–	6,521

Source: Victorian Auditor-General's Office.

One of the primary objectives of preparing financial statements in accordance with accounting standards is to enhance the utility and comparability of the financial information reported.

The differing elections made by councils on the recognition and measurement of land under roads, though permitted by the accounting standard, have led to a reduction in comparability across the sector. This has reduced the usefulness of the reported information for this asset.

The Department of Planning and Community Development (DPCD) has a key role in enhancing the accountability and management of the local government sector. The lack of guidance from the DPCD regarding the recognition and measurements of land under roads has resulted in councils not adopting a consistent approach in the treatment of this asset.

Recommendation

2. DPCD should provide guidance to entities within the local government sector to improve the utility and comparability of the financial information across the sector.

2 Effectiveness of internal control

At a glance

Background

The effectiveness of internal controls over business processes and the reliability of financial reporting are tested during the audit. This year there was a particular focus on risk registers, business continuity plans, disaster recovery plans and IT security. When control weaknesses or breakdowns are identified during the audit process, these are reported to management to minimise further impact on the business.

Findings

- Weaknesses were noted at a significant number of councils in preparation and review of key reconciliations, such as cash, payroll and creditors; and over employee and creditor masterfile amendments.
- 94 per cent of councils have a risk register in place and 92 per cent are regularly reviewed by senior management or the audit committee. 75 per cent have a Disaster Recovery Plan in place but only 43 per cent have been fully tested.
- Only 66 per cent have a formal IT security policy. However, 84 per cent had formal user access policies. Only 69 per cent reviewed access levels on a regular basis but 79 per cent enforced complexity rules and 91 per cent of councils enforced regular password changes.

Recommendations

- Relevant reconciliations should be prepared; reviewed and authorised in a timely manner.
- Councils should maintain a current risk register, business continuity plan and disaster recovery plan. These should be tested at least annually.
- Councils should have an approved IT security policy which includes restricted user access of staff members to only the IT systems that they require them to undertake and perform their role; regularly review user access levels to ensure that they continue to be appropriate; and enforce password complexity.

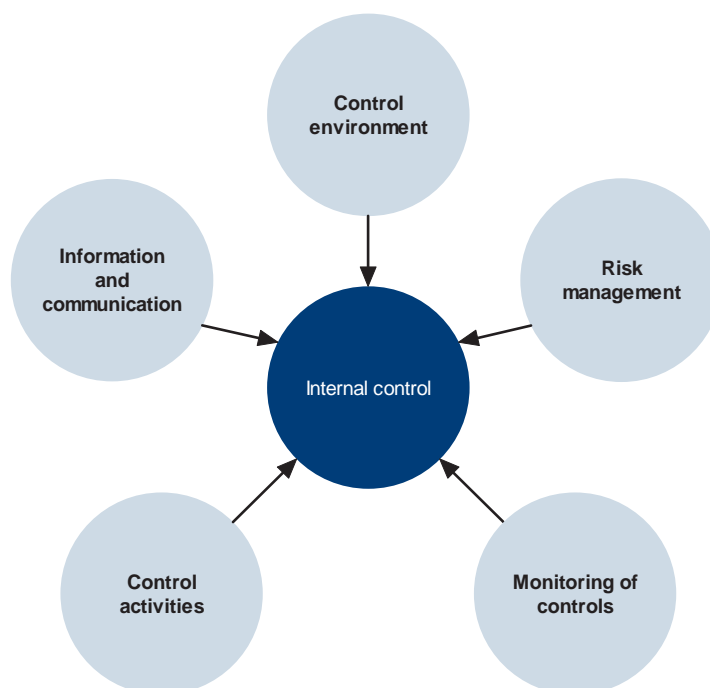
2.1 Introduction

Each governing body is responsible for the development and maintenance of their internal control structure. The LG Act states that it is part of the council's duty to develop and maintain adequate internal control systems. Internal control refers to the systems, processes and procedures that are established by councils and regional library corporations (RLCs) to:

- reliably and cost effectively meet their business objectives
- achieve accurate financial reporting
- achieve compliance with laws and regulations.

Figure 2A identifies the major components of effective internal control.

Figure 2A
Internal control framework



Source: Victorian Auditor-General's Office.

2.2 Common control weaknesses

This year, two main areas of control weakness were identified common to a significant number of councils, they were the absence of:

- preparation and review of reconciliations
- controls over masterfile amendments.

2.2.1 Preparation and review of reconciliations

Reconciliations should be prepared and reviewed in a systematic and timely manner.

Late or non performance of reconciliations increases the risk of:

- errors not being detected and corrected in a timely fashion
- material misstatements in the financial report.

We noted this year that the preparation and review of cash, payroll and creditor reconciliations were inadequate across a number of councils. Reconciliations were not performed or were lacking in accuracy, timeliness and quality. Such balances are often large dollar amounts and a weakness in the control increases both the risk of fraud occurring and the risk of significant material misstatement in financial reporting.

2.2.2 Controls over masterfile amendments

Changes to all data masterfiles should be appropriately authorised, documented and reviewed. We noted that a number of councils either did not review employee and creditor masterfile amendments or did not keep an audit trail as evidence of review.

Lack of controls over masterfile changes increases the risk of:

- errors in employee or creditor details not being detected
- incorrect payments to employees or vendors
- fictitious employees or vendors created for the purpose of committing fraud not being detected.

2.2.3 Conclusion

The absence of appropriate review of key account balances increases the risk of errors going undetected and can result in material misstatements in the financial report.

Weaknesses regarding the authorisation and review of key financial data provides opportunity for fraud and increases the likelihood of fraud occurring.

Recommendations

3. Councils should prepare and review reconciliations on a timely manner when preparing financial reports to address the risk of errors going undetected or uncorrected.
4. Proper and appropriate level of authorisation and review of all data changes must be present to reduce any opportunities for inappropriate actions.

2.3 Business planning

As part of our 2008–09 audit program, we have continued a cyclical review of significant financial management controls within councils. This year, we specifically reviewed key aspects of Business Continuity Management (BCM):

- Risk Registers
- Business Continuity Plans
- Disaster Recovery Plans.

These aspects are key in facilitating effective and efficient council operations. They also assist in identifying, mitigating and recovering from potential disaster events.

Figure 2B outlines the key elements of applied BCM within an organisation.

Figure 2B
Key elements of business continuity management

Managing business continuity as an integrated program of work.
Embedding business continuity management into the entity's culture.
Designing the entity's business continuity approach.
Building entity resilience.
In the event of a disruption: Activating and deploying the plan.
Maintaining the program and plan: Testing, exercising, updating and reviewing.

Source: Business Continuity Management, Better Practice Guide, ANAO, June 2009.

2.3.1 Risk register

The risk register details the major risks identified for a particular organisation, provides an assessment on the likelihood of the risk occurring, the impact on the organisation should it occur, and the mitigating actions in place to prevent this happening.

The risk register is central to effective risk management. It should be used to identify emerging risk exposures warranting attention.

Through our review across the 79 councils, 74 (94 per cent) have a risk register in place. This is encouraging as it means that councils have the foundation for identifying and mitigating the risks facing their individual organisations.

It was also noted that 68 of the risk registers or 92 per cent are regularly reviewed by either senior management or the audit committee of the council with these reviews occurring between monthly and annually.

2.3.2 Business continuity plan

Business continuity planning is the development and validation of a plan detailing how an organisation will stay in business in the event of a disaster. A Business Continuity Plan (BCP) covers all areas of an organisation, and often stands alongside the Information Technology (IT) – focused Disaster Recovery Plan (DRP). Figure 2C outlines the elements of an effective BCP.

Figure 2C
Key areas of a business continuity plan

- Covers all areas of the entity's business (all council departments and services).
- Prioritises the importance of each business function based on appropriate analysis.
- Identifies the time critical nature of the council's services and systems.
- Covers a range of potential scenarios which could hinder or stop the council providing all or some services.
- Provides a detailed plan on re-establishing working services / systems.

Source: Victorian Auditor-General's Office

The results of our review across 79 councils, found that 62 (78 per cent) have a BCP. While 17 (22 per cent) of councils do not have a BCP. Of the 62 BCP's in place, only 23 (37 per cent) of these plans have been tested. This situation means that effectively 56 (71 per cent) of councils do not have an up to date and tested BCP in place should a disaster occur. There was no discernible trend within groups or across councils.

Disasters by their nature are usually unexpected and have a significant impact on the community. Councils need an appropriate working plan to have the best prospect of minimising disruption in the provision of their services.

2.3.3 Disaster recovery plan

A Disaster Recovery Plan (DRP) sets out the processes and procedures required to recover an organisation's critical IT applications and infrastructure after a disaster.

Councils rely on information systems (IS) to undertake and manage most of the day-to-day services they provide to the community. They also rely on IS to prepare and produce the reliable and accurate information needed for their statutory and operational reporting. Therefore, it is important that a council has a DRP so that any disaster that affects the community has minimal impact on these systems. Figure 2D illustrates the key elements of a DRP.

Figure 2D
Key elements of a disaster recovery plan

- Focuses on the IT systems and the appropriate technical support systems.
- Prioritises the key systems relevant to the entity.
- Should be a very detailed document – includes step by step instructions for getting systems up and running again.
- Should be regularly reviewed to ensure that the plan is up to date, and reflects the systems in place at the entity.

Source: Victorian Auditor-General's Office.

Our review across the 79 councils found that 60 (75 per cent) have a DRP, and that only 26 (43 per cent) of these plans have been fully tested. Of the 60 councils that have a DRP in place, only 25 (42 per cent) tested the plan either partially or fully at least every six months.

Overall, this means that 54 (68 per cent) of councils have yet to develop a reliable, tested and appropriate plan. Again there was no discernible trend within groups or across councils.

2.3.4 Conclusion

Overall, most councils have started to implement some form of BCM tool. However, there needs to be substantial further development before the local government sector has adequate systems in place to both mitigate, and recover from, an unexpected event that prevents the council from operating.

Recommendations

5. The Department of Planning and Community Development should work with the councils to develop an effective better practice BCM, including addressing the key areas of risk registers, BCPs and DRPs.
6. Councils should have a current risk register that is tailored to their organisation. Procedures should be in place for senior management and the audit committee to review the register monthly and quarterly respectively, and to assess its appropriateness so that the register remains current to the organisation.
7. Councils without a current business continuity plan and/or disaster recovery plan should expedite initiatives to develop plans tailored to their organisation.
8. Councils should, at least annually, test their business continuity plans and DRPs to confirm that they are feasible, appropriate and reliable. A rotational testing plan for all elements of the DRP should also be developed and utilised.

2.4 IT security

Due to their generally heavy reliance on information systems, councils need to have effective IT security controls to protect the confidentiality, integrity and availability of the data they hold and the systems they have in place. Appropriate security controls also prevent unauthorised access to, or release of, sensitive information.

As part of our 2008–09 audit cycle, we have undertaken a high-level review across the 79 councils focusing on the following key control areas:

- user access
- IT security policies.

2.4.1 User access

Councils need to balance the requirement to provide staff with ready access to systems and information to enable them to perform their roles; with the obligation to protect sensitive information, guard against manipulation of financial data and preventing unauthorised changes to their IT systems.

It is important that staff are only given access to the systems and information appropriate to their role. IT systems should be monitored regularly to confirm that access is still relevant. For example when staff change roles, some may find that they retain access to systems they no longer require.

Sixty-five (84 per cent) of councils had a formal process for granting user access to new members of staff. These policies also cover members of staff leaving the council and the suspension of access levels.

However, only 45 of the 65 councils (69 per cent) reviewed the access levels regularly.

A common way for organisations to restrict user access to appropriate systems is through password authentication. Figure 2E highlights key areas of password policy.

Figure 2E
Key requirements for sound password policy

- Password complexity and length.
- Regular enforced password changes.
- Restrict use of historic passwords.
- Non-disclosure of passwords by staff members.

Source: Victorian Auditor-General's Office.

Our review of councils focused on whether they had active policies to enforce password complexity and regular password changes.

It was noted that 61 (79 per cent) of councils enforced complexity rules and 70 (91 per cent) of councils enforced regular password changes.

2.4.2 IT security policy

An IT security policy should be a formally endorsed document that details the council's key security controls to provide appropriate controls over an IT system.

Figure 2F identifies key elements of IT security policy.

Figure 2F
Key elements of IT security policy

- Physical security of assets.
- Password policies.
- User access policies.
- Policies regarding internet and e-mail access and use.
- Backup procedures and storage.
- System Administrator rights and restrictions.
- Archiving procedures.

Source: Victorian Auditor-General's Office.

Our review of 79 councils found that only 52 (66 per cent) have a formal IT security policy in place. This does not mean that more than 30 per cent of councils do not have any security controls in place. Rather, it indicates that the minimum required IT security controls have not been formally recorded in a council approved document.

An effective IT security policy is important because it means that those responsible for the governance of the council are aware of the controls in place; and all staff are aware of their personal responsibilities under the policy.

2.4.3 Conclusion

Councils have controls for IT security and user access. However, improvements can be made in areas such as the creation and enforcement of appropriate policies within this area.

Recommendations

9. Councils should prepare, formalise, document and inform users of their IT security policy.
- 10 Councils should develop, implement and enforce a policy that:
 - restricts user access of staff members to only the IT systems that they require to undertake and perform their role
 - regularly reviews user access levels to ensure that they continue to be appropriate
 - addresses password complexity and requires regular changing of passwords.

3 Financial sustainability

At a glance

Background

This part of the report presents analysis of selected financial sustainability ratios. These ratios provide a set of interrelated indicators for local governments to use to assess their financial performance and position. The indicators analyse past and estimated future results to identify trends relative to sustainability.

To be sustainable, local governments need to have sufficient capacity to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.

One of the key objectives should be to maintain their infrastructure assets and manage debts at an acceptable level to support future operations.

Findings

- The financial sustainability analysis shows improvement for councils in 2008–09. No council received a high-risk rating and councils with a medium risk rating reduced from 15 to eight.
- All of the 19 bushfire-affected councils received a low-risk rating on their financial sustainability in 2008–09.
- The financial sustainability analysis shows a slight improvement for Regional Library Corporations (RLCs) in 2008–09, with no RLCs receiving a high-risk rating and six of the 12 RLC's rated as medium risk, compared with two high risk and six medium risk last year.

3.1 Introduction

Local government in Victoria is made up of 79 councils representing five million people. The councils range in population 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 substantially.

The analysis of financial sustainability ratios is presented for the third year. These ratios provide a set of interrelated indicators for local governments to use to assess their own financial performance and position. The indicators are a way to analyse past results and forecasts to identify trends.

Appendix C contains data for every council on each indicator covering the period 2005 to 2012.

The following is an overview of the key financial movements and ratios for the sector as a whole. They are useful benchmarks when assessing the performance of individual councils addressed in the chapter.

3.2 Financial performance

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

The objective for local governments should be to generate a sufficient surplus from operations to be able to fund asset replacement, new asset acquisition and retire debt.

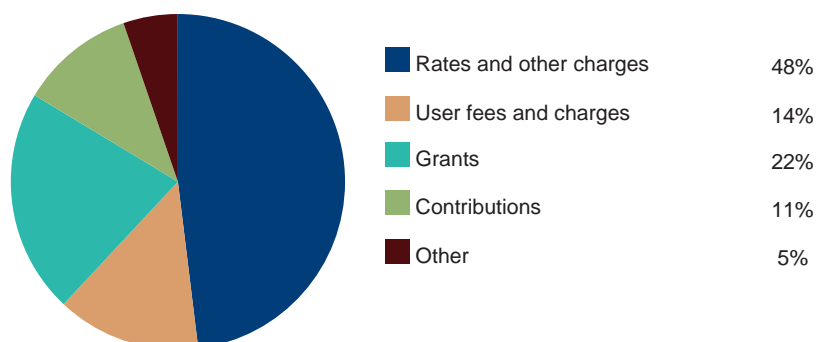
The ability of local governments to achieve this objective depends largely on their funding and expenditure policies. This is reflected in the composition and rate of change of their operating revenues and expenses.

3.2.1 Operating revenue

In 2008–09 the local government sector collected \$6.4 billion in operating revenues, an increase of seven per cent on the \$6.0 billion from the previous year.

The most significant increase in revenue this year was from Commonwealth and Victorian Government grants, which grew by \$270 million, (25 per cent), to \$1.4 billion as compared with \$1.1 billion in the previous year. The grants included the Australian Government's forward payment to all councils in June 2009 of around a quarter of the 2009–10 grant pool, which amounted to about \$113 million. There was also a 4 per cent increase in rates and charges received by the local government sector. The composition of operating revenue for the sector is provided in Figure 3A.

Figure 3A
2008–09 revenue composition



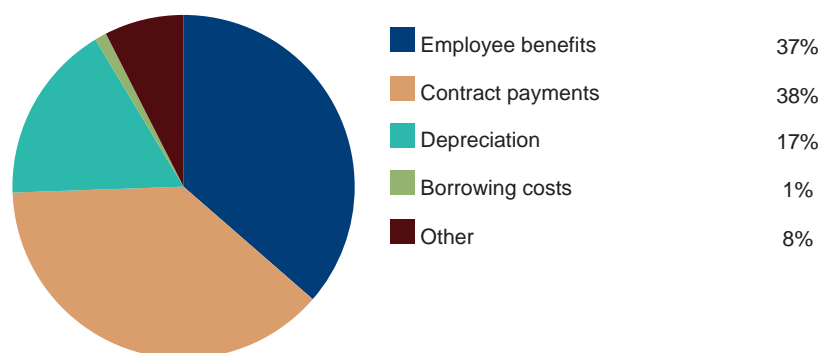
Source: Victorian Auditor-General's Office.

3.2.2 Operating expenditure

In 2008–09, total operating expenditure in the local government sector was \$5.4 billion, a growth of \$236 million (5 per cent). The main areas of growth were:

- employee benefits, by \$89 million (5 per cent) which is in line with the labour price index movement for public sector employees of 4.5 per cent. The growth in employee benefits is also smaller than revenue growth of 7 per cent
- contract payments, by \$61 million (3 per cent)
- depreciation, by \$25 million (5 per cent) which is in line with the small percentage increase in the total assets of the sector for the same period.

Figure 3B
2008–09 expenditure composition

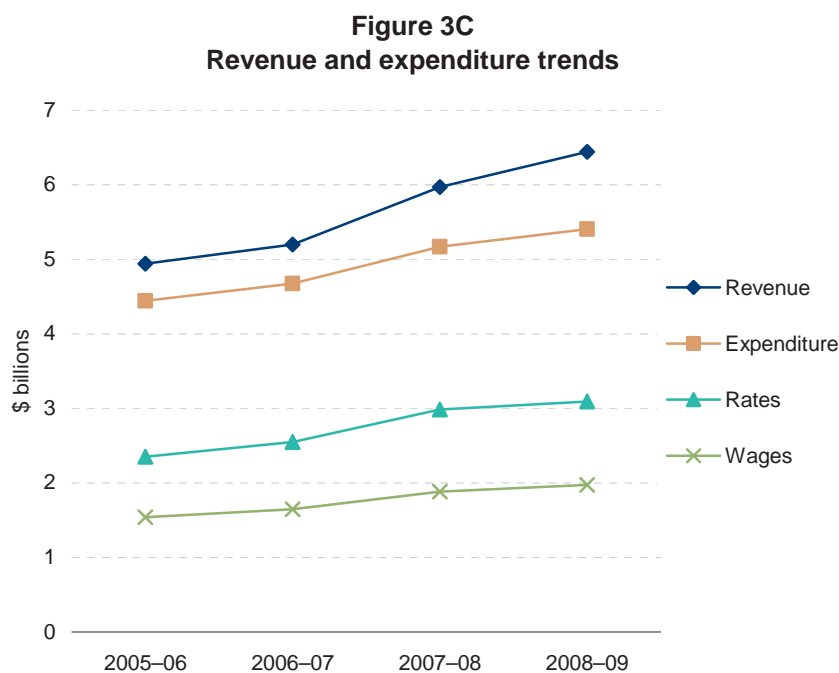


Source: Victorian Auditor-General's Office.

3.2.3 Trends in operating results

The increase in operating revenue of 7 per cent was offset by a 5 per cent growth in operating expenditure. The impact of these movements increased the aggregated, underlying surplus reported for the year.

Figure 3C shows trends in local government, over the past four years, for total revenue and expenditure in comparison with rates revenue and wages expenditure.



Source: Victorian Auditor-General's Office.

3.3 Financial position

Financial position is generally measured by reference to net assets—the difference between total assets and total liabilities.

However, this measure is less relevant in the public sector context, as most public sector entities are not-for-profit; and do not hold assets that generate revenue. Instead, they hold infrastructure assets, which require funding for operating costs, repairs and maintenance, and replacement and renewal.

As the revenue base for local governments is not tied to the value of their asset base and they cannot sell most of their assets to obtain funds, the objective should be to maintain their infrastructure assets, while managing debt so it can be paid back from future operations.

The ability of local governments to maintain infrastructure depends on asset and debt management policies, and is reflected in the composition and rate of change of the value of assets and liabilities.

3.3.1 Assets

In 2008–09, the total assets of local government entities grew by 1 per cent, or \$811 million, to \$55.6 billion.

The challenge for councils is to make strategic decisions, understanding their full cost implications, about the operation and service levels of these assets.

3.3.2 Liabilities

Current liabilities are predominantly employee leave provisions. These grew by 13 per cent or \$48 million. The total non-current liabilities for the sector remained unchanged from the 2007–08 level, indicating there were no significant additional net borrowings.

3.4 Indicators of financial sustainability

A generally accepted definition of financial sustainability is whether local governments have sufficient current and prospective **financial capacity** to meet their current and **prospective financial requirements**.

To be sustainable, local governments need to have sufficient capacity to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.

While this definition is generally accepted, there are varying views on what indicators should be used to measure and assess sustainability.

The indicators used in this report reflect short- and long-term sustainability, and are measured by whether local governments:

- generate enough revenue to cover operating costs (including the cost of replacing assets reflected in depreciation expense)—**operating result**
- have sufficient working capital to meet short-term commitments—**liquidity**
- generate sufficient operating cash flows to invest in asset renewal and repay any debt it may have incurred in the past—**self-financing**
- are not overly reliant on debt to fund capital programs—**indebtedness**
- have been replacing assets at a rate consistent with their consumption—**investment gap**
- have been maintaining existing assets at a consistent rate—**renewal gap**.

Figure 3D
Financial sustainability trends

Indicator	Formula	Description
Underlying result (%)	Adjusted net surplus / Total underlying revenue	<p>A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term.</p> <p>Underlying revenue does not take into account non-cash developer contributions and other one-off (non-recurring) adjustment.</p>
Liquidity	Current assets / Current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio one or more means there is more cash and liquid assets than short-term liabilities.</p>
Self-financing (%)	Net operating cash flows / Underlying revenue	<p>Measures the ability to replace assets using cash generated by their operations.</p> <p>The higher the percentage, the more effectively this can be done.</p>
Indebtedness (%)	Non-current liabilities / Own-sourced revenue	<p>Comparison of non-current liabilities (mainly comprised of borrowings) to own-sourced revenue. The higher the percentage, the less able to cover non-current liabilities from the revenues they generate themselves.</p> <p>Own-sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.</p>
Investment gap	Capital spend / Depreciation	<p>Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciating rate.</p> <p>This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option.</p>
Renewal gap	Renewal and upgrade expenditure / Depreciation	<p>Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate.</p> <p>Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option.</p>

Source: Victorian Auditor-General's Office.

We have analysed the indicators for the sector as a whole in the following section to provide benchmarks for the sector. This is followed by analysis of the indicators using local government categories—inner metropolitan, outer metropolitan, regional cities, large shires and small shires. This provides a more detailed frame of reference for benchmarking and comparative analysis by individual councils.

3.5 Financial sustainability trends

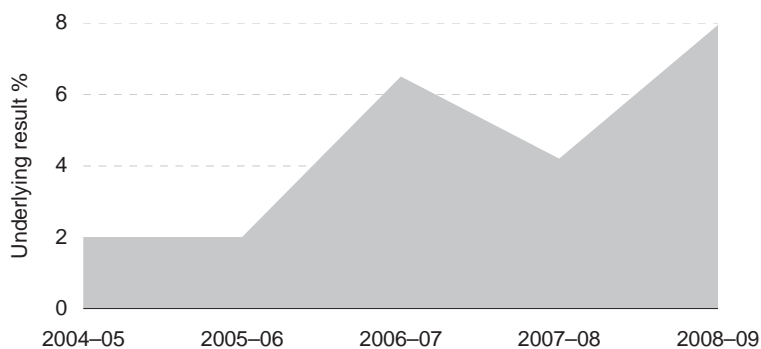
This section provides an analysis and commentary on the trends for each indicator and summarises the results for the local government sector as a whole for the past four financial years and the current year.

3.5.1 Underlying result

The overall underlying result for the sector in 2008–09 was 8 per cent. The lowest result was negative 17.85 per cent and the highest result 27.78 per cent. The trend indicates that the sector as a whole is reporting higher surpluses than the previous year. There were six councils that reported negative underlying results, compared with 13 in 2007–08.

This year's result after the dip in 2007–08 reflects revenue growth has been greater than expenditure growth.

Figure 3E
Underlying result trends

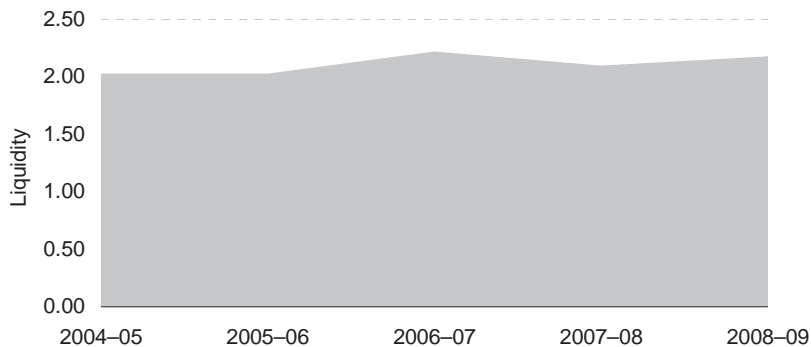


Source: Victorian Auditor-General's Office.

3.5.2 Liquidity

The overall liquidity ratio for the sector in 2008–09 was 2.18, which is a strong result. The highest liquidity ratio reported was 5.20 and the lowest was 1.07. This is the second year that all councils had a liquidity ratio greater than one. Overall liquidity indicators show a marginal increase from 2007–08.

Figure 3F
Liquidity trends



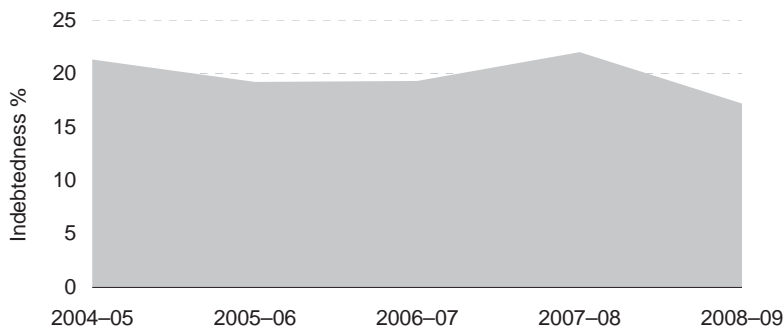
Source: Victorian Auditor-Generals Office.

3.5.3 Indebtedness

The indebtedness ratio for 2008–09 was 17.2 per cent of own-sourced revenues, which is lower than the ratio for 2007–08 of 22.3 per cent. The results varied significantly between councils, with the highest relative debt ratio being 113.26 per cent, and the lowest at 1.29 per cent, compared with 95.97 per cent and 1.18 per cent in 2007–08.

This year’s result is a good improvement from the previous year, but this trend has to be maintained and will require close monitoring by all councils to avoid future going concern issues.

Figure 3G
Indebtedness trends



Source: Victorian Auditor-General's Office.

3.5.4 Self-financing

The self-financing indicator for 2008–09 was 25.9 per cent which is higher than the ratio for 2007–08 of 24 per cent. The lowest result recorded being 6.2 per cent and the highest being 54.99 per cent, compared to –0.22 per cent and 41.42 per cent respectively in 2007–08. The trend indicates a small growth in the cash being generated from operating activities.

Figure 3H
Self-financing trends

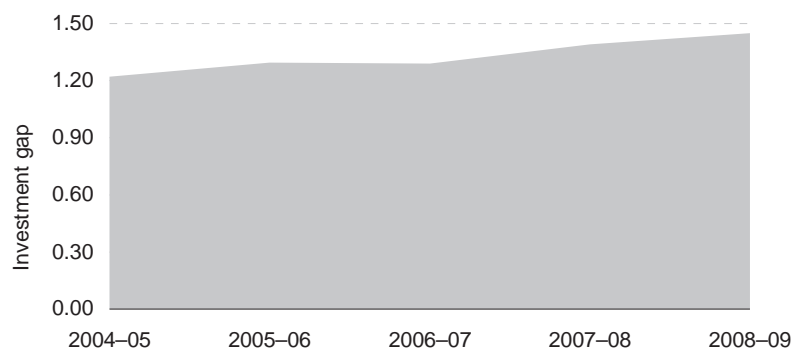


Source: Victorian Auditor-General's Office.

3.5.5 Investment gap

This year, the investment gap ratio for the overall sector was 1.45. This result is a slight improvement on the 2007–08 result of 1.39. The highest ratio was 3.59, but the lowest ratio was 0.86, which is an improvement on the 0.63 reported in 2007–08. The results are a positive sign for the sector as over the past five financial years there is indication that spending on infrastructure is increasing when compared with the level of depreciation.

Figure 3I
Investment gap trends

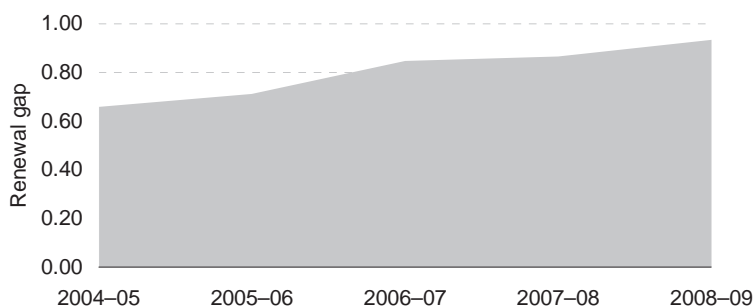


Source: Victorian Auditor-General's Office.

3.5.6 Renewal gap

This is a new indicator and is a natural extension of the investment gap ratio. This ratio looks at the rate of spending on existing infrastructure where as the investment gap is on total infrastructure. This ratio provides an indication if the council is spending sufficient funds to renew, restore and replace existing infrastructure. This year, the renewal gap ratio for the sector overall was 0.93. The lowest renewal gap ratio being 0.38 and the highest 1.93. The results for the sector over the past five financial years have been positive, showing that the spending on the renewal, restoring and maintenance of existing infrastructure is increasing when compared with the level of depreciation.

Figure 3J
Renewal gap trends



Source: Victorian Auditor-General's Office.

3.5.7 Conclusion

Overall, the trends across the financial sustainability indicators for the local government sector displayed solid results.

The increase in overall underlying result for the sector is consistent with operating revenue increasing more than operating expenditure for 2008-09. Together with almost stable liquidity and decreasing indebtedness, the long-term financial sustainability of councils is less at risk if these trends continue.

Bridging and balancing both the investment gap and renewal gap continues to be a focus for all councils with the 2008-09 results for these ratio indicating increased spending on renewal, restoring and maintaining existing assets. However, council's ability to continue spending on future infrastructure can only be maintained in the long term if underlying surpluses improve.

3.6 Financial sustainability assessment

The financial health of each council has been assessed using the risk criteria outlined in Figure 3K.

Figure 3K
Risk assessment criteria for financial sustainability indicators

Risk	Underlying result	Liquidity	Indebtedness	Self-financing	Investment gap ratio
High	Negative 10% or less Insufficient revenue is being generated to fund operations and asset renewal.	Equal to or less than 1 Immediate sustainability issues with insufficient current assets to cover liabilities.	More than 60% Potential long-term concern over ability to repay debt levels from own-source revenue.	Less than 10% Insufficient cash from operations to fund new assets and asset renewal.	Equal to or less than 1.0 Spending on capital works has not kept pace with consumption of assets.
Medium	Negative 10% to zero A risk of long-term run down to cash reserves and inability to fund asset renewals.	1.0–1.5 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	40–60% Some concern over a the ability to repay debt from own source revenue.	10–20% May not be generating sufficient cash from operations to fund new assets.	1.0–1.5 May indicate spending on asset renewal is insufficient.
Low	More than zero Generating surpluses consistently.	More than 1.5 No issues with repaying short-term liabilities as they fall due.	40% or less No concern over the ability to repay debt from own-source revenue.	20% or more Generating enough cash from operations to fund assets.	More than 1.5 Low risk of insufficient spending on asset renewal.

Source: Victorian Auditor-General's Office.

The overall sustainability risk rating for each council has been calculated using the ratings determined for each indicator. The criteria used to rate sustainability risk are outlined in Figure 3L.

The renewal gap indicator has not been incorporated into the overall sustainability risk rating for each council. This indicator is provided as additional information to assist the reader in analysing the investment gap indicator.

Figure 3L
Financial sustainability risk rating criteria

●	High risk of short-term and immediate sustainability concerns indicated by: <ul style="list-style-type: none"> • red underlying result indicator or • red liquidity ratio.
●	Medium risk of longer-term sustainability concerns indicated by either: <ul style="list-style-type: none"> • red indebtedness and self-financing indicators • red investment gap indicator.
●	Low risk of financial sustainability concerns—there are no high risk indicators.

Source: Victorian Auditor-General's Office.

3.6.1 Inner metropolitan councils

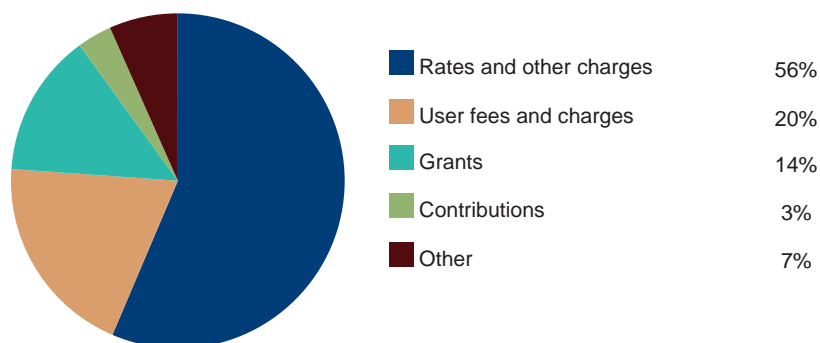
The 17 inner metropolitan councils are:

- Banyule City Council
- Bayside City Council
- Boroondara City Council
- Darebin City Council
- Glen Eira City Council
- Hobsons Bay City Council
- Kingston City Council
- Maribyrnong City Council
- Maroondah City Council
- Melbourne City Council
- Monash City Council
- Moonee Valley City Council
- Moreland City Council
- Port Phillip City Council
- Stonnington City Council
- Whitehorse City Council
- Yarra City Council.

In 2008–09, inner metropolitan councils collectively received \$2.2 billion in revenue and paid \$2 billion in expenses compared with \$2.1 billion and \$1.9 billion in 2007–08. Figure 3M provides an analysis of the composition of the revenue.

Inner metropolitan councils have significant capacity to raise revenue through a combination of rates and user fees and charges, accounting for 76 per cent of total revenue in 2008–09.

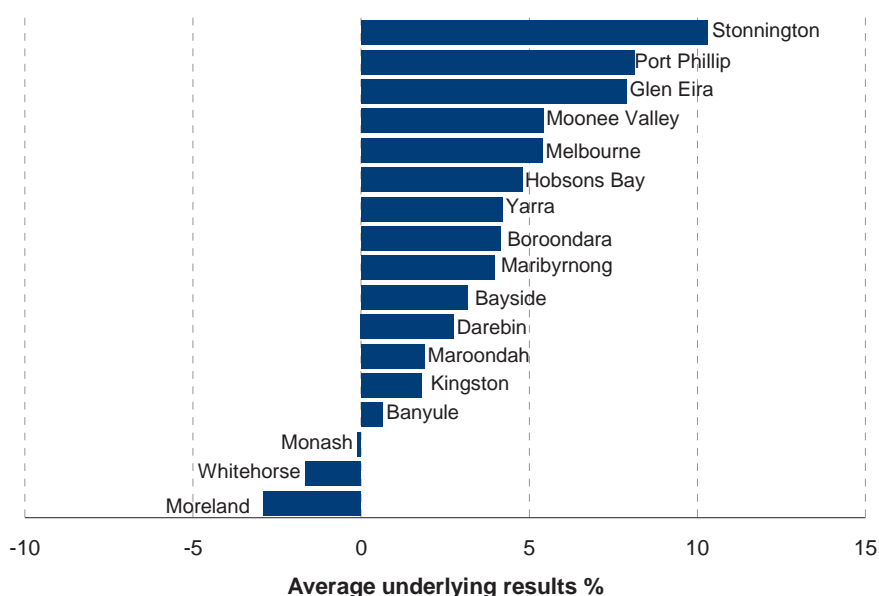
Figure 3M
Inner metropolitan councils, revenue composition, 2008–09



Source: Victorian Auditor-General's Office.

The results of this analysis for the group show that 18 per cent or three of the 17 councils reported underlying deficits on average for the five-year period compared with seven in 2007–08, as outlined in Figure 3N. The portion of councils with underlying deficits is higher in the inner metropolitan group than any other group as occurred in the previous year; however the number has been significantly reduced in 2008–09.

Figure 3N
Five year average underlying results, inner metropolitan councils



Source: Victorian Auditor-General's Office.

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.

The results of the analysis of the sustainability risk indicators for each council in the group are provided in Figure 30.

The sustainability assessment for the inner metropolitan group has improved: one council is reported as medium sustainability risks in 2008–09, compared to two in 2007–08.

Kingston continues to be assessed as a medium sustainability risk with investment gap ratios less than one when averaged over the past five years. The detailed results, as reported in Appendix C, show a trend of improved spending from 2007–08 to 2008-09.

Figure 30
Results for inner metropolitan councils at 30 June 2009

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment	Renewal gap
Banyule	0.62	3.78	3.88	15.39	1.06	●	0.71
Bayside	3.15	1.45	23.43	23.15	1.23	●	0.60
Boroondara	4.16	1.52	7.52	27.46	1.44	●	1.45
Darebin	2.76	1.63	6.03	22.55	1.09	●	0.83
Glen Eira	7.91	1.47	1.62	25.60	1.81	●	1.37
Hobsons Bay	4.80	1.64	3.83	22.00	1.39	●	1.10
Kingston	1.79	1.72	11.78	19.33	0.81	●	0.79
Maribyrnong	3.96	1.86	19.76	21.40	1.55	●	0.63
Maroondah	1.90	2.67	1.87	26.58	1.21	●	0.68
Melbourne	5.40	2.31	3.50	21.49	1.95	●	0.66
Monash	-0.10	1.63	28.74	17.70	1.21	●	0.64
Moonee Valley	5.42	1.71	19.78	24.30	1.49	●	1.29
Moreland	-2.90	1.41	10.83	20.85	1.01	●	0.71
Port Phillip	8.12	2.23	3.70	22.37	1.81	●	1.33
Stonnington	10.31	2.67	5.79	27.41	1.44	●	1.10
Whitehorse	-1.66	3.19	3.68	19.18	1.17	●	0.72
Yarra	4.22	1.07	2.54	20.18	1.23	●	1.02

Note: Underlying result investment gap and renewal gap indicators are an average of the results from the past five financial years.

Source: Victorian Auditor-General's Office.

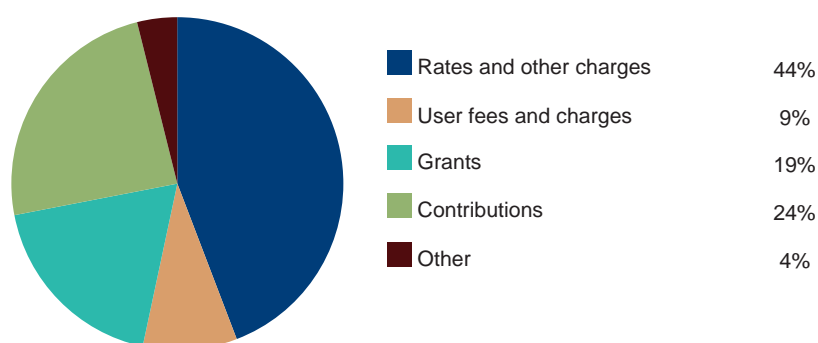
3.6.2 Outer metropolitan councils

The 14 outer metropolitan councils are:

- Brimbank City Council
- Cardinia Shire Council
- Casey City Council
- Frankston City Council
- Greater Dandenong City Council
- Hume City Council
- Knox City Council
- Manningham City Council
- Melton Shire Council
- Mornington Peninsula Shire Council
- Nillumbik Shire Council
- Whittlesea City Council
- Wyndham City Council
- Yarra Ranges Shire Council.

Outer metropolitan councils received a total of \$2 billion in revenue in 2008–09 and paid \$1.5 billion in expenses for the same period and \$1.8 billion and \$1.4 billion respectively in 2007–08. Figure 3P provides an analysis of the type of revenue.

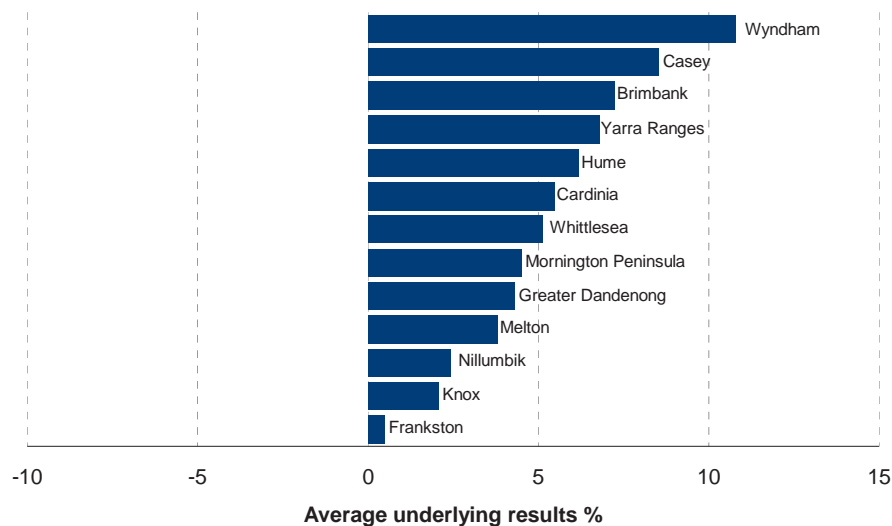
Figure 3P
Outer metropolitan councils, revenue composition, 2008–09



Source: Victorian Auditor-General's Office.

Other than rates, significant revenue was received through developer contributions, making up 24 per cent of total revenue for the group. This is expected, given these councils are on the urban fringe and include many new housing estates that give rise to cash and assets being contributed by developers.

Figure 3Q
Five year average underlying results, outer metropolitan councils



Note: Manningham not included as statements not complete by 30 September.

Source: Victorian Auditor-General's Office.

The level of contributions is dictated by the demand for development and the timing of their completion. An outer metropolitan council has little control over this source of revenue other than through its role as the planning authority.

The assets of outer metropolitan councils totalled \$14.7 billion for 2008–09, compared with total liabilities of \$584 million and \$14.8 billion and \$580 million respectively in 2007–08. The level of liabilities in this group is growing and is now higher than the total liabilities of inner metropolitan councils at \$582 million, against a much lower asset base and smaller revenue figures.

The sustainability of outer metropolitan councils improved marginally in 2008–09, with only one medium-risk council, compared with two in 2007–08. This is shown in Figure 3R.

Figure 3R
Results for outer metropolitan councils at 30 June 2009

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment	Renewal gap
Brimbank	7.24	2.65	15.64	23.83	1.31	●	0.84
Cardinia	5.47	1.31	74.03	29.46	2.30	●	0.76
Casey	8.53	1.58	23.55	27.76	2.19	●	0.77
Frankston	0.49	1.97	1.67	24.67	0.99	●	0.48
Greater Dandenong	4.31	1.73	16.15	27.03	1.30	●	0.52
Hume	6.19	2.03	28.00	32.60	1.52	●	0.55
Knox	2.06	2.12	8.80	19.04	1.08	●	0.64
Manningham (a)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Melton	3.80	1.81	41.01	20.85	1.31	●	0.40
Mornington Peninsula	4.50	1.34	37.23	18.87	1.10	●	0.73
Nillumbik	2.43	2.41	40.50	17.81	1.47	●	1.02
Whittlesea	5.11	4.13	28.12	25.60	1.05	●	0.62
Wyndham	10.79	5.20	7.03	44.57	1.34	●	1.06
Yarra Ranges	6.81	3.68	8.64	20.92	1.05	●	0.90

Note: Underlying result, investment gap and renewal gap indicators are an average of the results from the past five financial years.

(a) not complete by 30 September.

Source: Victorian Auditor-General's Office.

The investment gap average for **Frankston** has decreased in 2008–09. The results over the past four years show improving spending, however the council needs to continue this trend if it is to address the sustainability risks from long-term underspending on infrastructure.

The indebtedness rating of **Cardinia** is high at 74.03 and remains a risk for the council. Strong results for underlying result and self-financing indicate the council should have the ability to service the debt.

3.6.3 Regional city councils

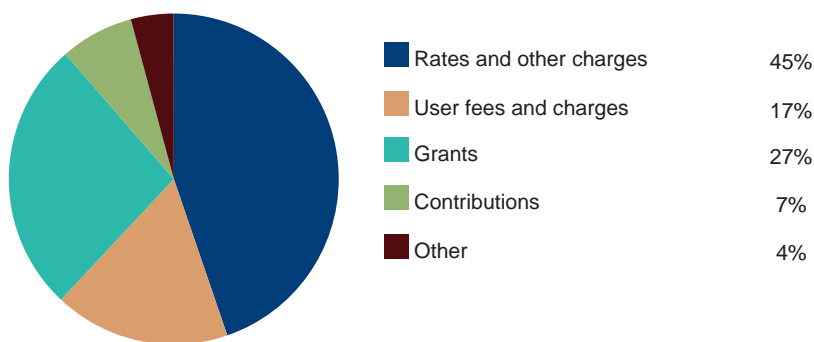
The 11 regional city councils that are partly urban and partly regional in character are:

- Ballarat City Council
- Greater Bendigo City Council
- Greater Geelong City Council
- Greater Shepparton City Council
- Horsham Rural City Council
- Latrobe City Council
- Mildura Rural City Council
- Swan Hill Rural City Council
- Wangaratta Rural City Council
- Warrnambool City Council
- Wodonga Rural City Council.

In 2008–09, the 11 regional city councils received total revenue of \$945 million and had expenses totalling \$816 million compared with \$923 million and \$826 million respectively in 2007–08. Figure 3S provides a breakdown of the revenue streams.

This revenue provides some flexibility, with 45 per cent of revenue coming from rates and 17 per cent of revenue generated through user fees and charges. As with inner-metropolitan councils, some regional cities have the capacity to raise revenue through parking fees and fines in city centres providing a further primary source of revenue.

Figure 3S
Regional city councils, revenue composition, 2008–09

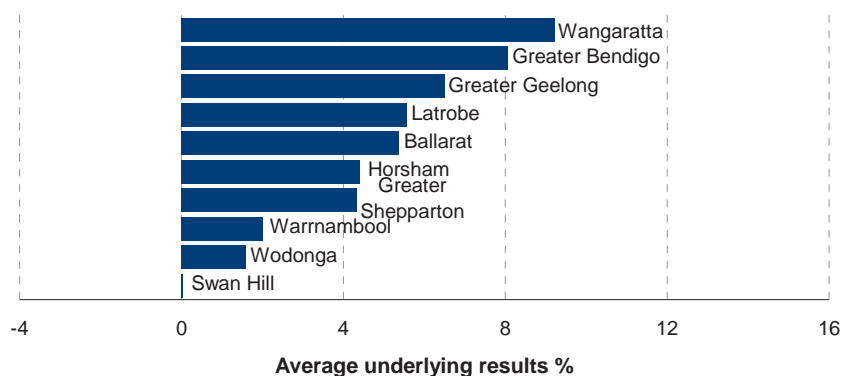


Source: Victorian Auditor-General's Office.

The balance sheet position of regional cities is strong with significant assets at a total of \$6.8 billion in 2008–09 in comparison with a small level of liabilities totalling \$306 million, compared to \$6.7 billion and \$313 million, respectively in 2007–08.

Figure 3T shows the results of the operating performance for the group. We found that all 11 regional city councils reported an underlying surplus on average for the past five years. This is an improvement on 2007–08 when two regional cities reported average underlying deficits.

Figure 3T
Five year average underlying results, regional city councils



Note: Mildura not included as statements not complete by 30 September.

Source: Victorian Auditor-General's Office.

There has been a change in the overall sustainability ratings for the regional city councils, as shown by the results for each council in Figure 3U.

Swan Hill continues to receive medium-risk assessments based on investment gap ratios being less than one. The council is budgeting to increase spending on capital works to more than depreciation levels in each of the next three financial years.

The continued high level of indebtedness result for **Wodonga** remains a concern. In particular, its indebtedness indicator still continued to increase from 88.33 to 113.26 over the last year.

Indebtedness forecast ratios for **Wodonga** shows significant decrease from 2009–10 however, this is contingent on the successful sale of council's industrial development known as LOGIC in 2008–09. As at 30 June 2009, the council valuation for this site was \$28.35 million compared to total interest bearing liabilities of \$30 million. The sale of LOGIC at its current carrying value will not extinguish all of council's debt.

Forecast ratios of underlying results, liquidity and investment gap for **Wodonga** also does not show significant improvements trends. The council needs to address and monitor its long-term sustainability.

Figure 3U
Results for regional city councils at 30 June 2009

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment	Renewal gap
Ballarat	5.38	2.54	15.31	34.40	1.10	●	0.81
Greater Bendigo	8.05	1.89	11.47	32.19	1.51	●	0.94
Greater Geelong	6.52	1.82	19.18	23.76	1.56	●	0.88
Greater Shepparton	4.34	1.99	1.98	24.25	1.10	●	0.70
Horsham	4.41	3.07	22.70	39.32	1.30	●	0.80
Latrobe	5.56	2.20	44.62	21.43	1.22	●	0.89
Mildura (a)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Swan Hill	0.05	2.51	27.65	16.33	0.93	●	0.63
Wangaratta	9.22	1.51	43.00	35.75	1.55	●	0.69
Warrnambool	2.02	1.82	22.83	24.89	1.13	●	0.83
Wodonga	1.59	4.63	113.26	6.20	2.24	●	1.93

Note: Underlying result investment gap and renewal gap indicators are an average of the results from the past five financial years.

(a) not complete by 30 September.

Source: Victorian Auditor-General's Office.

RESPONSE provided by Wodonga Rural City Council

Logic has been deemed a project of State significance for its capacity to develop positive employment and regional development outcomes, with 450 full time equivalent jobs already being created.

Tenants have been secured added in excess of \$475,000 annually to the City's rate revenue, and this will increase with new tenants being secured.

Logic has been conservatively valued in the balance sheet as at 30 June 2009 and does not reflect the greater market value. The eventual sales at Logic will be well in excess of the current book value which has been confirmed by confidential independent land valuations and will extinguish the council's borrowings.

The Global Financial Crisis had resulted contracted land sales not proceeding to settlement and has affected council's cash position which affected the financial sustainability ratios.

Council has developed and implemented a ten year strategic resource plan that will encourage a long term prudent financial management platform and assures Wodonga's achievement of its key strategic activities.

Implementation of a strong asset management ethos and linking this to the City's strategic financial direction will provide data to improve the long term sustainability of the City and improve the investment gap.

RESPONSE provided by Wodonga Rural City Council – continued

City of Wodonga has communicated a clear and concise financial strategy to its community. This included a steady and predictable rates increase path for future years. Strategies are in place that will ensure that rate growth will not be compromised, whilst delivering the services, assets, and events expected by the Wodonga community.

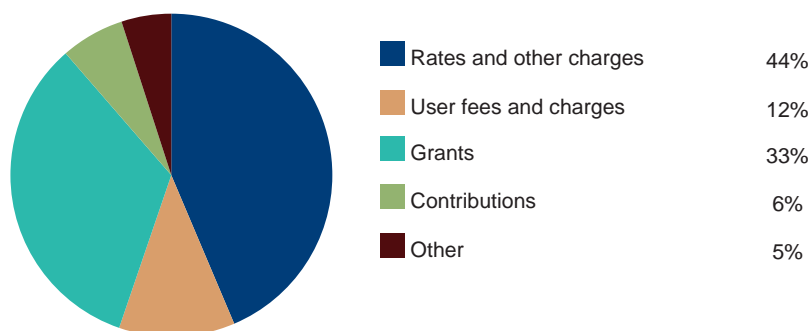
3.6.4 Large shire councils

The 15 large shire councils in Victoria are:

- Baw Baw Shire Council
- Campaspe Shire Council
- Colac Otway Shire Council
- Corangamite Shire Council
- East Gippsland Shire Council
- Glenelg Shire Council
- Macedon Ranges Shire Council
- Mitchell Shire Council
- Moira Shire Council
- Moorabool Shire Council
- Moyne Shire Council
- South Gippsland Shire Council
- Southern Grampians Shire Council
- Surf Coast Shire Council
- Wellington Shire Council.

Large shire councils received a total of \$736 million in revenue and paid \$630 million in expenses for 2008–09, compared with \$656 million and \$597 million respectively in 2007–08. Figure 3V provides a breakdown of the revenue.

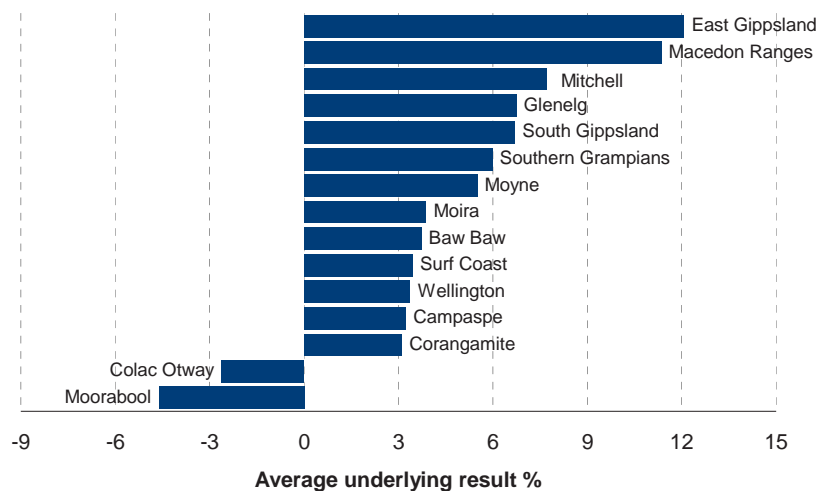
Figure 3V
Large shire councils, revenue composition, 2008–09



Source: Victorian Auditor-General's Office

The financial sustainability results for large shire councils are reported in Figures 3W and 3X.

Figure 3W
Five year average underlying results, large shire councils



Source: Victorian Auditor-General's Office.

Colac Otway has continued to achieve an underlying surplus in 2008–09. This continues a trend of improvement in this area demonstrated by close to halving the mean in underlying result from a –4.94 to a –2.62 in 2008–09.

Colac Otway investment gap has continued to improve in 2008–09, but remains at medium risk when averaged over the past five years. Budget forecasts for the next three financial years indicate council plans to continue improving financial performance.

In 2008–09 **Moorabool** has achieved an underlying surplus, however, the budget forecasts is for an underlying deficit for the next three financial years which will remain an issue for the council. Underlying deficits cannot be sustained in the long term, and it will be critical for the council to address its current financial sustainability issues.

The sustainability rating for **Campaspe** might not have changed in risk rating however the budget forecast is for a growing underlying deficit for the next three financial years and a worsening of the indebtedness percentage. Underlying deficits and worsening indebtedness cannot be sustained in the long term and the council will have to address any future sustainable issues.

The indebtedness rating of **Moira** is high at 64.74 and continues to be a risk for the council. Strong results for underlying result and self-financing indicate the council should have the ability to service the debt.

Figure 3X
Results for large shire councils at 30 June 2009

	Underlying result (%)	Liquidity	Indebtedness (%)	Self- financing (%)	Investment gap	Sustainability assessment	Renewal gap
Baw Baw	3.73	1.73	35.41	29.50	1.85	●	1.18
Campaspe	3.23	3.25	23.17	29.86	1.21	●	0.87
Colac Otway	-2.62	2.27	20.03	29.99	1.03	●	0.97
Corangamite	3.11	1.91	23.76	39.33	1.14	●	0.84
East Gippsland	12.07	2.74	13.95	37.65	1.12	●	0.93
Glenelg	6.74	3.27	29.77	29.86	1.36	●	1.22
Macedon Ranges	11.35	2.18	26.14	32.72	1.49	●	1.11
Mitchell	7.73	1.82	21.89	31.14	1.55	●	0.87
Moira	3.88	1.60	64.74	31.77	1.33	●	0.98
Moorabool	-4.60	1.63	28.17	26.61	1.12	●	0.89
Moyne	5.50	2.58	6.02	31.04	1.20	●	1.07
South Gippsland	6.70	2.30	12.98	31.53	1.21	●	0.77
Southern Grampians (a)	5.97	3.27	34.94	34.37	1.59	●	N/A
Surf Coast	3.44	2.39	17.81	28.07	1.05	●	0.61
Wellington	3.37	2.28	32.79	37.92	1.16	●	0.96

Note: Underlying result, investment gap and renewal gap indicators are an average of the results from the past five financial years.

(a) Standard statements did not contain information for renewal gap analysis.

Source: Victorian Auditor-General's Office.

For 12 of the 15 large shire councils, the investment gap indicator has been highlighted as a medium risk. The renewal gap ratio also indicates low spending on renewing, restoring and replacing existing assets. The detailed results, as reported in Appendix C, show that this position is expected to deteriorate over the next few years. This indicates that these councils are planning to have a continual low level of spending on infrastructure. If this occurs as planned these 12 councils will see a deterioration in the condition of existing infrastructure. These councils should develop and implement strategies to address this low level of spending on infrastructure.

RESPONSE provided by Moorabool Shire Council

Council is currently reviewing its Strategic Final Plan which includes strategies to address key financial indicators such as the underlying deficit.

At the time of the Councils adoption of the 2008/09 Performance Statement it was adopted on the basis that the target was the successful completion of the specific key Council Plan actions. In this case all bar one action was completed at 30th June 2009 and therefore Council believes that the Performance Statement had met its intended targets. While no targets were set for each of the measures, the level achieved were in line or better than what would have been expected.

In relation to the Performance Statement for 2009/10, Council has set a series of measures with targets. Council's auditor has reviewed the performance measures for 2009/10 and all except for one had a target set. At the 6 month review of the Council Plan the performance statement will also be reviewed and all measures will have a target.

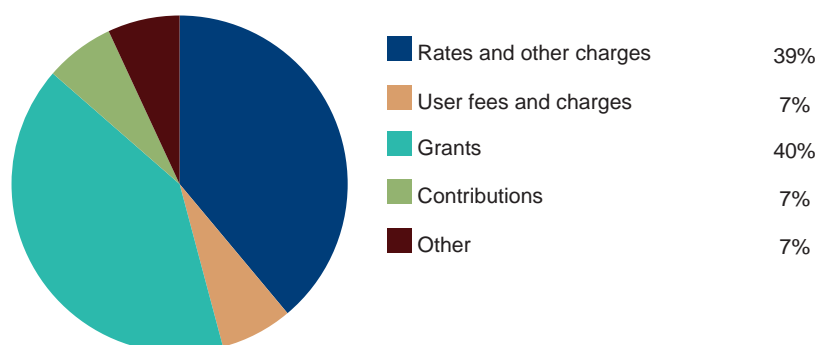
3.6.5 Small shire councils

The 22 small shire councils in Victoria are:

- Alpine Shire Council
- Ararat Rural City Council
- Bass Coast Shire Council
- Benalla Rural City Council
- Borough of Queenscliffe
- Buloke Shire Council
- Central Goldfields Shire Council
- Gannawarra Shire Council
- Golden Plains Shire Council
- Hepburn Shire Council
- Hindmarsh Shire Council
- Indigo Shire Council
- Loddon Shire Council
- Mansfield Shire Council
- Mount Alexander Shire Council
- Murrindindi Shire Council
- Northern Grampians Shire Council
- Pyrenees Shire Council
- Strathbogie Shire Council
- Towong Shire Council
- West Wimmera Shire Council
- Yarriambiack Shire Council.

In 2008–09, the total revenue of small shire councils was \$486 million and they had expenses totalling \$415 million compared with \$424 million and \$409 million respectively in 2007–08. Figure 3Y provides a breakdown of the revenue.

Figure 3Y
Small shire councils, revenue composition, 2008–09



Source: Victorian Auditor-General's Office.

Figure 3Y shows that small shire councils have less flexibility than other sized councils to raise revenue over which they can make autonomous spending decisions as they rely heavily on government grants. These councils have little control over the level of government grants they receive each year, and any sustained decrease to the grants received would impact directly on their sustainability.

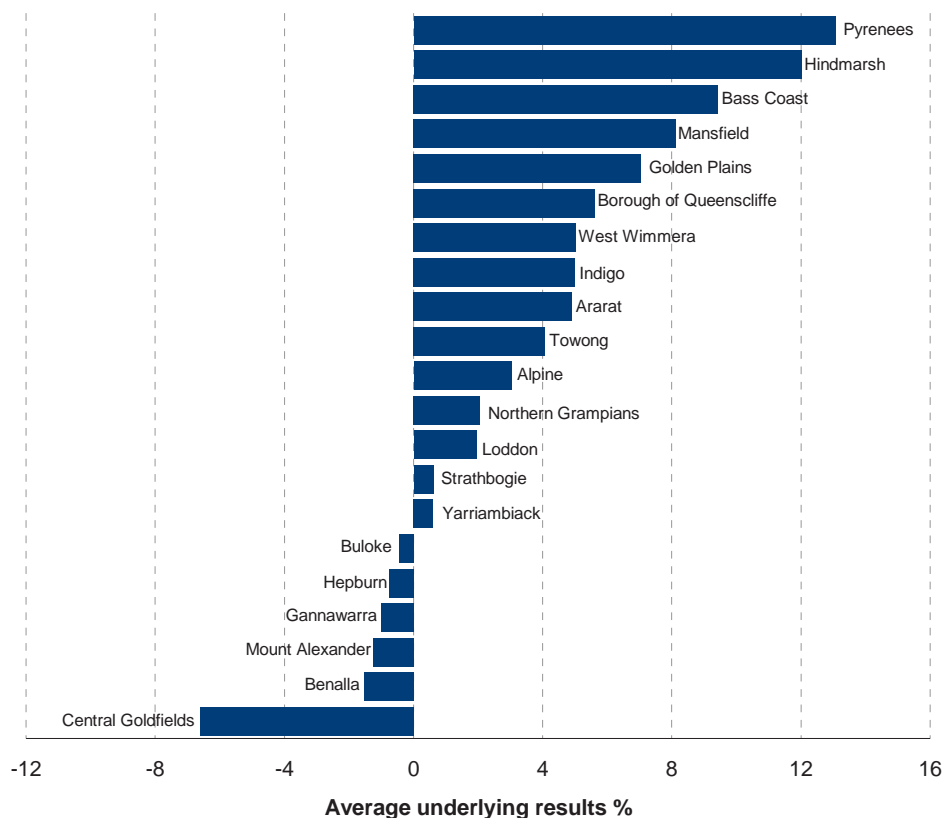
In addition to this, small shires are constrained in their ability to increase rate revenues because of:

- relatively low income levels of ratepayers
- continuing drought conditions
- bushfires
- unbundling of water rights from the value of properties for rating purposes
- declining population in some cases is shrinking the rate base.

The reliance of small shires on grant revenue makes it difficult to adequately plan and budget into the future. It is therefore critically important for small shire councils to tightly control and monitor expenditure to maintain sustainability.

Figure 3Z shows the five-year average of the underlying result for small shire councils, with six of 22 small shire councils, compared with eight in 2007–08 reporting average underlying deficits since 2003–04.

Figure 3Z
Five year average underlying result, small shire councils



Note: Murrindindi not included as statements not complete by 30 September.
Source: Victorian Auditor-General's Office.

The results of the sustainability risk indicators are set out in Figure 3AA.

In 2008–09 **Buloke** sustainability rating has changed from low to medium as there has been a worsening of three of the five indicators. Three indicators are now assessed as medium risk. The forecast trends as shown in Appendix C also confirm a worsening of these indicators. It is vital that the council act on improving the areas highlighted.

The sustainability rating for **Hepburn** improved from medium to low risk during 2008-09. **Hepburn** has also posted a positive underlying result for the first time in the past five years. Forecast trends as shown in Appendix C indicate an improving financial position for the council.

Mount Alexander in 2008–09 has a greater than one ratio for the investment gap for the first time in five years, as shown in Appendix C. Forecast trends indicate the investment gap will continue to be positive in the future.

Yarriambiack has not made any improvements to their investment gap. More needs to be done to address the risk caused by the council's continuing underspend of the past five years.

Central Goldfields has been rated low risk for 2008–09 and has posted a positive underlying result for the first time in the past five years. Forecast trends as shown in Appendix C are mixed, and it is important that the council monitors its sustainability to enable it to continue to improve.

Figure 3AA
Results for small shire councils at 30 June 2009

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment	Renewal gap
Ararat	4.90	2.75	1.29	27.47	1.10	●	0.81
Alpine	3.03	1.96	16.01	16.61	1.27	●	0.88
Bass Coast	9.42	1.93	14.78	26.16	1.74	●	1.25
Benalla	-1.55	1.52	44.34	21.87	1.17	●	0.80
Borough of Queenscliffe	5.63	1.69	26.13	16.18	1.97	●	1.33
Buloke	-0.45	1.44	7.93	24.76	1.00	●	0.85
Central Goldfields	-6.59	3.01	71.03	26.77	1.21	●	0.48
Gannawarra	-1.00	2.89	32.25	30.06	1.22	●	0.81
Golden Plains	7.06	2.82	11.41	31.80	1.52	●	0.92
Hepburn	-0.75	1.99	28.60	31.12	0.99	●	0.61
Hindmarsh	12.01	2.55	2.10	38.67	1.38	●	1.09
Indigo	5.00	2.43	14.32	40.40	1.03	●	0.57
Loddon	1.95	4.35	31.41	39.73	1.13	●	0.72
Mansfield	8.12	3.68	30.95	45.07	1.29	●	0.76
Mount Alexander	-1.25	3.56	20.49	31.74	0.74	●	0.57
Murrindindi (a)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Northern Grampians	2.07	1.67	19.84	32.26	1.12	●	0.74
Pyrenees	13.07	2.53	17.06	54.99	1.47	●	1.04
Strathbogie	0.61	1.75	31.01	30.86	1.07	●	0.53
Towong	4.08	2.33	2.42	36.82	1.22	●	0.91
West Wimmera	5.04	2.31	2.22	39.35	1.16	●	1.02
Yarriambiack	0.60	2.88	6.52	33.19	0.96	●	0.70

Note: Underlying result, investment gap and renewal gap indicators are an average of the results from the past five financial years.

(a) not complete by 30 September.

Source: Victorian Auditor-General's Office.

3.6.6 Conclusion

Figure 3AB
Financial sustainability risk summary

Council group	2007–08			2008–09		
	High	Medium	Low	High	Medium	Low
Inner metropolitan	–	2	15	–	1	16
Outer metropolitan	–	2	12	–	1	12
Regional city	–	4	7	–	2	8
Large shire	–	4	11	–	–	15
Small shire	–	3	19	–	4	17
Total	–	15	64	–	8	68

Note: Three council's financial reports incomplete at as 30 September.

Source: Victorian Auditor General's Office.

The financial sustainability analysis shows a slight improvement for councils in 2008-09 at 30 September. This year as in last, none of the councils received a high-risk rating and there was a reduction in the number of local governments rated as medium risk from 15 to eight.

Figure 3AB provides a summary of the results on our sustainability risk assessments.

The medium-risk assessments reflect the challenge that the local government sector still has in addressing the maintenance requirements of large asset holdings. While some improvement was noted, the ability to provide sufficient funding to maintain council assets remain a concern for most councils.

While the results for individual councils have improved, the sector needs to be cautious. If the underlying results continue to be negative and the future forecast trends are also negative, councils will see reduced operating surpluses impacting their ability to service debt and undertake new infrastructure investment.

3.7 Bushfire impact

19 out of 79 councils were directly affected by the February 2009 bushfires. The impact on the councils varied in degrees of severity. They were:

- **Five outer metropolitan councils have been affected by the bushfires:**
 - Cardinia Shire Council
 - Casey City Council
 - Nillumbik Shire Council
 - Whittlesea City Council
 - Yarra Ranges Shire Council.
- **Four regional city councils have been affected by the bushfires:**
 - Greater Bendigo City Council
 - Horsham Rural City Council

- Latrobe City Council
- Wangaratta Rural City Council.
- **Seven large shire councils have been affected by the bushfires:**
 - Baw Baw Shire Council
 - Corangamite Shire Council
 - Macedon Ranges Shire Council
 - Mitchell Shire Council
 - South Gippsland Shire Council
 - Southern Grampians Shire Council
 - Wellington Shire Council.
- **Three small shire councils have been affected by the bushfires:**
 - Alpine Shire Council
 - Indigo Shire Council
 - Murrindindi Shire Council.

3.7.1 Bushfire financial sustainability assessment

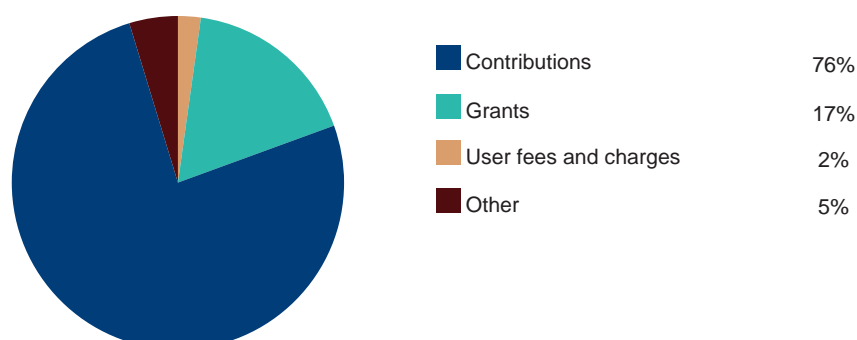
All bushfire councils that completed their financial reports by 30 September had a low risk of financial sustainability concerns. There has not been any significant impact from the bushfires that affected the financial sustainability indicators; however, these councils will have to be monitored in the coming years for medium- to longer-term affects.

3.8 Regional library corporations

Regional library corporations (RLCs) are wholly owned by councils and are largely dependent on their financial support. RLCs generate little of their own revenue, and are highly reliant on annual operating contributions from councils and grants.

Figure 3AC shows the sources of revenue for RLCs.

Figure 3AC
RLCs, revenue composition, 2008–09

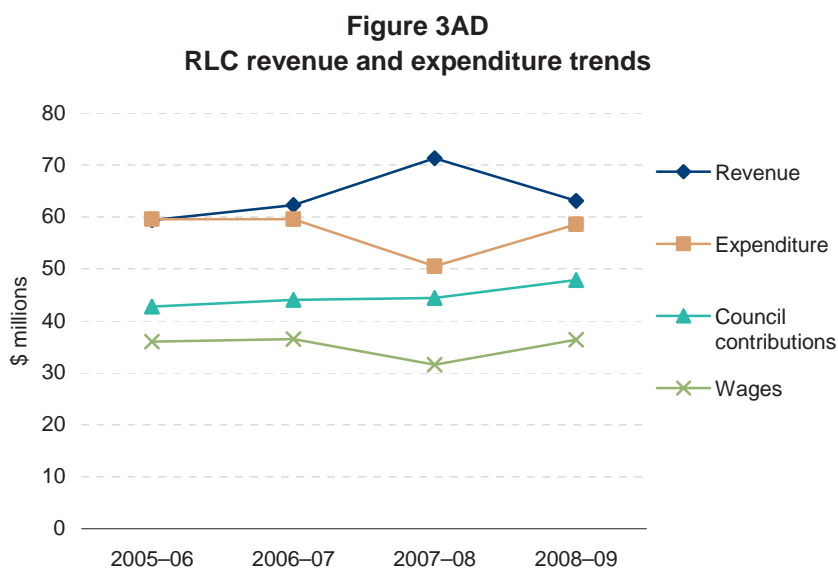


Source: Victorian Auditor-General's Office.

This year 76 per cent of RLC funding came from council contributions compared with 72 per cent in 2007–08 and there has been no change in the percentage of government grants since last year, as shown in Figure 3AC. The low proportion of user fees and charges means RLCs have little or no flexibility in terms of their financial capacity and must focus on containing their financial requirements within their existing capacity.

3.8.2 Financial performance

In 2008–09 the total operating revenue for RLCs decreased and expenditure grew. RLCs are in a similar position to 2006–07 of revenue and expenditure; however, contributions from councils have increased in the past four years. The trends over the past four years in revenue, expenditure, council contributions and wages expenditure reported by the RLCs are shown in Figure 3AD.



Source: Victorian Auditor-General's Office.




Figure 3AD indicates that the RLC sector's financial performance had a narrowing of the gap between increasing expenditure and decreasing revenue. In addition, the financial performance of individual RLCs indicates that many also have pressing liquidity issues.

3.8.3 Financial sustainability

The financial sustainability of RLCs needs to be considered in the context of their owner council's funding policies. In particular, operating results and cash position are influenced by how much each council contributes. Therefore, the sustainability assessment is limited to three key risk indicators—operating result, liquidity and investment gap.

The sustainability risk ratings have been calculated from the results of each indicator using the criteria outlined in Figure 3AE.

Figure 3AE
Financial sustainability risk rating criteria












	High risk of short-term and immediate sustainability concerns indicated by: <ul style="list-style-type: none"> • red underlying result indicator or • red liquidity ratio.
	Medium risk of longer-term sustainability concerns indicated by either: <ul style="list-style-type: none"> • red indebtedness and self-financing indicators • red investment gap indicator.
	Low risk of financial sustainability concerns—there are no high risk indicators.

Source: Victorian Auditor-General's Office.

The 2008–09 results for the financial sustainability indicators of each RLC, and their subsequent risk rating, are provided in Figure 3AF.

West Gippsland and **Whitehorse Manningham** have reported underlying deficits for 2008–09. This follows on the operating deficits from 2007–08. An underlying deficit is not sustainable in the long-term and indicates that **West Gippsland** and **Whitehorse Manningham**, in conjunction with the owner councils, need to look at strategies to control expenditure or increase revenue contributions to ensure their long-term sustainability.

Figure 3AF
Results for RLCs at 30 June 2009

	Underlying Result (%)	Liquidity	Investment gap	Sustainability assessment
Casey - Cardinia	1.64	2.77	0.88	
Central Highlands	10.68	1.05	1.04	
Corangamite	5.27	2.20	0.57	
Eastern	8.18	1.99	0.94	
Geelong	5.78	1.26	1.11	
Goulburn Valley (a)	N/A	N/A	N/A	N/A
High Country	3.68	1.94	1.09	
North Central Goldfields	19.43	3.70	2.48	
West Gippsland	-2.19	1.27	0.83	
Whitehorse Manningham	-3.48	1.13	0.95	
Wimmera	6.96	1.64	0.08	
Yarra Plenty	14.74	1.62	1.13	

Note: (a) not complete by 30 September.

Source: Victorian Auditor-General's Office.

In six of the 12 RLCs, the level of spending on capital has decreased in comparison with the level of depreciation, however, five RLCs recorded investments of greater than one compared to four last year.

RESPONSE provided by West Gippsland Regional Library Corporation

West Gippsland Regional Library results for the past two operating years, have been the result of changes in two major expenditure areas. The Corporation has ceased the practice of funding shorter term projects with long term borrowings, having the effect of not realizing \$200,000 in income previously budgeted for. This helped improve results and cash flow on the short term, however in the long term was not sustainable and was eroding the limited revenue base with loan and interest payments. The Corporation, in 2009/10, is now seeing a positive outcome with a surplus budget, from that policy change.

A new 15 year financial plan has also been developed that generates conservative surplus's however is reliant on cost cutting and increases in revenue by council contributions of 10% for at least the next 3 years for major projects and recurrent operating expenditure.

RESPONSE provided by Whitehorse Manningham Regional Library Corporation

The Corporation board and member councils agreed to additional funding for the library collection with a view to reducing the gap between depreciation and capital expenditure.

Additional funding for library collections was included in the 07/08 budget and has continued for the past 3 years.

The Library's board will review the additional funding each year to ensure that it is adequate to assist in reducing the investment gap.

3.8.4 Conclusion

The financial sustainability analysis shows a slight improvement for RLCs in 2008–09 at 30 September. This year, none of the RLCs received a high-risk rating and six were rated as medium risks compared with two high-risk and six medium-risk last year.

Regional library corporations operate in constrained financial environments with little discretionary revenue. Some RLCs continue to report underlying deficits and most do not spend enough to maintain their collections at the current level.

Appendix A.

Acronyms and glossary

A.1 Acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ANAO	Australian National Audit Office
BCM	Business continuity management
BCP	Business continuity plan
DRP	Disaster recovery plan
CEO	Chief executive officer
CFO	Chief financial officer
DPCD	Department of Planning and Community Development
ICT	Information and communications technology
IT	Information technology
KPI	Key performance indicator
LG Act	<i>Local Government Act 1989</i>
LGV	Local Government Victoria
LUR	Land Under Roads
RLC	Regional library corporation
VAGO	Victorian Auditor-General's Office

A.2 Glossary

Acquisition

Acquisition, in relation to assets, means undertaking the risks, and receiving the rights to future benefits, as would be conferred with ownership, in exchange for a cost of acquisition. Acquisition includes establishing control over an asset.

Business Continuity Management

The processes and resources undertaken by an organisation to ensure the continued achievement of critical operations.

Business Continuity Plan

A documented and tested plan on how to restore the organisation's main functions in the event of a stoppage.

Council

Sections 5(1) of the *Local Government Act 1989* defines a council in the following way:

A Council consists of its Councillors, who are the representatives, elected in accordance with this Act, of persons who are residents in the Council's district or ratepayers of the Council.

Depreciation

The systematic apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.

Disaster recovery plan

A plan that details the processes, policies and procedures to enable an organisation to recover their critical information technology infrastructure and systems after a disaster.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity during the reporting period.

Financial year

The period of 12 months ending on 30 June each year.

Government department or entity

An agent of the Victorian Government, including departments, statutory authorities, statutory corporations and government business enterprises.

Infrastructure

Fixed capital assets, such as schools and hospitals, which support the provision of services. Infrastructure can also refer to a network of reticulated services such as roads, energy services, rail, airports, etc.

Library collection

The public library collection includes a wide range of books, audiovisual and reference materials.

Local Government Act 1989 (No. 11/1989)

The *Local Government Act 1989* outlines that the purpose of councils is to provide a democratic, efficient and effective system of local government in Victoria. The LG Act gives councils powers that will enable them to meet the needs of their communities, to provide for an accountable system of local government and reform the law relating to local government in Victoria.

Masterfile

A database that holds details which are fairly static (for example, address and bank account details).

Operating costs

Operating expenditure per the statement of financial performance including asset sales and depreciation divided by the number of assessments used in the calculation of the adopted rate (that is, when the rate was struck).

Operating result

Bottom line per statement of financial performance divided by the number of assessments used in the calculation of the adopted rate (that is, when the rate was struck).

Resources

Labour, materials and other inputs used to produce outputs.

Revaluation

The act of recognising a reassessment of values of non-current assets at a particular date.

Revenue

Inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period.

Risk assessment

The determination of the likelihood of identified risks materialising and the magnitude of their consequences if they do materialise.

Risk register

A documented approach to identifying, analysing, mitigating and managing the risks affecting an organisation as part of the risk management cycle.

Useful life

The estimated period of time over which a depreciable asset is expected to be able to be used, or the benefits represented by the asset are expected to be able to be derived.

Valuation

The process of placing a value on an asset.

Appendix B.

Audit status

Completed audits with 30 June 2009 balance date

Inner metropolitan councils

Outer metropolitan councils

Regional city councils

Large shire councils

Small shire councils

Regional library corporations

Associated companies

Incomplete audits with 30 June 2009 balance date

Summary of audits with 30 June 2009 balance date

Completed audits with 30 June 2009 balance date

Inner metropolitan councils

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2–3 months
Banyule	7 Sep 2009	✓	14 Sep 2009		●
Bayside	22 Sep 2009	✓	25 Sep 2009		●
Boroondara	7 Sep 2009	✓	8 Sep 2009		●
Darebin	3 Sep 2009	✓	4 Sep 2009		●
Glen Eira	14 Sep 2009	✓	16 Sep 2009		●
Hobsons Bay	15 Sep 2009	✓	18 Sep 2009		●
Kingston	8 Sep 2009	✓	11 Sep 2009		●
Maribyrnong	7 Sep 2009	✓	7 Sep 2009		●
Maroondah	14 Sep 2009	✓	16 Sep 2009		●
Melbourne	26 Aug 2009	✓	2 Sep 2009		●
City Wide Service Solutions Pty Ltd	10 Aug 2009	✓	10 Aug 2009	●	
Melbourne Wholesale Fish Market Pty Ltd	12 Aug 2009	✓	17 Aug 2009	●	
Queen Victoria Market Pty Ltd	12 Aug 2009	✓	17 Aug 2009	●	
Regent Management Company Pty Ltd	26 Sep 2009	✓	30 Sep 2009		●
Sustainable Melbourne Trust Fund	23 Sep 2009	✓	25 Sep 2009		●
Monash	7 Sep 2009	✓	8 Sep 2009		●
Moonee Valley	15 Sep 2009	✓	22 Sep 2009		●
Moreland	9 Sep 2009	✓	11 Sep 2009		●
Port Phillip	1 Sep 2009	✓	7 Sep 2009		●
Stonnington	2 Sep 2009	✓	8 Sep 2009		●
Prahran Market Pty Ltd	1 Sep 2009	✓	8 Sep 2009		●
Whitehorse	17 Aug 2009	✓	20 Aug 2009	●	
Yarra	18 Sep 2009	✓	22 Sep 2009		●

Outer metropolitan councils

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	Timeliness of audited financial statement completion	
				< 2 months	2–3 months
Brimbank	16 Sep 2009	✓	18 Sep 2009		●
Cardinia	23 Sep 2009	✓	25 Sep 2009		●
Casey	1 Sep 2009	✓	2 Sep 2009		●
Frankston	7 Sep 2009	✓	14 Sep 2009		●
Greater Dandenong	17 Sep 2009	✓	22 Sep 2009		●
Hume	14 Sep 2009	✓	22 Sep 2009		●
Knox	18 Sep 2009	✓	22 Sep 2009		●
Melton	7 Sep 2009	✓	8 Sep 2009		●
Mornington Peninsula	18 Sep 2009	✓	24 Sep 2009		●
Nillumbik	15 Sep 2009	✓	18 Sep 2009		●
Whittlesea	1 Sep 2009	✓	3 Sep 2009		●
Wyndham	4 Sep 2009	✓	8 Sep 2009		●
Yarra Ranges	24 Aug 2009	✓	28 Aug 2009	●	

Regional city councils

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months
Ballarat	24 Sep 2009	✓	28 Sep 2009		●
Greater Bendigo	17 Sep 2009	✓	21 Sep 2009		●
Greater Geelong	25 Aug 2009	✓	4 Sep 2009		●
Greater Shepparton	14 Sep 2009	✓	18 Sep 2009		●
Horsham	21 Sep 2009	✓	23 Sep 2009		●
Latrobe	7 Sep 2009	✓	15 Sep 2009		●
Mildura (a)	15 Oct 2009	✓	20 Oct 2009		●
Mildura Airport Pty Ltd	29 Sep 2009	✓	30 Sep 2009		●
Swan Hill	24 Sep 2009	✓	29 Sep 2009		●
Wangaratta	22 Sep 2009	✓	24 Sep 2009		●
Warrnambool	9 Sep 2009	✓	11 Sep 2009		●
Wodonga	22 Sep 2009	✓	23 Sep 2009		●

(a) Not complete by 30 September

Large shire councils

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months
Baw Baw	16 Sep 2009	✓	17 Sep 2009	●	●
Campaspe	17 Sep 2009	✓	18 Sep 2009	●	●
Colac-Otway	23 Aug 2009	✓	24 Sep 2009	●	●
Corangamite	24 Sep 2009	✓	29 Sep 2009	●	●
East Gippsland	15 Sep 2009	✓	21 Sep 2009	●	●
Glenelg	26 Aug 2009	✓	3 Sep 2009	●	●
Macedon Ranges	18 Sep 2009	✓	18 Sep 2009	●	●
Mitchell	24 Aug 2009	✓	2 Sep 2009	●	●
Moira	22 Sep 2009	✓	23 Sep 2009	●	●
Moorabool	25 Sep 2009	✓	29 Sep 2009	●	●
Moyne	15 Sep 2009	✓	18 Sep 2009	●	●
South Gippsland	16 Sep 2009	✓	21 Sep 2009	●	●
Southern Grampians	1 Sep 2009	✓	2 Sep 2009	●	●
Surf Coast	17 Sep 2009	✓	18 Sep 2009	●	●
Wellington	11 Sep 2009	✓	14 Sep 2009	●	●

Small shire councils

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months
Alpine	16 Sep 2009	✓	22 Sep 2009	●	●
Ararat	15 Sep 2009	✓	24 Sep 2009	●	●
Bass Coast	16 Sep 2009	✓	21 Sep 2009	●	●
Benalla	7 Sep 2009	✓	17 Sep 2009	●	●
Buloke	23 Sep 2009	✓	30 Sep 2009	●	●
Central Goldfields	15 Sep 2009	✓	18 Sep 2009	●	●
Gannawarra	16 Sep 2009	✓	18 Sep 2009	●	●
Golden Plains	10 Sep 2009	✓	14 Sep 2009	●	●
Hepburn	16 Sep 2009	✓	18 Sep 2009	●	●
Hindmarsh	24 Sep 2009	✓	29 Sep 2009	●	●
Indigo	17 Sep 2009	✓	21 Sep 2009	●	●
Loddon	3 Sep 2009	✓	10 Sep 2009	●	●
Mansfield	15 Sep 2009	✓	17 Sep 2009	●	●
Mount Alexander	22 Sep 2009	✓	25 Sep 2009	●	●
Northern Grampians	10 Sep 2009	✓	11 Sep 2009	●	●
Pyrenees	8 Sep 2009	✓	11 Sep 2009	●	●
Queenscliffe	21 Sep 2009	✓	22 Sep 2009	●	●
Strathbogie	8 Sep 2009	✓	11 Sep 2009	●	●
Towong	25 Sep 2009	✓	30 Sep 2009	●	●
West Wimmera	18 Sep 2009	✓	30 Sep 2009	●	●
Yarriambiack	25 Sep 2009	✓	25 Sep 2009	●	●

Regional library corporations

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months
Casey-Cardinia	4 Sep 2009	✓	8 Sep 2009		●
Central Highlands	28 Sep 2009	✓	30 Sep 2009		●
Corangamite	23 Sep 2009	✓	25 Sep 2009		●
Eastern	18 Sep 2009	✓	22 Sep 2009		●
Geelong	10 Aug 2009	✓	17 Aug 2009	●	
High Country	16 Sep 2009	✓	21 Sep 2009		●
North Central Goldfields	14 Aug 2009	✓	1 Sep 2009	●	
West Gippsland	16 Sep 2009	✓	18 Sep 2009		●
Whitehorse-Manningham	26 Aug 2009	✓	8 Sep 2009	●	
Wimmera	18 Sep 2009	✓	22 Sep 2009		●
Yarra Plenty	18 Sep 2009	✓	22 Sep 2009		●

Associated companies

Entity	Financial statements			Timeliness of audited financial statement completion	
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months
Clayton Landfill Joint Venture (a)	22 Oct 2009	✓	23 Oct 2009		
RFK Pty Ltd / Community Chef	28 Sep 2009	✓	30 Sep 2009		●
Regional Kitchen Pty Ltd	28 Sep 2009	✓	30 Sep 2009		●
Streetsahead Cleaning Services	7 Sep 2009	✓	8 Sep 2009		●
Wimmera Development Association	28 Sep 2009	✓	30 Sep 2009		●

(a) Not complete by 30 September

Incomplete audits with 30 June 2009 balance date

Entity
Outer metropolitan council
Manningham
Small shire council
Murrindindi
Regional library corporation
Goulburn Valley

Summary of audits with 30 June 2009 balance date

	Timeliness of audited financial statement completion		
	< 2 months	2–3 months	Not complete by 30 September
2008—09 Total number of agencies = 103	8	90	5
Per cent (cumulative)	8	87	100
2007—08 Total number of agencies = 102	7	90	5
Per cent (cumulative)	7	95	100

Appendix C.

Financial sustainability tables

Legend for trends

- ↑ = an increasing ratio that is an improving trend
- ↓ = a decreasing ratio that is a deteriorating trend
- ↑ = an increasing ratio that is a deteriorating trend
- ↓ = a decreasing ratio that is a deteriorating trend
- = no substantial trend

Source: Victorian Auditor-General's Office.

Underlying results

Underlying results (%) – Inner metropolitan councils

Inner metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Banyule City Council	-4.31	-6.37	0.03	3.54	10.23	0.62	↕	2.24	-0.74	0.02	↘
Bayside City Council	2.58	-1.52	2.00	6.40	6.29	3.15	↘	3.89	3.52	5.62	↘
Boroondara City Council	-0.50	1.57	4.80	7.56	7.36	4.16	↘	7.42	11.45	11.41	↕
Darebin City Council	-0.02	0.17	0.49	3.28	9.87	2.76	↕	1.47	0.85	1.75	↘
Glen Eira City Council	10.87	4.69	5.20	10.06	8.71	7.91	↘	8.80	4.53	4.40	↘
Hobsons Bay City Council	-0.57	1.12	5.60	7.04	10.79	4.80	↕	6.43	7.49	5.51	↘
Kingston City Council	-3.40	-3.64	3.90	4.29	7.79	1.79	↕	0.24	1.96	2.07	↘
Maribyrnong City Council	10.09	12.14	3.00	4.81	-10.22	3.96	↘	15.18	11.33	9.34	↕
Maroondah City Council	-3.60	-0.51	1.10	3.19	9.31	1.90	↕	-3.93	-3.83	-2.84	↘
Melbourne City Council	4.64	8.56	-0.62	12.54	1.89	5.40	↘	5.47	4.10	3.27	↘
Monash City Council	0.66	-1.73	2.60	-1.00	-1.05	-0.10	↘	-2.64	-3.13	-4.23	↘
Moonee Valley City Council	4.47	4.69	3.90	6.57	7.46	5.42	↕	8.18	3.97	3.77	↘
Moreland City Council	-8.67	-6.95	-2.90	1.13	2.89	-2.90	↕	1.76	3.61	4.79	↕
Port Phillip City Council	0.64	4.42	16.00	12.91	6.64	8.12	↘	10.54	7.39	9.24	↘
Stonnington City Council	9.03	7.27	9.79	13.87	11.59	10.31	↘	5.52	3.63	5.62	↘
Whitehorse City Council	-1.80	-7.16	-4.34	0.75	4.24	-1.66	↕	-2.54	-0.78	0.40	↘
Yarra City Council	-0.10	8.13	6.14	6.34	0.59	4.22	↘	6.36	7.72	6.57	↘
Average underlying result (%)	1.18	1.46	3.33	6.07	5.55	3.52	↕	4.38	3.71	3.92	↘

Underlying results (%) – Outer metropolitan councils

Outer metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Brimbank City Council	4.09	3.23	4.51	10.41	13.94	7.24	↕	9.84	10.50	10.73	↕
Cardinia Shire Council	1.87	6.63	8.47	-2.61	12.97	5.47	↕	0.11	-4.70	-3.85	↕
Casey City Council	10.33	1.86	17.80	10.67	2.01	8.53	↕	30.72	30.72	28.11	↕
Frankston City Council	1.25	-5.71	-2.50	-7.09	16.51	0.49	↕	10.27	3.62	4.14	↕
Greater Dandenong City Council	-4.09	8.45	3.84	4.61	8.73	4.31	↕	7.16	8.54	7.92	↕
Hume City Council	-15.30	7.15	10.26	15.24	13.59	6.19	↕	12.11	13.69	6.30	↕
Knox City Council	-5.18	1.93	2.47	5.53	5.55	2.06	↕	12.63	5.98	4.32	↕
Manningham City Council (a)	7.44	8.90	14.90	16.66	N/A	11.98	↕	8.22	17.13	14.04	↕
Melton Shire Council	1.11	-2.28	7.78	9.93	2.45	3.80	↕	-10.95	-5.29	-2.17	↕
Mornington Peninsula Shire Council	18.97	-1.68	1.70	1.19	2.33	4.50	↕	6.43	5.88	3.66	↕
Nillumbik Shire Council	-8.21	-1.59	10.70	9.34	1.89	2.43	↕	13.61	14.61	6.54	↕
Whittlesea City Council	6.12	5.86	2.33	1.90	9.33	5.11	↕	2.67	2.68	1.01	↕
Wyndham City Council	10.65	4.63	8.33	8.49	21.86	10.79	↕	17.73	19.19	21.48	↕
Yarra Ranges Shire Council	5.56	-2.89	14.60	5.21	11.56	6.81	↕	9.74	9.27	10.47	↕
Average underlying result (%)	2.47	2.46	7.51	6.39	9.44	5.69	↕	9.31	9.42	8.05	↕

Note: (a) Manningham City Council's 2009 financial statements were incomplete at the time of this report.

Underlying results (%) – Regional city councils

Regional city councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Ballarat City Council	-1.58	-7.08	10.30	8.98	16.28	5.38	↕	15.24	12.72	13.33	↘
Greater Bendigo City Council	6.66	4.90	11.40	8.89	8.42	8.05	↗	15.53	14.77	15.47	↕
Greater Geelong City Council	2.11	5.34	5.10	7.05	13.00	6.52	↕	7.68	7.68	4.87	↘
Greater Shepparton City Council	3.86	6.14	6.10	0.50	5.10	4.34	↗	4.37	7.33	0.19	↘
Horsham Rural City Council	-22.34	10.03	12.50	8.02	13.83	4.41	↕	25.87	27.82	4.10	↘
Latrobe City Council	4.94	5.40	6.36	6.16	4.96	5.56	↗	9.50	3.42	4.68	↘
Mildura Rural City Council (b)	8.60	11.42	12.40	12.63	N/A	11.26	↕	4.76	12.39	14.75	↕
Swan Hill Rural City Council	0.82	0.30	-1.27	-1.73	2.12	0.05	↗	-0.92	13.20	7.09	↕
Wangaratta Rural City Council	7.57	10.53	9.36	6.06	12.59	9.22	↗	-2.32	-2.67	-1.37	↘
Warrambool City Council	-7.49	-4.74	6.20	10.37	5.76	2.02	↕	7.50	2.99	8.43	↕
Wodonga Rural City Council	8.94	10.21	10.39	-3.76	-17.85	1.59	↘	-1.73	-1.44	-0.86	↕
Average underlying result (%)	1.10	4.77	8.08	5.74	6.42	5.31	↗	7.77	8.93	6.43	↗

Note: (b) Mildura Rural City Council's 2009 financial statements were incomplete at the time of this report.

Underlying results (%) – Large shire councils

Large shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Baw Baw Shire Council	2.14	4.92	3.24	1.10	7.23	3.73	→	-1.74	-0.13	7.24	→
Campaspe Shire Council	-4.70	10.49	8.94	5.75	-4.32	3.23	↓	-5.56	-4.95	-7.81	↓
Colac Otway Shire Council	-16.66	5.02	-5.03	0.77	2.79	-2.62	↑	7.61	7.93	8.54	↑
Corangamite Shire Council	-3.89	1.80	-3.87	9.73	11.76	3.11	↑	0.05	0.44	0.72	↓
East Gippsland Shire Council	-0.40	13.95	16.77	11.40	18.63	12.07	↑	30.53	15.54	12.37	↓
Glennelg Shire Council	-7.40	8.48	13.10	7.75	11.76	6.74	→	7.63	3.69	4.38	↓
Macedon Ranges Shire Council	4.25	6.24	19.40	9.33	17.51	11.35	→	17.04	8.20	8.35	↓
Mitchell Shire Council	5.22	9.75	5.60	7.26	10.81	7.73	→	-2.25	0.09	1.97	↓
Moira Shire Council	4.68	4.99	1.95	-2.15	9.91	3.88	→	2.63	1.05	0.34	↓
Moorabool Shire Council	-3.75	-8.67	-11.11	-5.07	5.59	-4.60	→	-4.79	-3.42	-2.90	↓
Moyne Shire Council	-0.32	5.07	8.10	6.07	8.58	5.50	↑	8.37	1.28	1.70	↓
South Gippsland Shire Council	3.53	8.28	4.51	3.83	13.36	6.70	→	-0.92	6.22	6.36	↓
Southern Grampians Shire Council (c)	0.78	7.28	6.25	2.81	12.76	5.97	→	N/A	N/A	N/A	→
Surf Coast Shire Council	0.63	1.22	10.61	1.20	3.54	3.44	→	2.50	9.05	-4.35	→
Wellington Shire Council	-6.39	-4.00	5.94	9.64	11.64	3.37	↑	1.16	7.93	7.32	→
Average underlying result (%)	-1.49	4.99	5.63	4.63	9.44	4.64	↑	4.45	3.78	3.16	↓

Note: (c) The forecast information for Southern Grampians Shire Council does not include data for 2010–12.

Underlying results (%) – Small shire councils

Small shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ararat Rural City Council	-5.33	-0.56	15.70	12.42	2.25	4.90	→	6.93	18.29	6.77	→
Alpine Shire Council	3.43	9.79	0.68	1.87	-0.60	3.03	→	0.33	-3.09	-1.60	→
Bass Coast Shire Council	8.17	7.19	8.17	7.61	15.96	9.42	→	0.71	2.66	2.90	→
Benalla Rural City Council	-12.96	6.08	-6.80	2.78	3.17	-1.55	→	-3.81	-5.80	-0.46	→
Borough of Queenscliffe	7.86	4.92	7.98	0.64	6.77	5.63	→	4.15	6.07	6.73	→
Buloke Shire Council	0.68	5.45	3.92	-7.04	-5.25	-0.45	→	-6.91	-3.70	-0.48	→
Central Goldfields Shire Council	-12.54	-9.10	-4.34	-7.92	0.92	-6.59	→	23.27	-6.14	-4.26	→
Gannawarra Shire Council	-11.56	-1.70	0.60	0.60	7.07	-1.00	→	0.54	2.99	2.28	→
Golden Plains Shire Council	-8.56	5.87	22.10	4.03	11.85	7.06	→	16.63	10.56	7.73	→
Hepburn Shire Council	-8.61	-6.96	-0.87	-1.90	14.60	-0.75	→	11.54	5.93	8.68	→
Hindmarsh Shire Council	3.48	15.95	13.70	11.09	15.83	12.01	→	8.33	6.63	7.02	→
Indigo Shire Council	-5.96	1.37	5.67	5.95	17.98	5.00	→	14.48	2.82	5.89	→
Loddon Shire Council	-11.98	4.63	1.60	0.81	14.67	1.95	→	-6.26	-6.15	-11.52	→
Mansfield Shire Council	4.62	5.43	0.74	2.39	27.43	8.12	→	7.69	8.81	1.76	→
Mount Alexander Shire Council	0.94	-4.63	-4.30	-7.04	8.78	-1.25	→	8.13	10.03	7.64	→
Murrindindi Shire Council (d)	3.36	4.22	3.90	2.93	N/A	3.60	→	1.43	2.97	3.06	→
Northern Grampians Shire Council	-6.10	4.82	4.50	-0.92	8.04	2.07	→	-10.37	-9.94	-8.77	→
Pyrenees Shire Council	-8.55	9.47	24.50	12.17	27.78	13.07	→	7.25	-1.20	-5.58	→
Strathbogie Shire Council	-7.72	5.53	1.07	-0.49	4.67	0.61	→	0.27	-7.13	-5.83	→
Towong Shire Council	-7.36	2.16	10.80	5.41	9.39	4.08	→	2.76	2.94	3.46	→
West Wimmera Shire Council	-2.24	8.37	6.03	5.94	7.08	5.04	→	6.80	-2.90	-4.58	→
Yarriambiack Shire Council	-7.88	3.84	3.45	-0.89	4.47	0.60	→	-1.26	-0.86	-1.66	→
Average underlying result (%)	-3.86	3.73	5.40	2.29	9.66	3.39	→	4.21	1.54	0.87	→

Note: (d) Murrindindi Shire Council's financial statements were incomplete at the date of this report.

Liquidity results

Liquidity results – Inner metropolitan councils

Inner metropolitan councils	2005							Forecast			Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Banyule City Council	3.68	3.23	3.25	3.44	3.78	3.48	→	3.34	3.37	3.48	↕
Bayside City Council	2.02	1.31	1.27	1.51	1.45	1.51	→	1.00	1.14	1.30	→
Boroondara City Council	1.58	1.22	1.62	1.75	1.52	1.54	→	1.27	1.43	1.23	→
Darebin City Council	1.11	1.02	1.14	1.39	1.63	1.26	↕	1.09	1.09	1.14	→
Glen Eira City Council	2.48	2.08	1.77	1.52	1.47	1.87	↕	1.15	0.67	0.60	↕
Hobsons Bay City Council	1.55	1.33	1.21	1.03	1.64	1.35	→	1.24	1.24	1.20	↕
Kingston City Council	1.19	1.40	1.47	1.60	1.72	1.48	↕	1.39	1.52	1.50	→
Maribymong City Council	1.83	1.72	1.65	1.72	1.86	1.76	→	1.64	1.52	1.63	→
Maroondah City Council	2.15	2.27	2.98	2.54	2.67	2.52	→	2.30	2.03	1.82	↕
Melbourne City Council	4.01	2.83	5.34	2.83	2.31	3.46	→	1.90	1.88	1.90	↕
Monash City Council	2.15	2.15	2.01	1.66	1.63	1.92	↕	1.43	1.51	1.54	→
Moonee Valley City Council	2.11	1.80	1.48	1.41	1.71	1.70	→	1.41	1.44	1.48	→
Moreland City Council	1.48	1.57	1.64	1.52	1.41	1.52	→	1.17	1.15	1.14	↕
Port Phillip City Council	2.74	3.23	2.66	2.22	2.23	2.61	→	1.80	1.68	1.65	↕
Stonnington City Council	2.16	2.00	2.16	2.42	2.67	2.28	↕	2.03	1.54	1.50	↕
Whitehorse City Council	3.82	2.54	2.26	2.67	3.19	2.90	→	2.31	2.28	2.26	↕
Yarra City Council	1.24	1.25	1.34	1.37	1.07	1.25	→	1.54	1.55	1.61	↕
Average liquidity	2.19	1.94	2.07	1.92	2.00	2.02	→	1.65	1.59	1.59	→

Liquidity results – Outer metropolitan councils

Outer metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Brimbank City Council	1.78	2.48	2.23	2.07	2.65	2.24	→	1.57	1.46	1.26	→
Cardinia Shire Council	1.73	1.73	1.60	1.24	1.31	1.52	→	0.89	1.00	0.95	→
Casey City Council	3.70	3.42	3.54	2.86	1.58	3.02	→	4.03	4.95	5.79	→
Frankston City Council	1.80	1.61	1.59	1.60	1.97	1.71	→	1.14	1.16	1.13	→
Greater Dandenong City Council	0.65	0.64	1.11	1.22	1.73	1.07	→	1.16	1.15	1.20	→
Hume City Council	1.25	1.02	1.37	1.96	2.03	1.52	→	1.22	1.11	1.12	→
Knox City Council	1.73	1.60	1.66	1.78	2.12	1.78	→	1.39	1.36	1.37	→
Manningham City Council (e)	1.13	1.55	1.82	2.05	N/A	1.64	→	1.74	1.86	1.75	→
Melton Shire Council	3.82	3.34	2.92	1.89	1.81	2.76	→	2.46	2.18	2.37	→
Mornington Peninsula Shire Council	1.35	1.37	1.43	1.45	1.34	1.39	→	1.29	1.25	1.27	→
Nillumbik Shire Council	2.09	2.14	2.46	2.26	2.41	2.27	→	2.45	2.36	2.47	→
Whittlesea City Council	3.46	4.49	4.06	4.16	4.13	4.06	→	4.87	4.55	4.69	→
Wyndham City Council	2.75	2.89	2.80	2.88	5.20	3.30	→	2.32	2.27	2.26	→
Yarra Ranges Shire Council	2.03	2.37	2.99	3.26	3.68	2.87	→	1.20	1.31	1.22	→
Average liquidity	2.09	2.19	2.26	2.19	2.46	2.23	→	1.98	2.00	2.06	→

Note: (e) Manningham City Council's financial statements were incomplete at the time of this report.

Liquidity results – Regional city councils

Regional city councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Ballarat City Council	2.12	1.70	2.10	1.99	2.54	2.09	→	1.70	1.55	1.53	→
Greater Bendigo City Council	1.29	1.35	1.58	1.81	1.89	1.58	↑	1.17	1.27	1.34	→
Greater Geelong City Council	0.68	1.04	1.13	1.36	1.82	1.21	↑	1.02	1.03	1.14	→
Greater Shepparton City Council	1.88	2.06	2.01	2.05	1.99	2.00	→	1.94	1.94	2.10	↑
Horsham Rural City Council	2.49	2.07	2.27	3.01	3.07	2.58	↑	2.73	2.34	2.06	→
Latrobe City Council	1.85	2.06	1.73	2.11	2.20	1.99	↑	1.12	1.17	1.13	→
Mildura Rural City Council (f)	2.62	1.90	2.27	2.27	N/A	2.26	→	2.29	2.28	2.15	→
Swan Hill Rural City Council	2.26	2.23	2.86	2.66	2.51	2.51	→	1.64	1.55	1.58	→
Wangaratta Rural City Council	2.14	1.84	1.92	2.13	1.51	1.91	→	1.17	1.11	1.16	→
Warrambool City Council	1.52	1.34	1.92	1.97	1.82	1.71	→	1.40	1.49	1.57	→
Wodonga Rural City Council	3.93	4.29	4.52	4.64	4.63	4.40	↑	2.75	2.60	2.43	→
Average liquidity	2.07	1.99	2.21	2.36	2.40	2.20	↑	1.72	1.67	1.65	→

Note: (f) Mildura Rural City Council's financial statements were incomplete at the time of this report.

Liquidity results – Large shire councils

Large shire councils	Forecast										Actual trend	Mean	Future trend
	2005	2006	2007	2008	2009	2010	2011	2012					
Baw Baw Shire Council	2.18	1.88	1.60	1.25	1.73	0.99	1.24	1.06	→	→	→		
Campaspe Shire Council	3.56	2.38	2.79	3.10	3.25	5.12	5.05	4.63	→	→	→		
Colac Otway Shire Council	2.08	2.43	2.67	2.26	2.27	1.81	2.05	2.42	→	→	→		
Corangamite Shire Council	1.73	1.96	1.44	1.63	1.91	1.31	1.37	1.51	→	→	→		
East Gippsland Shire Council	2.51	2.49	2.68	2.83	2.74	1.63	1.58	1.56	→	→	→		
Gleneel Shire Council	2.44	2.99	3.00	2.89	3.27	2.13	2.06	2.22	→	→	→		
Macedon Ranges Shire Council	1.60	1.65	1.69	1.56	2.18	1.29	1.17	1.15	→	→	→		
Mitchell Shire Council	1.34	1.35	1.31	1.36	1.82	1.14	1.10	1.13	→	→	→		
Moira Shire Council	2.27	2.03	2.05	1.82	1.60	1.27	1.29	1.57	→	→	→		
Moorabool Shire Council	1.45	1.69	1.06	1.59	1.63	1.49	1.64	1.68	→	→	→		
Moyne Shire Council	2.47	2.47	2.88	2.23	2.58	1.24	1.33	1.26	→	→	→		
South Gippsland Shire Council	1.65	2.15	1.27	1.60	2.30	1.80	1.82	2.19	→	→	→		
Southern Grampians Shire Council (g)	1.72	1.74	2.39	2.60	3.27	N/A	N/A	N/A	→	→	→		
Surf Coast Shire Council	2.13	1.88	2.30	2.37	2.39	1.15	1.57	1.55	→	→	→		
Wellington Shire Council	1.92	2.00	2.49	1.64	2.28	1.48	1.33	1.33	→	→	→		
Average liquidity	2.07	2.07	2.11	2.05	2.35	1.70	1.76	1.80	→	→	→		

Note: (g) The forecast information for Southern Grampians Shire Council does not include data for 2010–12.

Liquidity results – Small shire councils

Small shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ararat Rural City Council	1.92	1.81	1.59	2.77	2.75	2.17	↕	3.10	1.73	1.41	↘
Alpine Shire Council	2.43	2.43	2.56	2.83	1.96	2.44	↗	2.41	2.53	2.51	↕
Bass Coast Shire Council	1.68	1.35	1.81	1.88	1.93	1.73	↕	1.47	1.50	1.52	↘
Benalla Rural City Council	1.28	1.52	1.49	1.65	1.52	1.49	↗	1.26	1.07	1.10	↘
Borough of Queenscliffe	2.45	2.71	3.77	2.80	1.69	2.68	↗	1.03	1.09	1.08	↘
Buloke Shire Council	2.04	1.09	0.74	1.68	1.44	1.40	↗	0.94	0.95	1.04	↘
Central Goldfields Shire Council	1.82	2.36	1.53	2.48	3.01	2.24	↕	1.30	1.24	1.03	↘
Gannawarra Shire Council	1.61	1.96	1.94	1.85	2.89	2.05	↕	1.12	1.49	1.89	↗
Golden Plains Shire Council	2.16	2.94	3.47	3.32	2.82	2.94	↗	1.63	1.05	0.98	↘
Hepburn Shire Council	1.62	1.45	1.54	1.11	1.99	1.54	↗	1.12	1.19	1.29	↗
Hindmarsh Shire Council	1.68	2.34	3.50	2.71	2.55	2.56	↗	1.44	1.45	1.46	↗
Indigo Shire Council	1.27	1.30	1.49	1.81	2.43	1.66	↕	1.95	1.70	2.03	↘
Loddon Shire Council	2.43	2.74	3.52	3.38	4.35	3.28	↕	2.58	2.66	2.73	↕
Mansfield Shire Council	1.18	1.43	1.49	1.67	3.68	1.89	↕	1.18	1.11	1.09	↘
Mount Alexander Shire Council	2.06	2.38	2.86	2.88	3.56	2.75	↕	1.87	2.31	3.08	↕
Murrindindi Shire Council (h)	1.48	1.56	1.37	1.41	N/A	1.46	↗	1.06	1.15	1.14	↗
Northern Grampians Shire Council	1.54	1.61	1.82	1.51	1.67	1.63	↗	1.28	1.18	1.16	↘
Pyrenees Shire Council	1.91	1.91	2.93	2.41	2.53	2.34	↕	1.05	0.93	1.28	↘
Strathbogie Shire Council	2.48	2.07	1.33	2.05	1.75	1.94	↗	0.90	0.90	0.89	↘
Towong Shire Council	1.50	2.06	2.78	2.48	2.33	2.23	↗	2.02	1.14	1.40	↘
West Wimmera Shire Council	2.53	1.95	1.81	2.13	2.31	2.15	↗	1.69	2.27	1.52	↘
Yarriambiack Shire Council	2.04	2.71	2.13	2.07	2.88	2.37	↗	1.75	1.41	1.23	↘
Average liquidity	1.87	1.99	2.18	2.20	2.48	2.13	↕	1.55	1.46	1.49	↘

Note: (h) Murrindindi Shire Council's financial statements were incomplete at the time of this report.

Indebtedness results

Indebtedness results (%) – Inner metropolitan councils

Inner metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Banyule City Council	12.20	1.80	1.70	1.48	3.88	4.21	↔	44.27	38.75	35.60	↔
Bayside City Council	30.60	26.10	26.60	24.59	23.43	26.26	↘	22.64	21.78	20.09	↘
Boroondara City Council	15.40	14.60	12.00	8.89	7.52	11.68	↘	8.79	13.99	16.49	↔
Darebin City Council	11.90	5.10	6.00	6.69	6.03	7.14	↘	6.94	5.82	4.73	↘
Glen Eira City Council	5.50	1.70	1.60	1.44	1.62	2.37	↘	1.45	20.27	25.42	↘
Hobsons Bay City Council	11.40	7.90	5.90	4.44	3.83	6.70	↘	3.19	2.75	2.32	↘
Kingston City Council	20.60	17.60	16.30	13.28	11.78	15.91	↘	7.73	7.10	6.74	↘
Maribyrnong City Council	45.90	40.30	31.80	25.25	19.76	32.60	↘	14.51	8.54	7.46	↘
Maroondah City Council	7.00	5.40	5.00	4.43	1.87	4.74	↘	3.80	3.43	3.23	↘
Melbourne City Council	4.26	1.25	8.41	3.64	3.50	4.21	↔	1.56	1.57	1.60	↔
Monash City Council	21.60	22.70	24.50	26.99	28.74	24.91	↗	25.77	25.39	25.18	↗
Moonee Valley City Council	20.20	19.90	24.30	19.04	19.78	20.64	↔	20.26	17.52	14.90	↘
Moreland City Council	2.60	2.80	13.50	12.26	10.83	8.40	↘	15.18	15.41	15.50	↔
Port Phillip City Council	10.30	9.80	4.20	3.54	3.70	6.31	↘	2.47	3.81	3.07	↘
Stonnington City Council	14.50	7.50	7.40	5.84	5.79	8.21	↘	10.63	9.09	7.70	↘
Whitehorse City Council	7.70	1.11	1.06	4.04	3.68	3.52	↔	3.45	3.08	2.74	↘
Yarra City Council	16.70	11.20	6.00	3.82	2.54	8.05	↘	1.31	0.85	4.02	↔
Average indebtedness (%)	15.20	11.57	11.55	9.98	9.31	11.52	↘	11.41	11.71	11.58	↔

Indebtedness results (%) – Outer metropolitan councils

Outer metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Brimbank City Council	33.80	30.10	29.00	21.18	15.64	25.95	↓	15.61	23.83	19.67	↑
Cardinia Shire Council	118.10	101.20	97.80	95.97	74.03	97.42	↓	77.90	72.38	61.34	↓
Casey City Council	12.70	18.10	15.10	20.61	23.55	18.01	↑	19.19	18.16	17.23	↓
Frankston City Council	3.10	5.40	5.00	10.70	1.67	5.17	→	13.40	12.10	11.59	↑
Greater Dandenong City Council	21.70	25.20	22.10	14.24	16.15	19.88	→	23.21	18.80	32.40	↑
Hume City Council	25.80	20.60	37.20	32.12	28.00	28.74	→	23.39	19.82	17.86	↓
Knox City Council	14.71	9.20	8.37	7.90	8.80	9.80	→	7.66	19.24	17.87	↑
Manningham City Council (i)	10.20	13.30	13.30	11.34	N/A	12.04	→	10.62	9.32	9.21	↓
Melton Shire Council	29.90	34.70	37.80	36.78	41.01	36.04	↑	47.25	40.07	36.60	↓
Mornington Peninsula Shire Council	32.70	48.20	44.00	40.23	37.23	40.47	↓	32.37	32.73	32.12	→
Nilumbik Shire Council	19.00	22.60	23.70	35.06	40.50	28.17	↑	32.49	32.19	32.75	→
Whittlesea City Council	27.00	23.30	21.00	17.95	28.12	23.47	↑	38.85	38.06	42.68	↑
Wyndham City Council	12.60	11.05	8.69	7.71	7.03	9.42	↓	7.52	4.52	3.82	↓
Yarra Ranges Shire Council	16.60	16.40	12.40	10.60	8.64	12.93	↓	10.82	13.70	21.83	↑
Average indebtedness (%)	26.99	27.10	26.82	25.89	25.41	26.25	→	25.73	25.35	25.50	→

Note: (i) Manningham City Council's financial statements were incomplete at the time of this report.

Indebtedness results (%) – Regional city councils

Regional city councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ballarat City Council	21.50	24.60	19.80	17.43	15.31	19.73	↓	12.28	10.60	9.75	↓
Greater Bendigo City Council	18.90	14.80	9.60	11.39	11.47	13.23	→	8.65	14.91	14.50	↑
Greater Geelong City Council	13.40	14.30	12.70	12.89	19.18	14.49	↑	22.37	19.96	18.35	↓
Greater Shepparton City Council	4.50	2.90	2.60	2.68	1.98	2.93	↓	9.72	8.19	11.01	↑
Horsham Rural City Council	34.50	37.40	28.60	24.32	22.70	29.50	↓	28.73	32.69	29.47	↑
Latrobe City Council	32.50	33.90	30.30	29.99	44.62	34.26	↑	37.06	30.35	23.48	↓
Mildura Rural City Council (j)	52.70	44.10	45.90	45.71	N/A	47.10	→	44.75	45.15	45.24	→
Swan Hill Rural City Council	49.00	49.50	40.30	36.42	27.65	40.57	↓	35.64	40.78	37.30	↑
Wangaratta Rural City Council	51.80	46.70	38.20	49.21	43.00	45.78	→	42.16	40.82	37.64	↓
Warrambool City Council	28.20	22.90	23.30	21.42	22.83	23.73	→	22.35	22.80	27.67	↑
Wodonga Rural City Council	62.50	81.80	86.80	88.33	113.26	86.54	↑	72.61	65.15	55.30	↓
Average indebtedness (%)	33.59	33.90	30.74	30.89	32.20	32.53	→	30.57	30.13	28.16	→

Note: (j) Mildura Rural City Council's financial statements were incomplete at the time of this report.

Indebtedness results (%) – Large shire councils

Large shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Baw Baw Shire Council	56.60	50.00	39.70	31.67	35.41	42.68	↓	48.23	61.31	63.62	↑
Campaspe Shire Council	27.60	19.90	26.60	26.38	23.17	24.73	→	46.32	43.97	39.52	↑
Colac Otway Shire Council	39.30	34.20	31.30	24.11	20.03	29.79	↓	31.63	30.02	26.29	↑
Corangamite Shire Council	19.10	17.80	16.90	18.42	23.76	19.20	↑	27.17	24.28	21.37	→
East Gippsland Shire Council	42.20	28.70	22.30	17.40	13.95	24.91	↓	18.65	26.42	21.85	↑
Gleneel Shire Council	42.50	41.10	34.80	30.24	29.77	35.68	↓	29.42	25.90	23.65	↓
Macedon Ranges Shire Council	46.00	37.90	30.40	27.59	26.14	33.61	↓	28.76	26.17	24.15	→
Mitchell Shire Council	25.70	30.10	24.20	20.36	21.89	24.45	→	24.04	21.58	19.64	→
Moira Shire Council	55.60	45.80	55.20	66.24	64.74	57.52	↑	66.96	62.97	60.42	↓
Moorabool Shire Council	27.72	25.67	26.65	28.37	28.17	27.32	→	31.56	30.62	26.02	→
Moyne Shire Council	10.40	7.60	3.20	7.06	6.02	6.86	→	14.11	12.36	10.76	↑
South Gippsland Shire Council	64.70	48.80	25.20	16.38	12.98	33.61	↓	8.47	4.60	3.47	↓
Southern Grampians Shire Council (k)	40.35	39.50	34.60	35.37	34.94	36.95	↓	N/A	N/A	N/A	→
Surf Coast Shire Council	38.40	32.70	25.40	21.80	17.81	27.22	↓	28.78	46.72	42.55	↑
Wellington Shire Council	39.80	30.40	37.20	30.88	32.79	34.22	→	32.58	33.55	31.37	→
Average indebtedness (%)	38.40	32.68	28.91	26.82	26.11	30.58	↓	31.19	32.17	29.62	→

Note: (k) The forecast information for Southern Grampians Shire Council does not include data for 2010–12.

Indebtedness results (%) – Small shire councils

Small shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ararat Rural City Council	10.60	6.60	4.30	13.80	1.29	7.32	↘	1.59	1.64	1.66	↗
Alpine Shire Council	19.60	17.60	16.10	2.87	16.01	14.44	↘	20.17	17.94	16.12	↘
Bass Coast Shire Council	15.10	13.70	12.00	13.66	14.78	13.85	↘	13.56	13.10	12.71	↘
Benalla Rural City Council	57.10	56.70	59.60	49.24	44.34	53.40	↘	46.24	41.99	37.92	↘
Borough of Queenscliffe	22.00	14.70	26.80	31.04	26.13	24.14	↗	22.14	18.07	13.92	↘
Buloke Shire Council	17.10	13.50	10.40	8.38	7.93	11.46	↘	8.45	8.13	8.76	↗
Central Goldfields Shire Council	48.00	56.70	112.60	76.53	71.03	72.97	↘	62.21	62.42	47.80	↘
Gannawarra Shire Council	37.90	45.40	41.90	36.10	32.25	38.71	↘	29.13	25.61	21.93	↘
Golden Plains Shire Council	9.70	23.70	17.20	13.84	11.41	15.17	↘	22.52	17.25	13.78	↘
Hepburn Shire Council	24.80	21.20	18.20	23.68	28.60	23.30	↗	28.58	24.14	19.32	↘
Hindmarsh Shire Council	18.60	12.80	8.00	1.91	2.10	8.68	↘	2.34	2.42	2.48	↘
Indigo Shire Council	18.70	28.30	25.50	19.42	14.32	21.25	↘	13.37	13.53	25.39	↗
Loddon Shire Council	30.10	47.40	44.20	33.28	31.41	37.28	↘	42.33	39.08	37.04	↗
Mansfield Shire Council	30.10	31.10	32.80	28.56	30.95	30.70	↘	29.04	26.97	24.59	↘
Mount Alexander Shire Council	29.20	25.00	24.10	22.90	20.49	24.34	↘	27.51	24.35	20.95	↘
Murrindindi Shire Council (I)	42.90	45.10	40.90	39.86	N/A	42.19	↘	30.31	28.07	25.72	↘
Northern Grampians Shire Council	28.10	18.50	19.50	12.80	19.84	19.75	↘	20.95	15.34	10.43	↘
Pyrenees Shire Council	21.80	22.70	20.20	14.72	17.06	19.30	↘	31.11	35.13	32.96	↗
Strathbogie Shire Council	67.00	51.20	42.50	35.12	31.01	45.37	↘	29.04	24.27	19.59	↘
Towong Shire Council	13.20	5.20	3.60	2.30	2.42	5.34	↘	4.50	4.30	4.13	↘
West Wimmera Shire Council	13.20	2.10	0.80	1.18	2.22	3.90	↘	1.24	1.26	1.27	↘
Yarriambiack Shire Council	11.50	7.60	7.80	7.65	6.52	8.21	↘	4.04	3.03	2.61	↘
Average indebtedness (%)	26.65	25.76	26.77	22.22	20.58	24.59	↘	22.29	20.36	18.23	↘

Note: (I) Murrindindi Shire Council's financial statements were incomplete at the time of this report.

Self-financing results

Self-financing results (%) – Inner metropolitan councils

Inner metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Banyule City Council	15.24	3.12	14.41	13.57	15.39	12.35	↕	13.05	9.12	10.13	↗
Bayside City Council	17.04	12.95	18.60	21.80	23.15	18.71	↕	20.43	19.94	20.59	↗
Boroondara City Council	21.26	19.92	23.00	24.02	27.46	23.13	↕	26.28	27.60	27.23	↗
Darebin City Council	16.31	15.07	16.80	16.68	22.55	17.48	↕	18.00	17.96	18.62	↗
Glen Eira City Council	22.91	20.48	23.10	28.08	25.60	24.03	↗	25.67	20.87	20.42	↘
Hobsons Bay City Council	21.09	16.67	23.60	24.78	22.00	21.63	↗	23.42	23.44	21.30	↗
Kingston City Council	10.24	11.03	8.08	19.02	19.33	13.54	↕	13.99	15.85	16.09	↗
Maribyrnong City Council	22.09	95.36	28.10	21.83	21.40	37.76	↘	28.93	23.73	22.44	↗
Maroondah City Council	20.94	14.49	14.70	20.66	26.58	19.47	↕	13.28	13.35	13.81	↘
Melbourne City Council	18.01	17.60	19.02	18.09	21.49	18.84	↗	20.16	18.69	18.05	↘
Monash City Council	14.19	14.93	16.90	17.42	17.70	16.23	↕	17.66	15.97	14.85	↘
Moonee Valley City Council	19.67	20.14	25.80	15.55	24.30	21.09	↗	24.30	20.89	20.48	↘
Moreland City Council	-9.42	13.51	18.07	21.61	20.85	12.92	↕	19.66	19.52	21.03	↗
Port Phillip City Council	13.78	23.60	28.60	25.83	22.37	22.84	↗	20.98	18.15	19.82	↘
Stonnington City Council	25.29	25.60	25.80	27.84	27.41	26.39	↗	23.26	23.15	21.31	↘
Whitehorse City Council	19.67	18.80	19.33	23.28	19.18	20.05	↗	16.90	17.71	18.26	↗
Yarra City Council	17.90	26.61	21.61	20.52	20.18	21.37	↗	17.73	18.38	17.56	↘
Average self-financing (%)	16.84	21.76	20.32	21.21	22.17	20.46	↗	20.22	19.08	18.94	↘

Self-financing results (%) – Outer metropolitan councils

Outer metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Brimbank City Council	29.50	24.09	28.50	34.02	23.83	27.99	→	27.74	27.41	27.46	→
Cardinia Shire Council	25.86	25.11	32.20	22.85	29.46	27.10	→	22.86	15.92	16.64	→
Casey City Council	27.32	28.44	30.60	28.67	27.76	28.56	→	22.30	25.28	22.23	→
Frankston City Council	11.26	21.36	14.10	24.60	24.67	19.20	↑	25.88	21.60	23.06	→
Greater Dandenong City Council	12.70	22.46	21.80	23.26	27.03	21.45	↑	34.79	33.31	34.24	→
Hume City Council	17.97	14.49	28.96	31.80	32.60	25.16	↑	26.33	29.80	22.12	→
Knox City Council	13.28	14.41	17.26	18.48	19.04	16.50	↑	14.77	18.15	18.65	→
Manningham City Council (m)	18.94	24.83	30.30	29.15	N/A	25.81	↑	25.97	26.69	27.29	→
Melton Shire Council	15.74	19.62	23.98	17.94	20.85	19.63	→	11.64	15.19	16.91	→
Mornington Peninsula Shire Council	12.27	12.65	18.21	13.97	18.87	15.19	→	18.23	18.29	16.79	→
Nillumbik Shire Council	14.05	16.25	19.10	17.12	17.81	16.87	→	26.47	25.90	18.70	→
Whittlesea City Council	25.74	19.27	15.90	20.04	25.60	21.31	→	22.64	22.05	20.64	→
Wyndham City Council	36.58	25.10	35.65	32.89	44.57	34.96	↑	40.64	42.64	44.40	→
Yarra Ranges Shire Council	20.51	15.81	27.90	18.77	20.92	20.78	→	19.21	22.29	21.61	→
Average self-financing (%)	20.12	20.28	24.60	23.83	25.62	22.89	↑	24.25	24.61	23.62	→

Note: (m) Manningham City Council's financial statements were incomplete at the time of this report.

Self-financing results (%) – Regional city councils

Regional city councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ballarat City Council	21.29	21.12	24.80	29.59	34.40	26.24	↑	25.86	24.23	24.41	↓
Greater Bendigo City Council	27.33	25.18	24.60	25.41	32.19	26.94	→	28.30	27.01	27.26	↓
Greater Geelong City Council	14.04	17.69	22.30	19.15	23.76	19.39	↑	19.47	19.45	20.46	→
Greater Shepparton City Council	23.73	25.92	27.87	17.33	24.25	23.82	→	22.81	21.49	15.78	↓
Horsham Rural City Council	30.65	42.38	28.96	27.51	39.32	33.76	→	45.40	46.40	29.09	↓
Latrobe City Council	19.45	23.76	21.34	28.01	21.43	22.80	→	27.09	21.90	22.18	→
Mildura Rural City Council (n)	20.77	28.09	30.21	30.11	N/A	27.29	↑	30.08	30.22	30.22	→
Swan Hill Rural City Council	17.09	17.76	11.13	15.51	16.33	15.56	→	15.42	26.90	21.44	↑
Wangaratta Rural City Council	28.34	31.39	23.34	31.76	35.75	30.12	→	19.98	19.00	20.27	↓
Warrambool City Council	10.27	16.80	19.46	21.63	24.89	18.61	↑	20.81	16.59	22.60	→
Wodonga Rural City Council	7.09	-8.87	7.87	-0.22	6.20	2.41	→	11.50	10.99	12.11	↑
Average self-financing (%)	20.00	21.93	21.99	22.34	25.55	22.45	↑	24.25	24.02	22.35	→

Note: (n) Mildura Rural City Council's financial statements were incomplete at the time of this report.

Self-financing results (%) – Large shire councils

Large shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Baw Baw Shire Council	22.45	23.40	27.70	21.58	29.50	24.93	↑	22.64	26.73	26.04	↑
Campaspe Shire Council	23.99	36.49	23.00	27.22	29.86	28.11	↑	19.83	20.92	19.42	→
Colac Otway Shire Council	28.33	22.49	24.20	25.76	29.99	26.15	→	30.68	30.37	31.11	→
Corangamite Shire Council	22.71	29.93	25.10	36.05	39.33	30.62	↑	27.93	27.93	27.94	→
East Gippsland Shire Council	25.46	27.96	27.00	34.18	37.65	30.45	↑	31.59	34.01	31.14	→
Glennelg Shire Council	28.64	25.38	34.80	28.66	29.86	29.47	→	26.04	22.69	23.04	→
Macedon Ranges Shire Council	29.19	23.13	30.20	26.00	32.72	28.25	→	27.88	24.85	25.12	→
Mitchell Shire Council	25.81	24.65	30.90	26.92	31.14	27.88	→	22.63	23.71	24.55	→
Moira Shire Council	26.61	32.73	27.90	18.75	31.77	27.55	→	25.43	21.38	22.09	→
Moorabool Shire Council	16.55	20.48	16.46	18.38	26.61	19.69	↑	18.63	18.50	21.40	→
Moyne Shire Council	34.73	38.64	35.30	26.45	31.04	33.23	→	34.18	30.02	29.74	→
South Gippsland Shire Council	21.39	19.89	23.00	19.98	31.53	23.16	→	17.38	24.58	25.08	→
Southern Grampians Shire Council (o)	34.63	24.57	27.25	32.78	34.37	30.72	↑	N/A	N/A	N/A	→
Surf Coast Shire Council	23.57	26.82	22.93	29.47	28.07	26.17	→	18.63	28.56	24.50	→
Wellington Shire Council	31.06	29.51	34.20	39.54	37.92	34.44	→	29.76	32.84	33.44	→
Average self-financing (%)	26.34	27.07	27.33	27.45	32.09	28.06	↑	25.23	26.22	26.04	→

Note: (o) The forecast information for Southern Grampians Shire Council did not include data for 2010–12.

Self-financing results (%) – Small shire councils

Small shire councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Ararat Rural City Council	20.79	23.82	27.10	27.60	27.47	25.35	→	25.77	35.51	26.07	→
Alpine Shire Council	24.78	22.70	15.40	17.41	16.61	19.38	→	14.94	12.91	14.75	→
Bass Coast Shire Council	31.69	27.90	23.58	23.55	26.16	26.58	→	27.06	27.81	27.47	→
Benalla Rural City Council	14.89	19.60	18.64	17.54	21.87	18.51	→	13.79	11.36	16.50	→
Borough of Queenscliffe	17.68	11.27	13.60	10.97	16.18	13.94	→	12.08	16.45	17.57	→
Buloke Shire Council	32.50	30.43	25.80	27.15	24.76	28.13	→	22.27	21.66	24.07	→
Central Goldfields Shire Council	31.10	24.66	21.40	18.59	26.77	24.50	→	41.39	19.01	19.84	→
Gannawarra Shire Council	21.31	24.10	29.40	25.40	30.06	26.05	→	22.96	24.07	25.64	→
Golden Plains Shire Council	34.30	25.85	39.60	23.94	31.80	31.10	→	31.47	29.50	26.98	→
Hepburn Shire Council	16.52	20.69	13.60	27.88	31.12	21.96	→	31.92	27.74	30.13	→
Hindmarsh Shire Council	24.61	44.66	33.30	31.88	38.67	34.62	→	31.74	30.17	31.03	→
Indigo Shire Council	10.67	2.90	24.50	24.88	40.40	20.67	→	32.99	25.16	27.37	→
Loddon Shire Council	24.77	33.76	33.10	30.91	39.73	32.45	→	31.88	32.16	29.63	→
Mansfield Shire Council	17.72	24.66	19.20	19.73	45.07	25.28	→	28.30	28.77	24.30	→
Mount Alexander Shire Council	17.63	24.67	18.70	23.43	31.74	23.24	→	26.92	29.88	28.88	→
Murrindindi Shire Council (p)	25.62	22.09	25.40	29.04	N/A	25.54	→	22.35	23.72	23.86	→
Northern Grampians Shire Council	15.42	25.60	25.00	20.03	32.26	23.66	→	17.73	17.45	17.48	→
Pyrenees Shire Council	28.22	43.78	40.70	41.42	54.99	41.82	→	40.09	29.14	25.43	→
Strathbogie Shire Council	11.92	22.25	19.10	17.54	30.86	20.33	→	22.02	14.95	14.99	→
Towong Shire Council	13.25	17.09	38.61	35.39	36.82	28.23	→	26.58	27.07	27.98	→
West Wimmera Shire Council	31.88	34.13	36.43	29.33	39.35	34.22	→	33.81	31.83	15.33	→
Yarriambiack Shire Council	26.99	33.93	32.89	27.26	33.19	30.85	→	26.95	25.20	24.02	→
Average self-financing (%)	22.47	25.48	26.14	25.04	32.18	26.20	→	26.59	24.62	23.61	→

Note: (p) Murrindindi Shire Council's financial statements were incomplete at the time of this report.

Investment gap results

Investment gap results – Inner metropolitan councils

Inner metropolitan councils	2005							Forecast			Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Banyule City Council	0.76	0.52	0.93	1.75	1.34	1.06	↕	5.43	1.13	0.83	↘
Bayside City Council	1.25	1.13	1.18	1.15	1.45	1.23	↗	1.60	1.08	1.18	↘
Boroondara City Council	1.30	1.66	1.23	1.12	1.89	1.44	↗	1.68	2.08	2.45	↕
Darebin City Council	1.21	0.92	1.02	1.02	1.30	1.09	↗	1.84	1.12	1.11	↗
Glen Eira City Council	2.02	1.41	1.75	2.08	1.80	1.81	↗	2.44	3.21	1.79	↗
Hobsons Bay City Council	1.39	1.31	1.59	1.47	1.18	1.39	↗	1.61	1.51	1.43	↗
Kingston City Council	0.66	0.49	0.41	1.13	1.37	0.81	↕	1.25	1.08	1.20	↗
Maribyrnong City Council	1.61	2.64	1.09	1.10	1.31	1.55	↗	2.26	1.86	1.70	↗
Maroondah City Council	1.09	0.81	1.25	1.75	1.17	1.21	↗	1.07	1.09	1.10	↗
Melbourne City Council	1.98	2.96	1.55	1.48	1.78	1.95	↗	1.47	1.17	1.16	↘
Monash City Council	0.97	1.00	1.28	1.71	1.11	1.21	↗	1.41	0.98	0.91	↘
Moonee Valley City Council	1.41	1.32	1.79	1.38	1.53	1.49	↗	1.93	1.30	1.27	↗
Moreland City Council	0.81	0.96	0.82	0.99	1.45	1.01	↕	1.46	1.33	1.38	↗
Port Phillip City Council	1.16	1.47	2.44	2.30	1.67	1.81	↗	2.61	1.96	1.88	↕
Stonnington City Council	1.28	1.50	1.29	1.91	1.23	1.44	↗	1.99	1.68	1.38	↕
Whitehorse City Council	0.85	1.21	1.07	1.31	1.43	1.17	↕	1.11	1.02	1.10	↗
Yarra City Council	1.07	1.22	1.21	1.18	1.49	1.23	↕	1.38	1.41	1.57	↕
Average investment gap	1.22	1.33	1.29	1.46	1.44	1.35	↕	1.91	1.47	1.38	↘

Investment gap results – Outer metropolitan councils

Outer metropolitan councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Brimbank City Council	0.97	0.90	1.58	1.74	1.39	1.31	→	2.48	2.37	1.91	→
Cardinia Shire Council	2.69	2.74	2.20	2.50	1.38	2.30	↓	2.01	0.89	0.89	→
Casey City Council	1.26	2.11	2.11	2.69	2.77	2.19	↑	1.70	1.75	1.46	→
Frankston City Council	0.88	0.89	0.90	0.97	1.32	0.99	↑	2.80	1.22	1.32	→
Greater Dandenong City Council	1.58	1.65	1.19	0.94	1.12	1.30	→	2.68	2.25	3.03	↑
Hume City Council	0.76	1.28	2.31	1.41	1.86	1.52	→	2.21	1.99	1.30	→
Knox City Council	0.97	0.97	1.11	1.29	1.07	1.08	→	2.63	2.37	1.47	↑
Manningham City Council (q)	1.86	1.79	1.75	1.66	N/A	1.76	↓	2.27	2.12	2.15	↑
Melton Shire Council	0.77	0.83	1.60	2.04	1.31	1.31	→	1.16	1.10	1.04	→
Mornington Peninsula Shire Council	0.91	1.15	1.13	1.11	1.20	1.10	→	1.76	1.49	1.50	→
Nillumbik Shire Council	1.16	0.90	1.62	2.34	1.32	1.47	→	2.88	3.08	1.78	↑
Whittlesea City Council	1.22	0.95	0.75	0.63	1.69	1.05	→	2.04	1.52	1.29	→
Wyndham City Council	1.55	1.34	1.16	1.50	1.15	1.34	→	2.94	2.03	2.10	↑
Yarra Ranges Shire Council	1.31	0.87	1.04	0.92	1.12	1.05	→	3.47	1.97	2.53	↑
Average investment gap	1.28	1.31	1.46	1.55	1.44	1.41	↑	2.36	1.87	1.70	→

Note: (q) Manningham City Council's financial statements were incomplete at the time of this report.

Investment gap results – Regional city councils

Regional city councils	Forecast										
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend
Ballarat City Council	1.06	0.97	0.90	1.15	1.43	1.10	→	1.58	1.42	1.43	→
Greater Bendigo City Council	1.59	1.36	1.11	1.62	1.87	1.51	→	2.03	1.97	1.83	→
Greater Geelong City Council	2.05	1.22	1.43	1.35	1.76	1.56	→	2.05	1.50	1.24	→
Greater Shepparton City Council	1.18	1.07	1.18	1.02	1.03	1.10	→	2.25	1.73	1.28	→
Horsham Rural City Council	0.96	2.10	1.15	1.01	1.29	1.30	→	2.88	3.13	1.44	→
Latrobe City Council	1.04	1.16	1.23	1.34	1.33	1.22	→	2.24	0.99	1.05	→
Mildura Rural City Council (r)	1.42	1.84	1.82	1.82	N/A	1.73	→	2.23	2.08	2.21	→
Swan Hill Rural City Council	0.87	1.27	0.80	0.80	0.93	0.93	→	2.04	2.37	1.56	→
Wangaratta Rural City Council	1.19	1.61	1.66	1.19	2.09	1.55	→	1.16	1.06	1.03	→
Warrambool City Council	0.64	0.92	1.04	1.48	1.56	1.13	→	2.15	1.26	1.93	→
Wodonga Rural City Council	4.52	2.61	1.23	1.82	1.02	2.24	→	1.13	0.61	0.53	→
Average investment gap	1.50	1.47	1.23	1.33	1.43	1.40	→	1.98	1.65	1.41	→

Note: (r) Mildura Rural City Council's financial statements were incomplete at the time of this report.

Investment gap results – Large shire councils

Large shires councils	Forecast										Future trend
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	
Baw Baw Shire Council	2.00	2.16	1.74	2.14	1.21	1.85	→	2.54	2.05	2.38	↑
Campaspe Shire Council	0.80	1.57	1.48	1.22	1.01	1.21	→	1.25	0.99	0.87	↓
Colac Otway Shire Council	0.81	1.13	1.12	1.19	0.90	1.03	→	1.38	1.35	1.27	→
Corangamite Shire Council	0.92	1.05	0.93	1.29	1.49	1.14	↑	1.56	1.01	0.98	↓
East Gippsland Shire Council	0.69	0.96	0.98	1.14	1.85	1.12	↑	3.48	2.34	1.63	→
Gleneig Shire Council	1.26	1.37	1.41	1.36	1.41	1.36	↑	1.71	1.18	1.20	→
Macedon Ranges Shire Council	0.22	1.16	2.53	2.21	1.34	1.49	→	2.22	1.50	1.52	→
Mitchell Shire Council	1.47	1.86	1.47	1.50	1.43	1.55	→	1.44	1.36	1.36	→
Moira Shire Council	1.06	1.37	1.38	1.44	1.40	1.33	↑	1.83	1.47	1.24	↓
Moorabool Shire Council	1.01	0.72	1.36	1.02	1.47	1.12	→	0.95	1.21	0.76	↓
Moyne Shire Council	0.87	1.12	1.19	1.52	1.31	1.20	↑	1.96	1.12	1.13	→
South Gippsland Shire Council	1.42	1.01	1.26	1.12	1.25	1.21	→	1.43	1.29	1.25	→
Southern Grampians Shire Council (s)	2.10	2.09	1.52	1.00	1.22	1.59	↓	N/A	N/A	N/A	→
Surf Coast Shire Council	0.84	1.44	0.75	0.97	1.26	1.05	→	2.15	2.35	1.07	→
Wellington Shire Council	0.56	0.87	1.11	1.87	1.37	1.16	↑	1.59	1.42	1.27	→
Average investment gap	1.07	1.33	1.35	1.40	1.33	1.29	↑	1.82	1.47	1.28	↑

Note: (s) The forecast information provided by Southern Grampians Shire Council does not include data for 2010–12.

Investment gap results – Small shire councils

Small shire councils	Forecast											
	2005	2006	2007	2008	2009	Mean	Actual trend	2010	2011	2012	Future trend	
Ararat Rural City Council	0.71	0.81	1.34	1.63	1.04	1.10	→	0.29	1.26	1.62	↑	
Alpine Shire Council	1.36	1.84	0.92	0.99	1.25	1.27	→	1.55	0.84	0.92	→	
Bass Coast Shire Council	1.95	1.70	0.95	1.78	2.31	1.74	→	1.83	1.95	1.98	→	
Benalla Rural City Council	1.02	1.61	0.90	1.15	1.16	1.17	→	0.99	0.81	0.84	→	
Borough of Queenscliffe	0.97	2.50	0.80	2.00	3.59	1.97	→	1.57	1.30	1.48	→	
Buloke Shire Council	0.99	1.34	0.92	0.88	0.86	1.00	→	1.25	0.80	0.87	→	
Central Goldfields Shire Council	0.82	1.03	1.59	0.92	1.68	1.21	→	3.13	0.90	0.83	→	
Gannawarra Shire Council	1.46	1.20	1.06	1.46	0.92	1.22	→	1.55	0.99	0.91	→	
Golden Plains Shire Council	0.95	1.20	1.80	1.39	2.29	1.52	↑	2.75	2.21	1.29	→	
Hepburn Shire Council	0.45	0.71	1.00	1.49	1.31	0.99	↑	2.04	1.17	1.29	→	
Hindmarsh Shire Council	1.06	1.14	1.17	1.82	1.73	1.38	↑	1.82	1.42	1.42	→	
Indigo Shire Council	0.73	1.11	1.29	0.89	1.16	1.03	→	2.41	1.50	1.79	↑	
Loddon Shire Council	1.20	1.30	1.01	0.98	1.14	1.13	→	1.08	1.00	0.83	→	
Mansfield Shire Council	2.01	1.20	1.13	1.05	1.07	1.29	→	2.02	1.47	1.05	→	
Mount Alexander Shire Council	0.60	0.49	0.59	0.88	1.14	0.74	↑	2.64	1.30	1.13	→	
Murrindindi Shire Council (†)	1.53	1.32	1.31	1.29	N/A	1.36	→	1.07	1.11	1.20	↑	
Northern Grampians Shire Council	0.91	1.00	1.21	1.21	1.28	1.12	↑	1.32	0.74	0.74	→	
Pyrenees Shire Council	1.13	1.05	1.64	1.73	1.77	1.47	↑	2.08	1.24	0.75	→	
Strathbogie Shire Council	0.66	1.03	1.60	0.87	1.17	1.07	→	1.86	0.68	0.73	→	
Towong Shire Council	1.55	0.59	1.16	1.50	1.28	1.22	→	1.96	1.45	1.13	→	
West Wimmera Shire Council	0.99	1.16	1.19	1.26	1.20	1.16	→	1.77	1.20	1.14	→	
Yarriambiack Shire Council	0.94	0.84	1.20	0.89	0.95	0.96	→	1.08	1.01	0.96	→	
Average investment gap	1.09	1.19	1.17	1.27	1.44	1.23	↑	1.73	1.20	1.13	→	

Note: (†) Murrindindi Shire Council's financial statements were incomplete at the time of this report.

Renewal gap results

Renewal gap results – Inner metropolitan councils

Inner metropolitan councils	2005	2006	2007	2008	2009	Mean	Actual trend
Banyule City Council	-	0.39	0.69	0.72	1.01	0.71	↔
Bayside City Council	0.78	0.58	0.59	0.52	0.54	0.60	↔
Boroondara City Council	1.32	1.73	1.10	1.28	1.84	1.45	↔
Darebin City Council	0.89	0.71	0.80	0.75	0.99	0.83	↔
Glen Eira City Council	1.00	1.30	1.55	1.59	1.41	1.37	↔
Hobsons Bay City Council	0.80	0.93	1.46	1.38	0.93	1.10	↘
Kingston City Council	-	0.17	1.08	0.79	1.11	0.79	↔
Maribyrnong City Council	0.48	0.53	0.49	0.71	0.93	0.63	↔
Maroondah City Council	0.61	0.61	0.72	0.76	0.71	0.68	↔
Melbourne City Council	0.65	0.60	0.69	0.64	0.70	0.66	↔
Monash City Council	-	-	0.54	0.69	0.69	0.64	↔
Moonee Valley City Council	0.65	2.26	1.44	0.88	1.22	1.29	↔
Moreland City Council	0.48	0.65	0.57	0.77	1.06	0.71	↔
Port Phillip City Council	1.07	0.83	1.81	1.65	1.26	1.33	↔
Stonnington City Council	1.16	1.19	1.07	1.07	1.00	1.10	↘
Whitehorse City Council	-	-	0.64	0.67	0.86	0.72	↔
Yarra City Council	0.90	1.01	0.97	1.01	1.21	1.02	↔
Average renewal gap	0.83	0.90	0.95	0.93	1.03	0.92	↔

Renewal gap results – Outer metropolitan councils

Outer metropolitan councils	2005	2006	2007	2008	2009	Mean	Actual trend
Brimbank City Council	-	-	0.84	0.85	0.83	0.84	→
Cardinia Shire Council	1.29	0.13	0.55	1.31	0.53	0.76	→
Casey City Council	0.61	0.72	0.79	0.86	0.85	0.77	←
Frankston City Council	0.43	0.41	0.34	0.63	0.61	0.48	←
Greater Dandenong City Council	0.28	0.41	0.68	0.53	0.69	0.52	←
Hume City Council	0.74	0.40	0.34	0.40	0.85	0.55	→
Knox City Council	0.88	0.85	0.00	0.00	1.45	0.64	→
Manningham City Council (u)	1.39	1.16	1.06	1.01	N/A	1.16	→
Melton Shire Council	0.34	0.39	0.34	0.46	0.45	0.40	←
Mornington Peninsula Shire Council	0.54	0.59	0.64	0.84	1.05	0.73	←
Nilumbik Shire Council	0.59	0.96	1.05	1.98	0.54	1.02	→
Whittlesea City Council	0.72	0.62	0.59	0.39	0.76	0.62	→
Wyndham City Council	-	0.96	1.43	1.20	0.63	1.06	→
Yarra Ranges Shire Council	0.87	0.76	0.99	0.87	0.99	0.90	→
Average renewal gap	0.72	0.64	0.69	0.81	0.79	0.74	←

Note: (u) Manningham City Council's financial statements were incomplete at the time of this report.

Renewal gap results – Regional city councils

Regional city councils	2005	2006	2007	2008	2009	Mean	Actual trend
Ballarat City Council	0.56	0.59	0.84	0.98	1.08	0.81	←
Greater Bendigo City Council	0.90	0.74	0.90	0.88	1.30	0.94	←
Greater Geelong City Council	1.02	0.82	0.96	0.76	0.84	0.88	→
Greater Shepparton City Council	0.69	0.67	0.82	0.49	0.83	0.70	→
Horsham Rural City Council	0.66	0.79	0.75	0.84	0.96	0.80	←
Latrobe City Council	0.73	0.82	1.04	0.97	0.91	0.89	→
Mildura Rural City Council (v)	0.83	1.07	1.00	0.72	N/A	0.90	→
Swan Hill Rural City Council	0.57	0.50	0.55	0.73	0.82	0.63	→
Wangaratta Rural City Council	0.45	0.59	0.62	0.74	1.05	0.69	←
Warrnambool City Council	0.53	0.83	0.80	0.87	1.12	0.83	←
Wodonga Rural City Council	4.23	2.91	1.37	0.46	0.67	1.93	→
Average renewal gap	1.02	0.94	0.88	0.77	0.96	0.91	→

Note: (v) Mildura Rural City Council's financial statements were incomplete at the time of this report

Renewal gap results – Large shire councils

Large shires councils	2005	2006	2007	2008	2009	Mean	Actual trend
Baw Baw Shire Council	1.27	1.30	1.20	1.29	0.82	1.18	↓
Campaspe Shire Council	0.64	0.67	1.17	1.14	0.73	0.87	→
Colac Otway Shire Council	0.69	1.05	1.09	1.17	0.84	0.97	→
Corangamite Shire Council	0.70	0.61	0.56	1.18	1.15	0.84	→
East Gippsland Shire Council	0.59	0.86	0.88	0.94	1.40	0.93	↑
Glenelg Shire Council	1.16	1.33	1.36	1.07	1.19	1.22	→
Macedon Ranges Shire Council	1.06	0.75	1.62	1.31	0.82	1.11	↓
Mitchell Shire Council	0.95	1.16	0.60	0.83	0.79	0.87	→
Moira Shire Council	0.74	0.92	0.91	1.22	1.09	0.98	→
Moorabool Shire Council	0.75	0.57	0.95	0.87	1.34	0.89	→
Moyne Shire Council	0.64	0.95	1.12	1.41	1.25	1.07	↑
South Gippsland Shire Council	0.90	0.55	0.79	0.73	0.88	0.77	→
Southern Grampians Shire Council (w)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Surf Coast Shire Council	0.53	0.69	0.54	0.48	0.79	0.61	→
Wellington Shire Council	0.52	0.75	0.76	1.58	1.20	0.96	↑
Average renewal gap	0.79	0.87	0.97	1.09	1.02	0.95	↑

Note: (w) The information provided by Southern Grampians Shire Council is not sufficient to determine the renewal gap.

Renewal gap results – Small shire councils

Small shire councils	2005	2006	2007	2008	2009	Mean	Actual trend
Ararat Rural City Council	0.63	0.69	1.07	0.77	0.89	0.81	→
Alpine Shire Council	0.66	1.00	0.62	1.37	0.74	0.88	→
Bass Coast Shire Council	1.42	1.18	0.74	1.07	1.81	1.25	→
Benalla Rural City Council	0.55	0.88	0.80	0.85	0.94	0.80	↑
Borough of Queenscliffe	0.59	0.76	0.52	2.32	2.45	1.33	↑
Buloke Shire Council	0.80	1.09	0.70	0.80	0.87	0.85	→
Central Goldfields Shire Council	0.30	0.38	0.43	0.42	0.86	0.48	↑
Gannawarra Shire Council	-	0.82	0.83	1.00	0.59	0.81	→
Golden Plains Shire Council	0.83	0.64	1.25	0.68	1.21	0.92	→
Hepburn Shire Council	0.10	0.70	0.75	0.81	0.68	0.61	↑
Hindmarsh Shire Council	0.94	0.78	1.06	1.39	1.27	1.09	↑
Indigo Shire Council	0.46	0.65	1.12	0.61	0.00	0.57	→
Loddon Shire Council	0.81	0.51	0.72	0.69	0.84	0.72	↑
Mansfield Shire Council	1.05	0.52	0.66	0.83	0.76	0.76	↑
Mount Alexander Shire Council	0.45	0.45	0.48	0.75	0.74	0.57	↑
Murrindindi Shire Council (x)	0.88	0.91	1.02	0.92	N/A	0.93	↑
Northern Grampians Shire Council	0.51	0.73	0.84	0.90	0.70	0.74	→
Pyrenees Shire Council	0.67	0.72	0.93	1.33	1.53	1.04	↑
Strathbogie Shire Council	0.45	0.57	0.50	0.48	0.65	0.53	→
Towong Shire Council	0.82	0.17	1.05	1.27	1.23	0.91	↑
West Wimmera Shire Council	0.88	1.06	1.05	0.99	1.12	1.02	→
Yarriambiack Shire Council	0.66	0.58	0.97	0.66	0.62	0.70	→
Average renewal gap	0.69	0.72	0.82	0.95	0.98	0.83	↑

Note: (x) Murrindindi Shire Council's financial statements were incomplete at the time of this report

Appendix D.

Audit Act 1994 section 16 – submissions and comments

RESPONSE provided by the Department of Planning and Community Development

Recommendation 1

Councils are required by the Local Government Act 1989 (the Act) to submit a copy of their adopted budget to the Minister for Local Government by 31 August each year. The Minister may grant extensions to this time period if requested by councils.

It has not been the role of Local Government Victoria (LGV) to review the detailed content of councils' adopted budgets. However, the Institute of Chartered Accountants in Australia, in association with LGV, prepares and updates a model budget each year which many councils use. The model budget includes a compliance checklist.

The Local Government Investigation and Compliance Inspectorate formed on 1 September 2009 will as part of its compliance regime include spot audits of submitted budgets against compliance with the requirements of the Local Government Act 1989.

Recommendation 2

Each year LGV coordinates the review and preparation of the model financial report to assist local government finance practitioners with the preparation of the year end financial statements and associated notes. The model financial report assists local government practitioners in the preparation of consistent, comparable and high quality financial statements. In 2009, CPA Australia undertook this work in cooperation with LG and FinPro.

In addition, the Act was amended in 2003 to introduce Standard Statements for local governments to improve the consistency of financial reporting. Standard Statements are required in the three key documents – the Council Plan, the Budget and Annual Report.

In April 2009 LGV issued the document 'MEASURING UP: linking planning and performance' to encourage improvements in performance reporting. Measuring up was designed to complement the report and guidance material "Performance Reporting in Local Government and Local Government Performance Reporting: Turning Principles into Practice" issued by VAGO in 2008.

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

On 12 August 2009, the Premier announced that the Essential Services Commission (the ESC) was to develop a performance assessment and benchmarking regime for local government service delivery. The development of a performance assessment and benchmarking framework will also assist the provision of comparable information for measuring local government performance going forward. LGV is working closely with the ESC on this important work for which the ESC published an Issues Paper on 23 October 2009.

On the specific issue of guidance provided by DPCD regarding the recognition and measurement of the value of land under roads, LGV has worked cooperatively with FinPro and the Municipal Group of Valuers to provide advice to the sector on this matter.

The most recent advice provided to the sector in May 2009, advised councils that “FinPro and the Municipal Group of Valuers have been working with the Valuer-General and LGV to determine a methodology that is cost effective, easily applicable and covers the spectrum of possible outcomes”.

This approach was taken in the knowledge that a consistent national approach to the valuation of land under roads had yet to be agreed by the Valuer-Generals in each of the States and Territories at the time the above advice was prepared, and so a definitive position was not able to be presented.

In the absence of a nationally consistent approach having been determined LGV will prepare guidance for councils regarding the recognition and measurement of the value of land under roads.

Recommendation 5

DPCD agrees that all councils should have effective business continuity management plans. A current draft of Best Practice Guidelines for Local Government Audit Committees includes a role for Audit Committees to oversight business continuity planning. As part of the proposed sector wide consultation on the draft guidelines, DPCD will examine how this role can be further strengthened.

Auditor-General's reports

Reports tabled during 2009–10

Report title	Date tabled
Local Government: Results of the 2008–09 Audits (2009–10:1)	November 2009

VAGO's website at <www.audit.vic.gov.au> contains a comprehensive list of all reports issued by the Office. The full text of the reports issued is available at the website.



Victorian Auditor-General's Office

Auditing in the Public Interest

Availability of reports

Copies of all reports issued by the Victorian Auditor-General's Office are available from:

- Information Victoria Bookshop
505 Little Collins Street
Melbourne Vic. 3000
AUSTRALIA

Phone: 1300 366 356 (local call cost)
Fax: +61 3 9603 9920
Email: <bookshop@dvc.vic.gov.au>

- Victorian Auditor-General's Office
Level 24, 35 Collins Street
Melbourne Vic. 3000
AUSTRALIA

Phone: +61 3 8601 7000
Fax: +61 3 8601 7010
Email: <comments@audit.vic.gov.au>
Website: <www.audit.vic.gov.au>