

VICTORIA

Victorian
Auditor-General

Local Government: Results of the 2006-07 Audits

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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 2006-07 Audits*.

Although this report has been finalised since 19 December 2007, the particular requirement of section 16AB(8) of the *Audit Act 1994* has precluded me from tabling the report until now.

Yours faithfully



DDR PEARSON
Auditor-General

6 February 2008

Foreword

Local government plays an important role in developing our communities. This occurs across a wide range of activities, from voicing community concerns, helping communities to plan for their future, building community infrastructure such as roads and drainage, and providing services that improve community health and welfare.

Local government is recognised as the third, independent tier of government. State legislation provides the framework for local government in Victoria; however, the role of local government is not limited to that prescribed in the legislation. Acknowledging its status and role, I have, for the first time, prepared this report on local government separately from my annual report on State government agencies.

In Victoria, local governments must prepare annual financial, standard and performance statements, and as the Victorian Auditor-General I am required to audit all of these statements. This provides an opportunity to analyse governance and financial management practices across the sector, to draw parallels between councils and to provide insights into better practice.

Local government is growing and our evaluation shows improvements in areas such as governance, asset management and financial sustainability, albeit with some exceptions warranting close attention by councillors and management.

I look forward to working with councils and their related entities on addressing the recommendations in this report to continue improving and strengthening the sector.



DDR PEARSON
Auditor-General

6 February 2008

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1 Executive summary

1.1 Introduction

Local governments are recognised in the State's Constitution as the third tier of government. While administered under the *Local Government Act 1989*, each council operates autonomously and is directly accountable to its constituency and ratepayers.

Recognising the importance of local government, we have for the first time this year, produced a separate report to Parliament on the results of our annual audit of each council, the entities they control, and each regional library corporation (RLC).

This report also encompasses an assessment of the financial sustainability of the entities within this sector.

Issues of sustainability and financial viability bear directly on the audit process, as we evaluate annually whether a council is still a "going concern". However, we recognise that our annual audit assessment of financial viability is a by-product of our audit process and that the scope is limited to reviewing key financial ratios. The assessment is, nevertheless, of interest to governing and managing councils – councillors and executive management – and to those who hold councils to account for their financial stewardship.

Therefore, in Part 5 and Appendix D of this report we have included a more detailed and refined analysis of financial viability and sustainability. This analysis provides data for each council and RLC, including a sustainability risk rating based on the 5 key indicators that we commenced reporting in 2003-04¹.

1.2 Results of audits

Local government entities are required by the *Local Government Act 1989* to prepare financial statements, standard statements and performance statements. The financial and performance statements prepared must be independently audited, and an audit opinion expressed on each report. The statements and the accompanying audit opinions are included in the annual report for each entity.

¹ Victorian Auditor-General's Office 2004, *Auditor-General's Report – Results of 30 June 2004 financial statement and other audits*, Victorian Government Printer, Melbourne, pp. 165-8.

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 likely to be less reliable and useful as an accountability document.

1.2.1 Audit opinions issued

For 2006-07, clear audit opinions were provided on the financial statements, standard statements and performance statements for all councils. In addition, clear audit opinions were issued on the financial statements and standard statements of all RLCs.

1.3 Quality of financial reporting

A number of financial reporting issues were identified and are discussed in Part 3 of this report.

The value of infrastructure assets controlled by the sector exceeded \$46 billion at the end of 2006-07. The useful lives attributed to infrastructure assets vary across councils. Our analysis highlighted variances that were difficult to reconcile.

Developer-contributed assets are a growing source of revenue for councils. There are challenges in ensuring their complete and accurate recognition in the financial statements of some councils. We identified process and control weaknesses over the capture of timely and reliable information on contributed assets received from developers.

1.4 Effectiveness of internal control

When undertaking a financial audit, we evaluate internal control and may test the effectiveness of selected controls that relate to the reliability of financial reporting.

This year, we identified control weaknesses in a number of councils relating to lack of separation of incompatible duties; and the lack of an independent review of changes to key data, and of key reconciliations. This is discussed further in Part 4.

In Part 4, we also examine the effectiveness of audit committees and internal audit – 2 central parts of the control monitoring framework. We found that there have been improvements in the composition of audit committees, in terms of external independent representation, and in the number of councils with an internal audit function, compared with the last time we examined these in detail. To further improve the effectiveness of these functions, we recommend enhanced communication with the external auditor and conduct of an annual performance self-assessment by the committee.

We found that one-third of councils need to develop and implement fraud management policies and procedures, and have recommended that best practice guidelines be developed.

1.5 Financial sustainability of local government

To be financially sustainable, councils must have sufficient financial capacity to not only meet future expected requirements, but also to be able to respond to financial risks and shocks without radically altering their expenditure and revenue policies.

Our analysis of 5 key inter-related indicators of financial viability has led us to conclude that a number of councils have a high or moderate risk of becoming unsustainable over the long-term.

Figure 1A summarises the results of our sustainability risk assessment.

Figure 1A
Summary sustainability risk rating

Council group	Risk			Total
	High	Moderate	Low	
Inner metropolitan	-	4	13	17
Outer metropolitan	-	3	11	14
Regional city	-	4	7	11
Large shire	2	2	11	15
Small shire	1	5	16	22
Total	3	18	58	79

Source: Victorian Auditor-General's Office.

The 3 councils rated as high risk, **Colac Otway**, **Central Goldfields** and **Moorabool** have experienced recent persistent operating deficits. There are also indications that their investment in infrastructure asset renewals has not kept pace with the rate at which they are using up their assets.

The moderate risk ratings achieved by a number of councils relates primarily to their widening infrastructure asset renewal gaps and their limited capacity to increase own-sourced revenues to address this issue.

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

I am pleased to advise that I am not aware of any matters which give me concern with regard to the factual correctness and fairness of the report on the results of financial audits of local government for the year ended 30 June 2007.

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

I also advise that I agree with your recommendations, which my department will continue to encourage and support local government authorities to implement. My department, through Local Government Victoria, will complete an update of audit committee guidelines in 2008.

RESPONSE provided by the Chief Executive Officer of the Colac Otway Shire Council

Colac Otway Shire has been rated as high risk based on trend data over the past 5 years. However, trend data over the past 2 years and forecasts for the next 3 years clearly indicates that Colac Otway has met and will meet all targets related to the 5 viability measures as a result of strong financial decisions Council has made over the past 3 years.

RESPONSE provided by the Chief Executive Officer of the Central Goldfields Shire Council

Central Goldfields understands that ongoing operational deficits are not sustainable and is actively focusing on economic and community development with the goal of growing the local economy.

A strategic short-term loan borrowing program to assist the above aim was initiated in 2006-07 with Council being in a position already to repay \$1.5m of interest bearing liabilities in the current financial year.

Central Goldfields current long-term financial plan forecasts to 2011-12 include projected surpluses in 2010-11 and 2011-12.

Central Goldfields is aware that current investment in infrastructure asset renewal is insufficient and unsustainable. Our economic development goals will assist with improving our infrastructure investment through the application of increased operating revenues.

RESPONSE provided by the Chief Executive Officer of the Moorabool Shire Council

Council acknowledges that over the past 5 years it has operated with a constrained ability to meet the required level of infrastructure spending. With significant growth occurring within urban areas of the Shire, there has been a need to develop new and upgraded community infrastructure whilst trying to maintain existing infrastructure.

Council has now adopted a 5-year financial plan that demonstrates a commitment to significant improvement in its underlying operating result and net cash flows from operating activities that will directly lead to an increased ability to fund infrastructure spending.

2 Results of audits

At a glance

Background

The local government sector comprises 99 reporting entities – 79 councils, 8 associated subsidiary companies, trusts or joint ventures; and 12 regional library corporations (RLCs).

All 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 financial, standard and performance statements must be audited, and the resulting audit opinions are appended to the relevant statements.

Key findings

- We issued clear audit opinions on all financial, standard and performance statements.
- There were 3 councils that failed to receive an audit opinion on their financial and standard statements and, therefore, could not submit an annual report to the minister by 30 September – 2 of these councils were granted extensions.

Key recommendation

- Those councils and RLCs that were not able to certify their statements by the end of August should review their reporting processes and target areas for improvement.

2.1 The reporting framework

Local government is established under State legislation. The principal legislation in Victoria 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 (formerly the Department for Victorian Communities) administers the LG Act at a State level.

The local government sector comprises 99 reporting entities, including councils; entities controlled by councils such as companies, trusts and joint ventures; and regional library corporations (RLCs). Figure 2A shows the numbers of each type of local government entity.

Figure 2A
Local government sector reporting entities (at 30 June)

Reporting entity	2006	2007
Local government councils	79	79
Regional library corporations (a)	13	12
Companies, trusts and joint ventures (b)	9	8
Total	101	99

(a) The Yarra-Melbourne RLC wound-up on 31 March 2007.

(b) The City Library Joint Venture wound-up on 31 March 2007.

Source: Victorian Auditor-General's Office.

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" financial statements and submit them for audit.

The 79 councils are further required to prepare (non-financial) performance statements and have them audited. Figure 2B provides an outline of the reporting requirements for local government entities.

2.2 Audit opinions issued

The councillors and board members of libraries are responsible for the financial and performance statements. The independent audit opinion adds credibility to the statements. A clear audit opinion confirms to readers of the statements that they have been prepared according to the requirements of the LG Act and relevant accounting standards.

We issued clear audit opinions on the financial statements and the standard statements of all 79 councils, and all 12 RLCs. This is a continuation of the positive result for 2005-06, when clear opinions were similarly issued on all local government and RLC financial statements and standard statements.

Figure 2B
Local government sector audit accountability statements

Statement	Details	Councils	RLCs	Other
Financial	<p>General purpose financial statements prepared in accordance with the Australian equivalents to International Financial Reporting Standards, issued by the Australian Accounting Standards Board. The statements required 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 3 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 – this reports actual capital expenditure against plan.</p> <p>A supporting narrative statement is also prepared explaining the reasons for material variances between actual and budgeted results.</p>	✓	✓	—
Performance (non-financial)	<p>Key performance indicators set by each council for each “key strategic activity” specified in the annual budget.</p> <p>Reports actual results achieved against targets for each key performance indicator, together with an explanation of variances.</p>	✓	—	—

Source: Victorian Auditor-General's Office.

Clear audit opinions were also issued on all 79 councils' performance statements this year and last year.

We also issued clear audit opinions on this year's financial statements of all of the 8 other entities (trusts, companies and joint ventures) that were controlled by local governments.

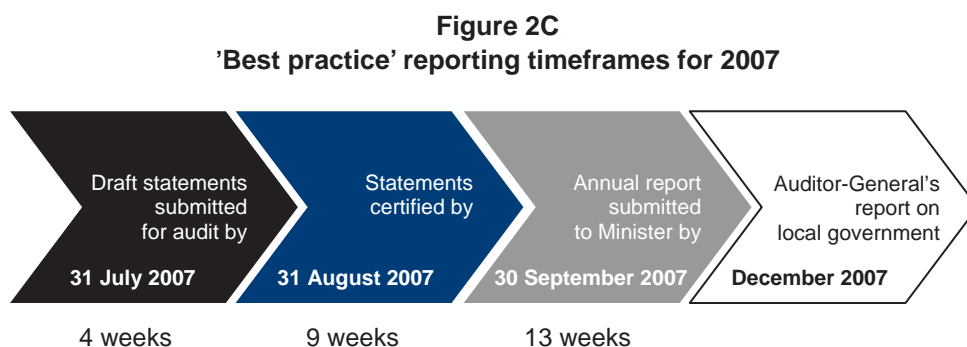
Last year we qualified the financial statements of the **Wimmera Development Association** because it did not comply with accounting standards governing the recognition of grant and other revenues. This year, the **Wimmera Development Association** changed its accounting policy and now recognises grant and other income as revenue when it is received. Consequently, a clear audit opinion was provided.

We also issued unqualified audit opinions on the Yarra-Melbourne RLC and the City Library Joint Venture which both ceased operating on 31 March 2007.

2.3 Timeliness of reporting

Under the LG Act, councils and RLCs must submit their annual report to the Minister for Local Government within 3 months of the end of the financial year (that is, by 30 September each year). The annual report must contain the audited financial and standard statements, as well as the performance statements.

Figure 2C outlines suggested best practice timeframes to achieve the 3-month target.



Source: Victorian Auditor-General's Office.

2.3.1 Councils

Figure 2D shows how well councils performed in having their audited financial statements completed by 30 September. Further detail of the reporting dates achieved by each council is provided in Appendix C.

Three councils did not have audited financial statements by 30 September this year. However, 2 of these councils received approval from the Minister for Local Government to submit their annual reports after the statutory deadline. Approval for an extension is at the minister's discretion – there are no legislative criteria that apply.

Figure 2D
Timeliness of councils' audited financial statement completion

Number of months after end of financial year audited financial statements were finalised	2005-06		2006-07	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	2	3	2	3
2 to 3 months	77	100	74	96
3 to 4 months	-	100	3	100
Over 4 months	-	100	-	100
Total	79	..	79	..

Source: Victorian Auditor-General's Office.

The 3 councils that did not achieve the time-frame were:

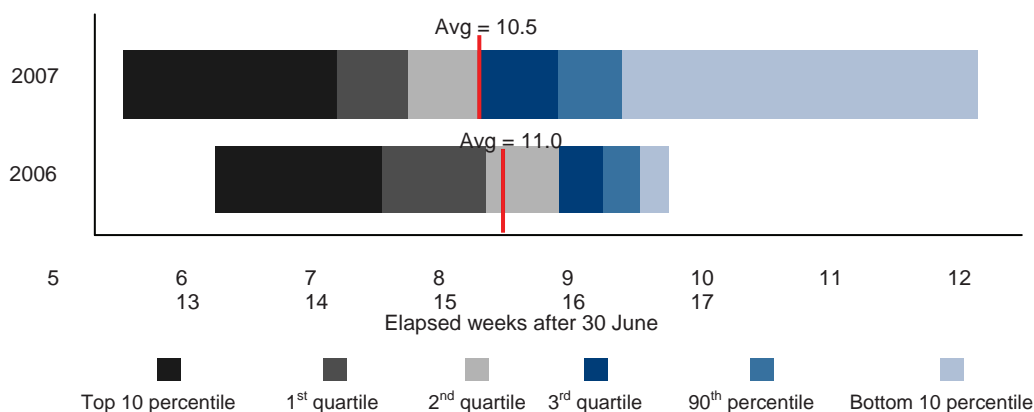
- **Buloke Shire** - resource issues led to a request for ministerial approval for an extension to 31 October 2007. This was granted on 25 September 2007. The Buloke statements were certified on 10 October 2007 and the audit opinions were issued on 23 October 2007.
- **Cardinia Shire** - ministerial approval for an extension to 16 November 2007 was granted on 25 September 2007 to allow the council time to process all material developer contributions. The Cardinia statements were signed on 29 October 2007 and the audit opinions were issued on 31 October 2007.
- **Campaspe Shire** - infrastructure asset revaluations delays prompted an application to the minister for an extension. This was not granted. The Campaspe statements were signed on 4 October 2007 and the audit opinions were issued on 10 October 2007. Campaspe adopted a new asset management system in 2006-07. Issues arising from this could not be resolved and the audit finalised by 30 September. An application was made to the Minister for an extension. This was not granted.

Comparative analysis of reporting dates achieved

The ability of councils to meet the annual report tabling deadline is directly affected by the timeliness of the finalisation of their financial statements.

Figure 2E shows (in percentile bands for the past 2 years) the time taken after 30 June for local governments to certify their financial statements.

Figure 2E
Time taken for certification of financial statements



Source: Victorian Auditor-General's Office.

Figure 2E shows a small reduction in the average time taken to certify the financial statements of councils, but a noticeable improvement across the group, with 75 per cent (3rd quartile) certifying their financial statements a week earlier than in 2005-06. The council that certified its financial statements earliest was Yarra Ranges Shire Council, on 14 August 2007; 6 weeks after year-end.

However, the analysis also shows that only around 10 per cent of councils last year, and around 15 per cent this year, were able to achieve certification of their financial statements within 9 weeks of year-end (by the recommended 31 August deadline). The ability of the remaining councils to meet the annual report timetable specified in the LG Act is, therefore, at risk.

Quality of draft statements

The time taken to finalise statements is affected directly by the quality of the first draft provided to audit for review. Indicators of quality of draft statements include:

- the number of drafts required prior to their finalisation
- the number, value and significance of adjustments, corrections and additional or amended disclosures required, as a result of the audit process.

Ideally, each council would prepare only one draft set of statements, with no adjustments identified by audit. However, in practice, most councils were required to adjust their initial draft accounts, either as a result of the audit process, or following their own identification of errors or anomalies.

Our analysis of the process to prepare financial statements showed that an average of 2 draft statements were needed to be provided to audit, with a small number of councils providing up to 5 drafts before finalisation.

If councils are to improve the timeliness and quality of their financial statements, they need to critically examine the processes and systems used to produce the first draft of their statements, balancing speed and quality.

2.3.2 Regional library corporations

Figure 2F shows how well RLCs performed in having their audited financial statements completed by 30 September. Further detail of the timelines for each RLC corporation is provided in Appendix C.

The timeliness of certification of RLC statements was similar to that achieved for councils. The earliest RLC to certify its financial statements was Geelong RLC on 15 August 2007. Only 2 other RLCs certified their statements before the end of August.

Figure 2F
Timeliness of RLCs audited financial statement completion

Number of months after end of financial year audited financial statements were finalised	2005-06		2006-07	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	1	8	1	8
2 to 3 months	12	100	11	100
Total	13	..	12	..

Source: Victorian Auditor-General's Office.

Recommendation

2.1 Councils and RLCs that were not able to certify their statements by the end of August should review their reporting processes and target areas for improvement.

One area to consider is to bring forward the timing of key reporting activities before the end of the year, such as:

- preparation of "shell" financial, standard and performance statements
- conducting infrastructure and property asset valuations at an interim balance date
- undertaking a "hard close" at an interim balance date.

Consideration should also be given to the extent to which current financial systems have performance gaps, such as the ability to generate full accrual information with minimal manual intervention.

3 Quality of financial reporting

At a glance

Background

The usefulness of financial and other statements is affected by the quality of reporting; with consistency and accuracy being key measures of quality. We identified concerns in relation to consistency and accuracy in the valuation and depreciation of infrastructure assets. This impinges directly on the comparability of reported balances between councils and over time and, hence, their usefulness.

Key findings

- The quality of information reported by local government entities in their financial statement has continued to improve.
- There is significant divergence in the useful lives adopted for certain classes of infrastructure assets, such as drainage; and also between councils with similar asset bases, especially small rural shire councils.
- A lack of formal process and poor communication between engineering and finance teams within some councils is adversely affecting the timeliness and accuracy of recognition of developer-contributed assets.

Key recommendations

- Councils should benchmark the depreciation rates they use for major infrastructure asset classes with other like councils. Where significant divergence is identified, the council should seek assurance through substantive evidence-based analysis, to support the rates they approve for use in their financial reports.
- Councils with significant non-current asset contributions from developers should review current practices to ensure that:
 - quantities and the break-up of transferred assets are referred to approved development plans, and the value of assets received is benchmarked against councils' own cost data from recent capital works
 - relevant procedures are agreed and documented between the engineering and finance staff.

3.1 Introduction

The usefulness of financial and other statements is affected by the quality of reporting; with consistency and accuracy being key aspects of quality.

The quality of information reported by local government entities in their financial statements has continued to improve.

Most councils have adopted the classifications and disclosures set out in the model financial statements issued by Local Government Victoria and supported by the local government finance professionals.

However, one area that remains a cause for concern relates to the accounting for infrastructure assets. In particular, we continue to find issues relating to:

- inconsistencies in useful lives adopted for certain asset classes
- completeness and valuation of non-cash, developer-contributed assets.

3.2 Useful lives of infrastructure assets

The useful life of an asset represents the period over which it is economically viable to maintain, rather than to replace.

The useful lives assigned to different asset classes are the key determinants of the annual depreciation charge. This depreciation charge impacts significantly both on the financial results of a council and on its investment decision-making process through:

- **the operating result** – on average, depreciation represented approximately 17 per cent of total expenses of councils in 2007 and, therefore, has the capacity to impact materially on the reported financial result
- **the investment gap** – the level of annual depreciation is compared with the payments made for capital works (renewal and new works) as an indicator of whether a council is maintaining its asset base. If the depreciation charge is not an accurate reflection of the pattern of consumption of an asset, then the investment gap indicator will be misleading.

Any over- or under-depreciation of assets will also distort comparisons between like councils with similar economic conditions.

There is wide variability in the recorded useful lives of infrastructure assets across councils. Some degree of variation is explainable because of differences in construction materials and methods, maintenance cycles, asset usage patterns and community expectations of service levels.

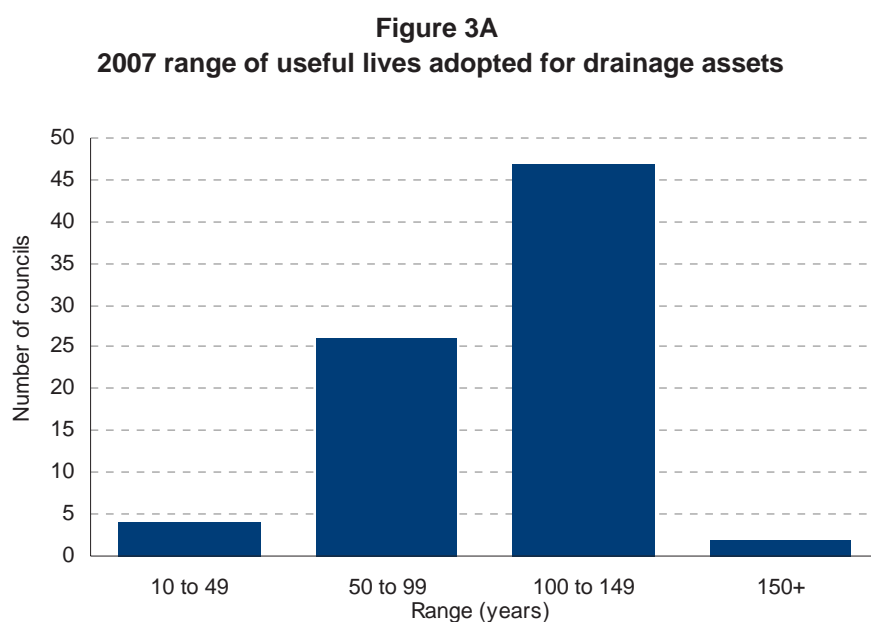
However, there remain concerns that the useful lives for some assets used in financial reporting do not accurately reflect the actual experience of councils. We undertook a comparative analysis of 2 indicators that suggest variability beyond explicable norms, namely:

- the range of useful lives for an asset class
- average depreciation expense, as a ratio of asset values.

3.2.1 Range of useful lives

Our analysis indicated that, as expected, most councils used a narrow range of useful lives for assets in the same class – in fact, councils most frequently use a single useful life for a particular class of assets.

Given this lack of variability within asset classes, we undertook a detailed comparative analysis of the range of useful lives for drainage assets (a class of assets common to all councils). Figure 3A shows the distribution of useful life ranges adopted in 2007 for this class of assets.



Source: Victorian Auditor-General's Office.

Our analysis found that the average useful life used for drainage assets was 92 years, and the median (middle) and mode (most frequent) useful life used was 100 years (by 44 councils). The next most frequent useful life used was 80 years (16 councils). The longest life adopted was 200 years, by 2 councils. The shortest life used was 10 years, by one council

This data illustrates that while there is some commonality, there remain a number of councils that have adopted useful lives for this class of assets that diverge significantly from measures of central tendency (the average, mode and median).

For those councils with this divergence this, prima facie, casts some doubt on the useful lives adopted. These councils would need to be assured that there were substantive reasons for this variance, based on engineering or other empirical evidence.

3.2.2 Average depreciation rates

Councils are classified into groups with similar characteristics – inner metropolitan, outer metropolitan, regional cities, large shires and small shires.

It could be expected that councils within the same group would have similar infrastructure asset profiles, and therefore that there would be low levels of divergence between average depreciation when compared to asset values.

Figure 3B shows the spread of percentages for each council group and largely supports this expectation, except in the case of small shires. These councils show a much wider divergence for this measure than other groups. This variation is an indicator of significant differences in the useful lives adopted by this group.

Figure 3B
2006-07 depreciation relative to value of non-current assets

Council group	Number of councils			
	1 per cent	2 per cent	3 per cent	4 per cent
Inner metropolitan (a)	10	6	1	0
Outer metropolitan	4	9	1	0
Regional city councils	1	6	5	1
Large shires	0	7	5	3
Small shires	2	7	7	4

(a) Variation of one per cent for inner metropolitan councils can mean a \$1-2 million difference in depreciation.

Source: Victorian Auditor-General's Office.

3.2.3 Conclusion

The data in Figures 3A and 3B provide indicators which can be used by councils to benchmark depreciation rates. Although some degree of variation is explainable, there is a need for councils with results that are “outliers” to review the depreciation rates adopted in financial reporting.

Recommendation

- 3.1 Councils should benchmark the depreciation rates they use for major infrastructure asset classes with other like councils. Where significant divergence is identified, the council should seek assurance through substantive evidence-based analysis, to support the rates they approve for use in their financial reports.

3.3 Developer-contributed assets

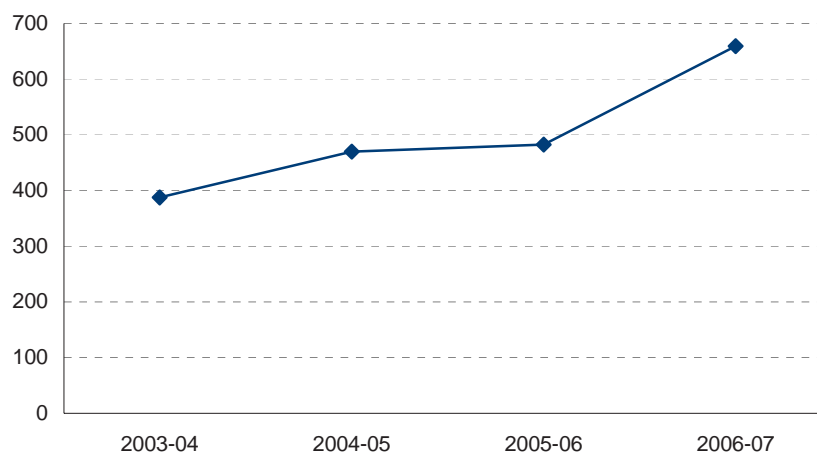
When undertaking housing or other developments, developers are required by local governments to construct infrastructure such as roads, drains, footpaths and parks. Control over these infrastructure assets is transferred to the council when completed and the maintenance period has expired.

The accounting standards require that the value of these contributed assets are recorded as revenue when received. Additional cash contributions can also be required to fund the future maintenance of these assets.

Developer-contributed cash and assets are a growing source of revenue within the sector, totalling \$659.3 million in 2006-07, compared with \$482.6 million 2005-06.

Figure 3C shows the trend in the level of total contributions received by all councils over the past 4 financial years.

Figure 3C
Trend in developer contributions received by councils
(\$million)



Source: Victorian Auditor-General's Office.

While most councils report some level of contributed cash or assets, for the growth councils in Melbourne's outer metropolitan area, the developer contributions represented 20 per cent of total revenue for 2006-07.

From a financial reporting perspective, there are 2 key risks associated with the recognition of contributed assets:

- **completeness** - councils may fail to identify and record all of the infrastructure assets over which they obtain control
- **measurement** - councils may not value these assets appropriately.

We noted in conducting our financial audits that significant reliance is placed on developers to provide data on the quantity, time of completion and value of assets contributed. Not all councils conducted a sufficient independent review of the nature, fitness for purpose, extent and valuation of contributed assets. Reviews that were conducted were generally not timely.

Our audits also identified instances of poor communication between the engineering and finance teams within councils. The engineering staff liaise with developers and accept control of contributed assets, however, the finance staff are not always provided with sufficient data to record contributed assets when control passes.

3.3.1 Conclusion

Developer contributions are a growing revenue source for many councils, particularly those growth councils on the urban fringe. The risks associated with the recognition and recording of these contributions are not being adequately managed by all councils. Accordingly, there is potential for council revenues to be understated where inadequate controls and procedures exist.

Recommendation

3.2 Councils with significant non-current asset contributions from developers should review current practices to ensure that:

- quantities and the break-up of transferred assets are referred to approved development plans, and the value of assets received is benchmarked against councils' own cost data from recent capital works
 - relevant procedures are agreed and documented between the engineering and finance staff.
-

4 Effectiveness of internal control

At a glance

Background

When undertaking our financial audit, we conduct an assessment on the effectiveness of internal controls established by management.

While it is not our responsibility to form an opinion on internal controls we never the less raise with management any control weaknesses or breakdowns we identify.

Key findings

- This year, we identified 3 areas of control weakness, across a number of councils, relating to segregation of duties, masterfile amendments and key reconciliations.
- It was pleasing to note that most councils are operating effective audit committees and internal audit functions.
- The effectiveness of fraud management and control was diminished in one-third of councils because of:
 - lack of clearly documented fraud management policies and procedures
 - lack of staff training on identifying fraud risks
 - absence of formal fraud control plans.

Key recommendations

- Audit committees should meet with representatives of the Victorian Auditor-General's Office at least annually and conduct self-assessments on effectiveness.
- Local Government Victoria should update the audit committee guidelines to current best practice.
- Local governments should periodically benchmark their internal audit function to ensure that it is operating in accordance with best practice principles.
- Councils without a current fraud management plan, or an up-to-date fraud risk assessment, should take action to develop both as a priority.

4.1 Introduction

Internal control refers to the systems, processes and procedures that a council or RLC establishes to ensure that its business objectives will be met.

The external financial audit considers aspects of internal control that relate to the reliability of financial reporting by local governments. However, the external audit does not have forming an opinion on internal control as its objective, nor will it always examine all aspects of control effectiveness.

By contrast, the audit committee and internal audit of a local government can play a key role in monitoring the effectiveness of internal control. Because of their central oversight and assurance roles, we periodically examine the effectiveness of audit committees and internal audit. In this section, we have updated our analysis of these 2 functions and summarised major control weaknesses that we found this year to be common to a number of local governments.

4.2 Common control weaknesses identified by external audit

This year we identified 3 areas of control weakness, across a number of councils, relating to:

- lack of separation of incompatible duties
- lack of review of changes to masterfile standing data
- lack of review or failure to undertake key reconciliations.

4.2.1 Separation of duties

Ideally, councils will have sufficient resources to ensure that duties assigned to staff do not conflict – generally, this requires those who initiate and approve transactions not to also be involved in their recording, or in custody of the assets to which they relate.

An example is to separate the cash receipting and banking function, from the recording of sales and management of debtors. In this way those responsible for each part of the process act as a natural check on each others' activities, ensuring that all revenue is recorded and all cash receipted is banked.

We noted this year that a small number of councils were unable to maintain satisfactory separation of incompatible duties in the revenue, payments and payroll areas.

4.2.2 Review of masterfile (standing) data

Financial systems such as accounts payable and payroll rely on standing data files that record information about suppliers and employees, respectively, which is fairly static (for example, address and bank account details).

Intentional (fraud) or unintentional errors in this data can have a systemic effect on the accuracy and validity of transactions. It is, therefore, important that any changes made are identified and independently reviewed.

This year, we found a relatively high incidence of councils where changes to this data are not being routinely reviewed by an officer independent of the associated finance process.

4.2.3 Reconciliations

Most councils maintain subsidiary systems (such as fixed asset and debtors systems) and reconcile these periodically to their general ledger systems to ensure that both remain in balance.

It is important that reconciliations are performed regularly, to detect and correct errors as they occur; and, as with masterfile amendments, that they are checked by someone not involved in the associated finance process.

This year, we found that a small number of councils were either not routinely performing reconciliations, or where they were being performed, they were not being checked independently.

4.2.4 Conclusion

The control weaknesses identified are particularly critical to the issue of fraud risk. Whether by design, or because of resource constraints, a lack of separation of duties increases exposure to fraud by providing opportunity, without any checks and balances to detect such activity.

Failure to institute independent checks of changes to key data, or of key reconciliations, serves only to compound the problem.

Recommendation

4.1 Councils should obtain assurance from their chief executive officer that:

- there is adequate separation of duties in their financial operations
- changes to key standing data files are independently checked
- key reconciliations are regularly undertaken and independently reviewed.

4.3 Effectiveness of audit committees

Audit committees play a key role in monitoring and oversight of internal control. It is a requirement of section 139 of the *Local Government Act 1989* (LG Act) that each council has an audit committee, which is an advisory committee of council.

It was pleasing to note that, with the exception of **Buloke Shire Council** all other local governments operated an audit committee in 2006-07. This is consistent with our last survey in 2003-04. **Buloke** was identified as the only council without an audit committee in 2003-04 and, in our current review, **Buloke** is still without an audit committee and, therefore, is not in compliance with the LG Act.

Apart from the requirement to have an audit committee, there are no legislative prescriptions governing their composition or operation. Local Government Victoria published guidelines for local government audit committees in 2000.

More recently, the Australian National Audit Office (ANAO) has released best practice guidelines for public sector audit committees¹. The key characteristics for effective audit committees identified in the guidelines are:

- a good understanding of the audit committee's position in the legal and governance framework
- clearly defined roles and responsibilities
- members with relevant personal qualities, skills and experience
- the ability to maintain effective relationships with key stakeholders
- the ability and capacity to conduct its affairs efficiently and effectively
- a robust and considered process of performance assessment.

Our review of the operation of local government audit committees in 2006-07 showed them to be properly constituted with approved charters specifying:

- minimum number of meetings to be held annually
- formalised requirements to liaise with the external and internal auditors
- minimum number of external members included in the membership.

We found that local government audit committees have on average 5 members, with most having either 2 or 3 of these as external members. This indicates that councils are appointing a mix of skills and experience to audit committees, and bringing an independent perspective to deliberations through external membership.

We also found that most audit committees take on a positive role in the financial reporting process, by reviewing the draft financial and other statements prior to approval by the council; and through engaging with external audit during the year.

We were invited to provide comment to audit committees on draft financial and other statements, as part of the committees' clearance process, at most local governments.

Accepted better practice in both the private and public sector is also that the audit committee routinely meets privately with the external auditor, without the presence of senior management. This affords the auditor the opportunity to discuss frankly any concerns with senior management that have arisen during the audit process.

Last year, we observed that only half of the local government audit committees requested to meet privately with us.

¹ Australian National Audit Office 2005. *Better Practice Guide – Public Sector Audit Committees*, Commonwealth of Australia, Canberra.

It is also considered good practice for audit committees to assess their effectiveness annually. We found that a self-assessment was conducted in less than half of the local government audit committees in 2006-07.

Recommendations

- 4.2 Local governments review the operation of their audit committees and provide in their annual work plans for:
- at least one private meeting with representatives of the Victorian Auditor-General's Office annually
 - an assessment of their effectiveness.
- 4.3 Local Government Victoria should update the audit committee guidelines to current best practice.

4.4 Effectiveness of internal audit functions

An effective internal audit function provides those charged with governance with assurance over internal control.

There is no legislative requirement for local governments to have an internal audit function and no specific guidance material issued for local government that addresses the key elements of an effective internal audit function.

The ANAO recently released updated guidance² which identifies the following key requirements considered necessary to achieve a best practice internal audit function:

- independence from the activities subject to audit
- visible and active support of the audit committee and senior management
- well-defined roles, responsibilities and audit plans aligned with the risk profile
- effective relationships with all stakeholders
- sufficiently resourced for responsibilities to be met
- adherence to specified professional standards
- efficient and effective work practices
- accountable for performance
- subject to periodic review.

In the *Auditor-General's Report – Results of 30 June 2004 financial statement and other audits*³, we identified 14 councils that had either no internal audit function or which were spending token amounts on internal audit. Our review as at 30 June 2007 identified an improvement, with 9 councils yet to implement an effective internal audit function.

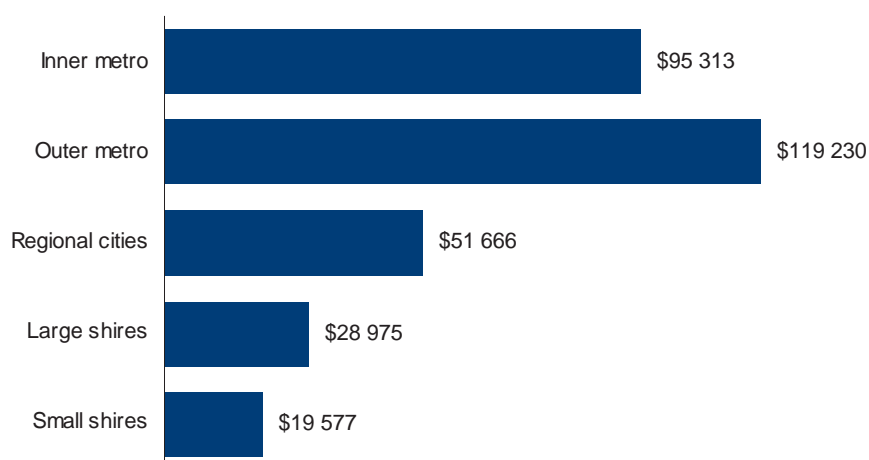
² Australian National Audit Office 2007. *Better Practice Guide – Public Sector Internal Audit*, Commonwealth of Australia.

³ Victorian Auditor-General's Office 2004, *Auditor-General's Report - Results of 30 June 2004 financial statement and other audits*, Victorian Government Printer, Melbourne.

As a measure of the level of resources being applied to the internal audit function, we analysed the local government spending on internal audit.

In 2003-04 the average spent on internal audit by local governments was \$57 000 a year. This figure has risen to \$58 500 on average in 2006-07. Benchmark data on the average spending on internal audit by council groups is shown in Figure 4A.

Figure 4A
Average council investment in internal audit



Source: Victorian Auditor-General's Office.

In addition to the cost of internal audit, our analysis this year identified the following performance metrics:

- on average, there are 6 internal audit reviews conducted at each council each year, with some of the larger councils conducting up to 20 reviews
- there is a high degree of acceptance by management of the recommendations stemming from these reviews with on average between 90 per cent and 95 per cent of recommendations agreed
- only 4 council audit committees are not tracking the implementation of internal audit recommendations.

These metrics can be used by local governments as part of an assessment of the effectiveness of internal audit.

Recommendations

- 4.4 Local governments without internal audit should satisfy themselves that they have sufficient alternative functions in place to provide comfort on the effectiveness of internal control.
- 4.5 Local governments should periodically benchmark their internal audit function to ensure that it is operating in accordance with best practice principles.
- 4.6 Local Government Victoria should consider developing, in conjunction with the sector, guidelines on internal audit.

4.5 Fraud risk management

Fraud is the crime of obtaining financial or another benefit by deception. The benefit might be of direct or indirect value. It could relate to money or information traded for more tangible benefits. In the information economy, data is becoming as valuable as cash.

Fraud management practices continue to evolve as it is recognised that fraud threatens the ability of local governments to achieve their objectives. Although there is no specific requirement for local government to have effective fraud management practices, we consider fraud management to be an important control activity.

While there is no specific guidance for local government on fraud management, there exists an Australian Standard AS8001 on fraud and corruption⁴. Using this standard as the guide to best practise, we have identified the following key elements that should exist in any effective fraud control program:

- a sound ethical culture evidenced by a code of ethics or conduct
- an entity awareness of fraud risks provided through training
- periodic assessments of an entity's fraud risks
- the implementation of a fraud control plan
- policies and procedures for dealing with suspected fraud, including protection for whistleblowers
- maintaining an appropriate level of insurance for fraud
- pre-employment screening of staff.

We conducted a high-level review of fraud management practises across the 79 local governments.

⁴ Standards Australia International 2003, *AS 8001-2003 Fraud and corruption control*, Council of Standards Australia, Sydney.

We found that the majority of councils have an up-to-date statement of values, ethical behaviours and a code of conduct which was well-communicated to staff. This was generally supported by a clearly documented process for staff to report ethical issues to management.

Councils are also conducting pre-employment screening of staff, including a police criminal history check and verification of references.

All councils maintain an appropriate level of insurance to cover fraud, including fraud by their own staff.

However, it was disappointing to note that about one-third of councils:

- did not have a clearly documented and up-to-date set of fraud management policies and procedures, including the process for investigating suspected or alleged fraud
- had not provided staff and management with training on identifying fraud risks
- did not have a formal fraud control plan that included the requirement to undertake an annual fraud risk assessment.

Given our earlier findings in relation to internal control weaknesses in a number of councils, a robust fraud management regime in these councils in particular is a critical requirement.

Recommendations

- 4.7 Those councils without a current fraud management plan, or an up-to-date fraud risk assessment, should take action to develop both as a priority
 - 4.8 All local governments should annually review the adequacy and currency of their fraud management policies and procedures.
-

5 Financial sustainability of local government

At a glance

Background

In past reports, we have undertaken an analysis of the financial performance and position of the local government sector, using information available in the published financial statements of local governments. In recent years, we began reporting on a series of financial viability ratios. The ratios established a set of interrelated indicators to assess financial performance and position. The indicators can be used to analyse past and projected results to identify any trends that may give rise to concern about the sustainability of local governments.

Key findings

- Our analysis of indicators of short and long-term financial viability identified 3 high risk rated councils and 18 moderate risk rated councils, which current revenue and expenditure policies indicate sustainability issues over the long-term. However, no councils had any immediate short-term viability issues.
- The financial sustainability of regional library corporations (RLCs) is at risk in 5 libraries, with a further 2 assessed as moderate risk.

Key recommendations

- Councils rated as high risk should critically review their current and forecast financial capacity and responsibility against their revenue and expenditure policies.
- Councils should benchmark their financial performance, and their financial viability ratios, against other like councils to better understand whether their current revenue and expenditure policies are sustainable.
- All local councils as owners, contributors and users of RLCs should:
 - critically assess the financial health of their libraries
 - develop strategies to ensure the long-term viability for libraries.

5.1 Introduction

In past reports, we have undertaken an analysis of the financial performance and position of the local government sector, using information available in the published financial statements of local governments.

Four years ago we developed, and began reporting on, a series of financial viability ratios. These ratios established a set of interrelated indicators that local governments could use to assess their own financial performance and position. The indicators can be used to analyse past and future results to identify any trends that may give rise to concern about the sustainability of local governments.

This part of the report presents, for the first time, a much expanded and more detailed analysis of these indicators and trends over the past 5 years, and the next 3 years.

Appendix D to this report contains data on each indicator for each council covering the period 2003 to 2010.

To provide context for our analysis of sustainability, we have first analysed in the next section, the recent financial performance and position of the sector.

5.2 Financial performance of local governments

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 over time to be able to fund asset replacement, new asset acquisition and the retirement of debt.

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

Composition of, and changes in, operating revenues

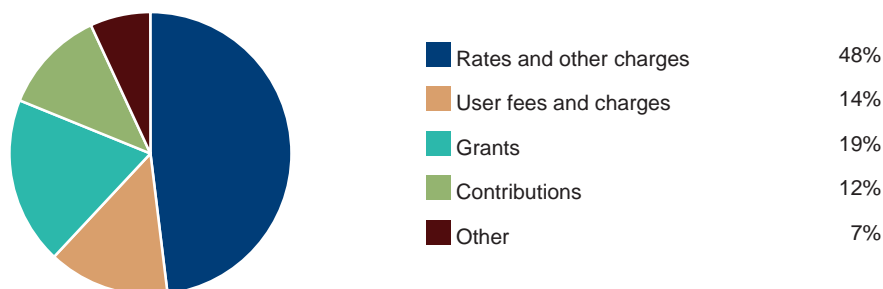
In 2006-07, the local government sector collected \$5.7 billion in operating revenues (\$5.2 billion in 2005-06), an increase of \$488 million, or 9.4 per cent on the prior year.

The most significant increase in local government revenue this year was developer contributions¹ which grew by \$176 million or 36 per cent to \$659 million (\$483 million in 2005-06). Other items of revenue that increased were rates and charges which grew by 7.8 per cent, and user fees and charges which grew by 6.3 per cent. Grants revenue to the sector overall remained constant.

¹ Developer contributions are assets provided to local governments by developers – they can be in the form of either cash or property and infrastructure assets.

The composition of operating revenue for the local government sector is provided in Figure 5A.

Figure 5A
Local government sector, revenue composition, 2006-07



Source: Victorian Auditor-General's Office.

The composition of operating revenue for the sector as a whole has remained unchanged over the past 3 financial years, with rates accounting for 48 per cent of revenue, grants at 19 per cent and, at a constant 15 per cent, user fees and charges.

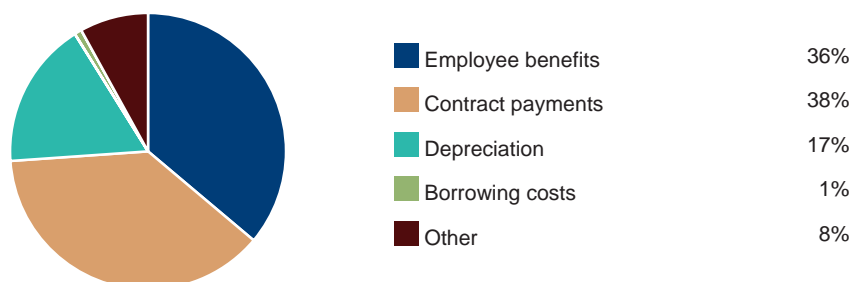
The proportions vary significantly between councils. Own-sourced revenues (rates and charges, and user fees and charges) are typically higher in metropolitan councils compared with rural councils, for example. Transfers (grants and contributions) are relied on more heavily by rural and regional councils.

Composition of, and changes in, operating expenditures

In 2006-07, total local government operating expenditure grew by \$158 million, or 3.5 per cent. The main areas of growth were:

- wages (up \$109 million or 6.6 per cent)
- materials and contract costs (up \$96 million or 5.5 per cent)
- depreciation (up \$39 million or 4.8 per cent).

Figure 5B
Local government sector, expenditure composition, 2006-07



Source: Victorian Auditor-General's Office.

The composition of total expenditure is provided in Figure 5B. This shows that employee benefits and contract payments for goods and services accounts for 74 per cent of total council expenditure. In contrast, only one per cent of total sector expenditure is borrowing costs, and this is consistent with the low level of debt for the sector.

Trends in operating results for the sector

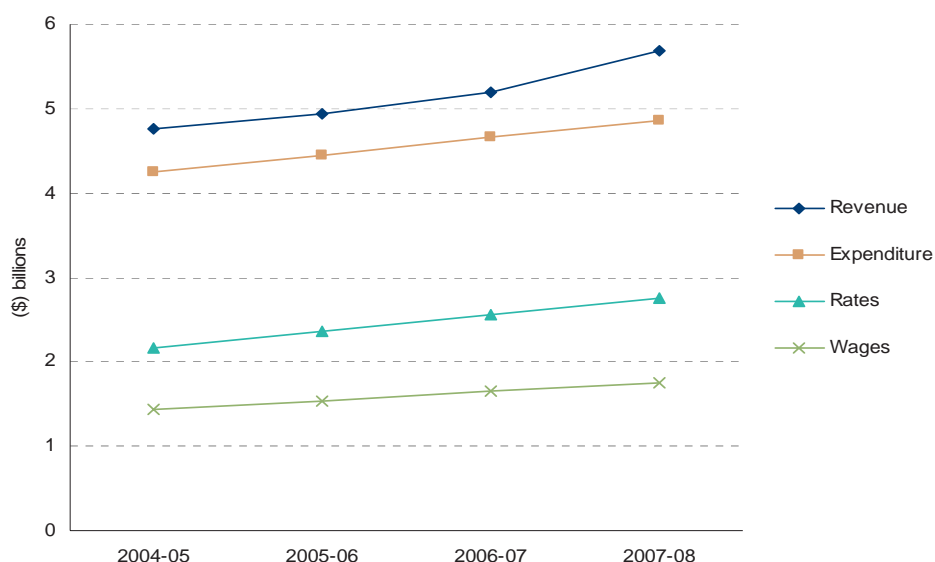
As indicated above, in 2006-07, for the sector as whole, total revenues grew at a faster rate than expenditures. This indicates that the sector is collectively generating larger operating surpluses.

The increase in own-sourced revenue, rates and user fees and charges, of 7.8 per cent and 6.3 per cent, respectively, in 2006-07, are relatively large compared with the average consumer price index for 2006-07 of 2.9 per cent².

However, the increases in revenues compare more favourably against the increases in overall costs of 4 per cent, and against the increases in wages costs of 6.6 per cent. The increase in wages costs is higher than the wage price index for 2006-07 of 4 per cent, indicating growth in the total number of staff employed in the sector.

Figure 5C shows trends in local government over the last 4 years for total revenue and expenditure in comparison with rates revenue and wages expenditure.

Figure 5C
Local government revenue and expenditure trends



Source: Victorian Auditor-General's Office.

² Australian Bureau of Statistics 2007, Consumer Price Index, 6401.0, September Quarter 2007, Cat. No. 6401.0, Australian Bureau of Statistics, Canberra.

Figure 5C shows that collectively, over the past 4 years, local government revenue policies have kept pace with increased operating costs and also provide for a sufficient surplus to meet future financial requirements.

5.2.1 Financial position of local governments

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 from which they generate own-sourced revenues. Instead, they largely hold infrastructure assets, for which they need to fund operating costs, repairs and maintenance, and their replacement and renewal.

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

The ability of local governments to achieve this objective depends on their asset and debt management policies, reflected in the composition and rate of change of the values of their assets and liabilities.

Composition of, and change in, assets

The total assets of local government entities grew in value by \$2.4 billion (or 5.3 per cent), to \$47.7 billion at 30 June 2007.

While current assets grew by \$426 million, most of the increase is attributed to continued growth in the value of infrastructure assets. Around \$1 billion was added to the non-current asset base from additions, with the balance relating to asset revaluations. This growth indicates that local governments are maintaining and adding to their asset base.

The values used in financial statements for non-current assets reflect their current replacement cost – that is, how much would it cost today to replace the existing assets in the current condition.

The future challenge for local governments to replace their existing assets when they become unserviceable or obsolete, is compounded by their large infrastructure asset base relative to their funding levels.

Local governments' revenue base relative to its asset base is around 12 per cent. By way of comparison, the State's revenue base relative to its asset base is 31 per cent. Another way of looking at this is that local governments are responsible for around 25 per cent of combined non-current assets in Victoria, but only receive 12 per cent of combined revenues.

Composition of, and change in, liabilities

Current liabilities, primarily employee leave provisions, grew by \$114 million (or 13 per cent) in 2006-07. This rate of growth is reasonable in comparison with the increase in current assets (23 per cent). It indicates that local governments are maintaining sufficient working capital to meet their short-term commitments.

Non-current liabilities grew by only \$63.3 million (9.4 per cent) to \$735.6 million. Non-current liabilities are composed almost totally of employee long service leave provisions and borrowings.

The rate of growth of non-current liabilities compares favourably against the growth in asset additions and the growth in wage costs. It also compares favourably with the growth in revenues – indicating that, collectively, local governments are generating sufficient funds to repay their debt.

5.3 Indicators of council financial sustainability

Financial sustainability is defined in a number of different ways. A generally accepted definition³ at State and Commonwealth level is whether local governments have sufficient current and prospective **financial capacity** (inflows) to meet their current and prospective **financial requirements** (outflows).

To be sustainable, local governments need to have some excess capacity at any point in time, 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 is less consensus on what indicators should be used to measure and assess sustainability.

The indicators we have selected tell us about short- and long-term viability, by measuring whether local governments:

- generate enough revenue from all sources 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 the rate at which they are being consumed – **investment gap**.

³ Most recently confirmed in a study undertaken for the Australian Local Government Association – p.96, 'National Financial Sustainability Study of Local Government', November 2006, PricewaterhouseCoopers.

No one indicator is sufficient to measure sustainability, however, the operating result takes on most significance, as it bears directly on the definition of sustainability. The other indicators are interrelated, to the extent that some measure **flexibility** to respond to future risks (self-financing and indebtedness), and others measure **capacity** to meet current known short- and long-term requirements, respectively, (working capital and investment gap).

Our analysis of sustainability takes account of all the indicators, but places most weight on the operating result, and on the investment gap (because of the relatively large infrastructure asset base of local governments).

Figure 5D
Indicators of council financial viability

Indicator	Formula	Description
Underlying result ratio (%)	Adjusted net surplus/total underlying revenue.	For surpluses, the higher the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the longer-term, and deficits by their nature shift the burden of today's costs to future ratepayers. Underlying revenue doesn't take into account non-cash developer contributions and other one-off (non-recurring) adjustments.
Liquidity ratio	Current assets: Current liabilities	This is a measure of local governments' ability to pay their existing liabilities in the next 12 months. A ratio greater than 1 indicates there are proportionately more cash and other liquid assets than short-term liabilities.
Self-financing ratio (%)	Net operating cash flows/ underlying revenue	This is a measure of local governments' ability to fund the replacement of assets from cash generated by their operations: the higher the percentage, the more able they are to do so.
Indebtedness ratio (%)	Non-current liabilities/ own-sourced revenue	This is a longer-term measure that compares non-current liabilities (which mainly comprises borrowings) to own-sourced revenue. It complements the liquidity ratio which is a shorter-term measure. The higher the percentage, the less local governments are able to cover their non-current liabilities from the revenues they generate themselves. Own-sourced revenue is used (rather than total revenue) because it does not include capital grants, which are generally tied to specific projects and cannot be used to retire debt.
Investment gap ratio	Capital spend: Depreciation	This is a measure of whether local governments are spending on infrastructure at a rate faster than the infrastructure is depreciating. Ratios higher than 1:1 (for example, 2:1) indicate that they are. It is a longer-term indicator, because capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option.

Source: Victorian Auditor-General's Office.

Figure 5D describes the viability indicators we use in this report.

These indicators have been applied to the published financial information of councils for the period from 2003 to 2010 – the prospective data obtained from the councils. The results are in Appendix D of this report.

We have first analysed the indicators for the sector as a whole in the following section – this provides overall benchmarks for the sector. We follow this with analysis of the indicators by local government category – inner metropolitan, outer metropolitan, regional cities, large shires and small shires. This provides a more detailed frame of reference for benchmarking and comparative analysis.

5.4 Financial viability trends for the sector

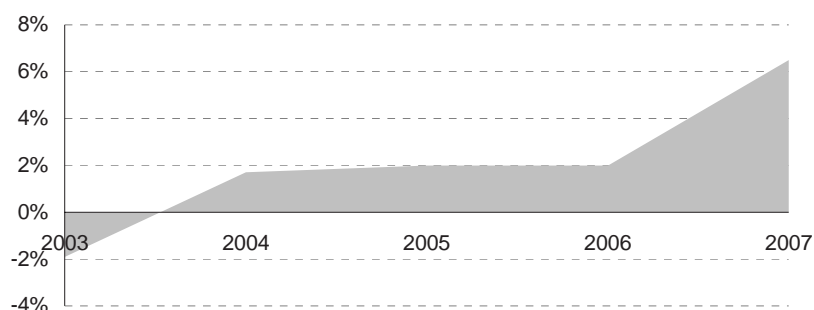
This section provides an analysis and commentary on the trends for each indicator and includes a summary of the results for the local government sector as a whole for the past 4 financial years and the 2006-07 financial year.

It should be noted that the financial data used for the indicators for 2003 is based on superseded accounting standards and, therefore, will not be directly comparable with more recent results.

5.4.1 Underlying result

The overall underlying result for the sector in 2006-07 was 6.5 per cent. The lowest result was negative 11.1 per cent and the highest result 31.2 per cent. The trend indicates that the sector as a whole is reporting stronger surpluses. There has been a further improvement at the council level in 2006-07 with only 12 councils having reported negative underlying results, compared with 23 in 2005-06.

Figure 5E
Underlying result trends



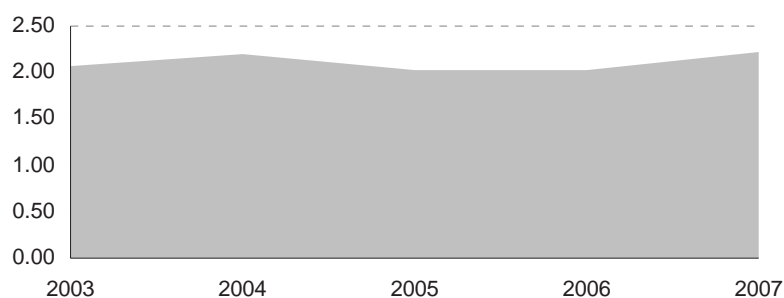
Source: Victorian Auditor-General's Office.

5.4.2 Liquidity

The overall liquidity ratio for the sector in 2006-07 was 2.22, which is a strong result. The highest liquidity ratio reported was 5.34 and the lowest was 0.74. The liquidity indicator shows a marginal improvement between 2005-06 and 2006-07.

It should be noted that the fall in the ratio from 2004 to 2005 is largely attributable to reclassification of a large proportion of long service leave liability from non-current liabilities to current liabilities, in accordance with the requirements of new accounting standards.

Figure 5F
Liquidity trends

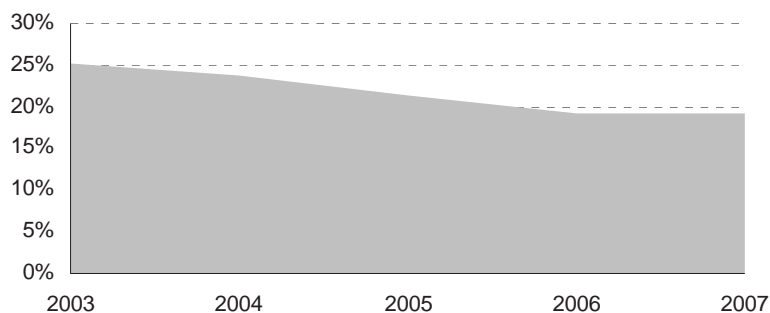


Source: Victorian Auditor-General's Office.

5.4.3 Indebtedness

The indebtedness ratio for 2006-07 was 19 per cent of own-sourced revenues, which is the same result achieved for 2005-06. The results varied significantly between councils, with the highest relative debt ratio being 112.6 per cent, and the lowest at 0.8 per cent.

Figure 5G
Indebtedness trends

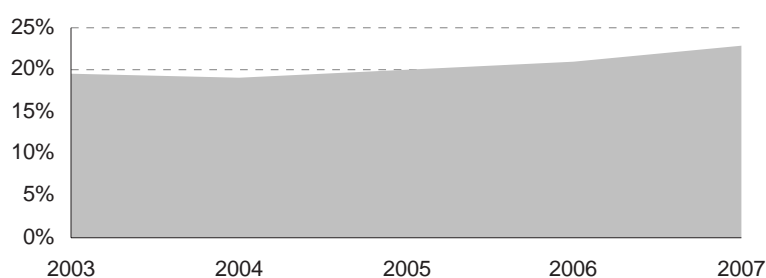


Source: Victorian Auditor-General's Office.

5.4.4 Self-financing

The self-financing indicator for the sector overall for 2006-07 was 22.9 per cent, with the lowest result recorded being 7.9 per cent and the highest being 40.7 per cent. This means that all local governments had positive operating cash flows this year – a strong feature of performance over the past 5 years for most councils.

Figure 5H
Self-financing trends

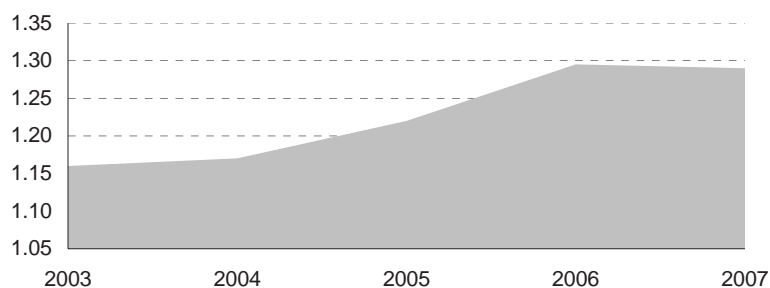


Source: Victorian Auditor-General's Office.

5.4.5 Investment gap

The investment gap ratio for the sector overall for 2006-07 was 1.29. This result is positive and consistent with the 2005-06 result of 1.30. The highest ratio was 2.53, but the lowest ratio was 0.40 (a decline on 2005-06). The results for the sector over the past 5 financial years indicate that spending on infrastructure is increasing when compared with the level of depreciation.

Figure 5I
Investment gap trends



Source: Victorian Auditor-General's Office.

5.4.6 Conclusion

The indicators of financial viability have improved consistently over the past five years when looking at the sector as a whole. This result sets an overall frame of reference for councils to consider when assessing their performance.

5.5 Financial sustainability assessment of councils

Each council's financial health has been assessed in the following sections using the risk criteria outlined in Figure 5J.

Figure 5J




Risk assessment criteria for financial viability indicators

Risk	Underlying result	Liquidity	Indebtedness	Self-financing	Investment gap ratio
High	Negative 10% or less	Equal to or less than 1	Greater than 60%	Less than 10%	Equal to or less than 1.0
	Large negative underlying deficit means insufficient revenue has been generated over the past 5 years to fund operations and undertake asset renewal.	Indicates immediate short-term viability issues with insufficient current assets to cover the current liabilities.	Indicates potential for longer-term concern over ability to repay debt levels from own-source revenue.	Indicates a council has insufficient cash from operations to fund new assets and asset renewal.	Where the investment gap is equal to or less than 1.0, spending on capital works over the past 5 financial years has not kept pace with the consumption of assets.
Medium	Between negative 10% and zero, or equal to zero	Between 1.0 and 1.5	Between 40% and 60%	Between 10% and 20%	Between 1.0 and 1.5
	If costs exceed revenues over a 5-year period, there is a risk of long-term run down in cash reserves and inability to fund asset renewals.	Indicates a need to be cautious with cash flow, as potential issues could arise with meeting obligations as and when they fall due.	Indicates some concern over a councils' ability to repay debt from own source revenue.	Indicates a council may not be generating sufficient cash from operations to fund new assets and asset renewal.	As spending on assets includes new assets, a ratio up to 1.5 may still indicate spending on asset renewal is insufficient.
Low	Greater than zero	Greater than 1.5	Less than 40%	Greater than 20%	Greater than 1.5
	Indicates a council is generating surpluses consistently.	Indicates a council has no immediate issues with repaying short-term liabilities as and when they fall due.	Indicates no concern over a councils' ability to repay debt from own-source revenue.	Indicates a council is generating enough cash from operations to fund new assets and asset renewal.	A ratio greater than 1.5 indicates low risk of insufficient spending on asset renewal.

Source: Victorian Auditor-General's Office.

An overall sustainability risk rating for each council has been calculated from the risk ratings determined for each viability indicator. The criteria we used to rate sustainability risk are outlined in Figure 5K. This sustainability risk rating provides our assessment of those councils that are at a relatively higher risk of becoming unsustainable.

Figure 5K
Overall sustainability risk rating criteria

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

Source: Victorian Auditor-General's Office.

5.5.1 Sustainability of inner metropolitan councils

The 17 inner metropolitan councils that are predominately urban in character:

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

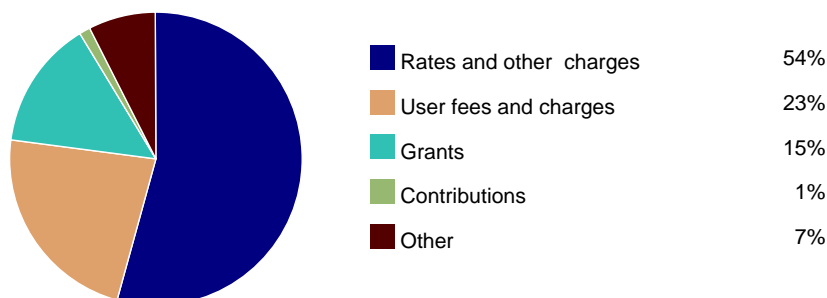
Inner metropolitan councils collectively received \$2.1 billion in revenue and paid \$1.8 billion in expenses in 2006-07. Figure 5L provides an analysis of the total revenue.

Inner metropolitan councils have significant capacity to raise revenue through a combination of rates and user fees and charges, accounting for 77 per cent of total revenue in 2006-07.

For inner metropolitan councils, the high level of user fees and charges arises partly from parking fees and fines. Inner metropolitan councils set the levies for parking charges and, therefore, have the capacity to increase revenue by increasing these charges.

The high levels of own-source revenue and strong operating accrual and cash flow surpluses typical of councils in this group moderate the short-term liquidity issues and provide a strong source of revenue to meet future requirements. Consequently, actual operating performance over time will be impacted by expenditure policies, and the ability of these councils to constrain cost growth.

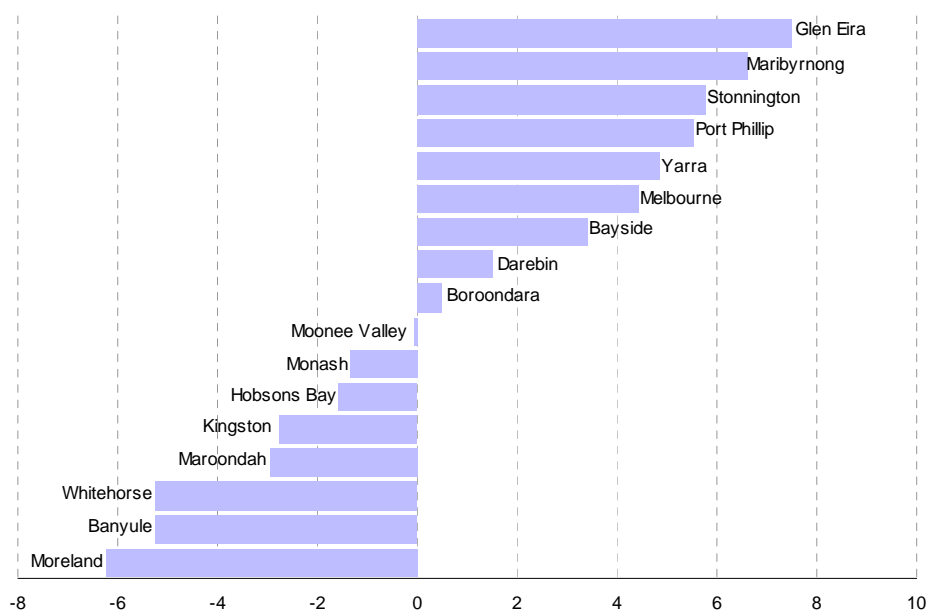
Figure 5L
Inner metropolitan councils, revenue composition, 2006-07



Source: Victorian Auditor-General's Office.

For each inner metropolitan council, we calculated the 5-year average underlying result using the audited financial results since 2002-03. Figure 5M shows the results of this analysis for the group. We found 8 out of the 17 councils in the inner metropolitan group reported underlying deficits on average for the 5-year period.

Figure 5M
Five-year average underlying result (%) for inner metropolitan councils



Source: Victorian Auditor-General's Office.

Councils with continuing operating deficits are at relatively greater risk of longer-term sustainability issues, particularly where the other long-term viability indicators are also rated as high risk.

Our analysis of the 5 viability risk indicators for each council in the group is provided in Figure 5N.

Figure 5N
Results for inner metro city councils at 30 June 2007

	5-year average underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	5-year average investment gap ratio	Sustainability assessment
Banyule	-5.24	3.25	1.7	14.4	0.97	●
Bayside	3.41	1.27	26.6	18.6	1.07	●
Boroondara	0.48	1.62	12.0	23.0	1.29	●
Darebin	1.51	1.14	6.0	16.8	1.21	●
Glen Eira	7.51	1.77	1.6	23.1	1.66	●
Hobsons Bay	-1.57	1.21	5.9	23.6	1.41	●
Kingston	-2.76	1.47	16.3	8.1	0.51	●
Maribyrnong	6.62	1.65	31.8	28.1	1.48	●
Maroondah	-2.95	2.98	5.0	14.7	0.89	●
Melbourne	4.41	5.34	8.4	19.0	1.83	●
Monash	-1.36	2.01	24.5	16.9	1.01	●
Moonee Valley	-0.08	1.48	24.3	25.8	1.36	●
Moreland	-6.22	1.64	13.5	17.6	0.80	●
Port Phillip	5.55	2.66	4.2	28.6	1.68	●
Stonnington	5.77	2.16	7.4	25.8	1.31	●
Whitehorse	-5.23	2.26	1.1	19.3	1.03	●
Yarra	4.86	1.34	6.0	21.6	1.06	●

Source: Victorian Auditor-General's Office.

While no councils in this group show evidence of short-term liquidity risks, the results of the 4 inner metropolitan city councils assessed as a moderate risk are analysed as follows:

- **Banyule** – reported a 5-year average underlying result of -5.24 per cent coupled with average capital spending equivalent to 97 per cent of depreciation. However, the trend in underlying result across the 5 years shows a steady improvement with break-even achieved for 30 June 2007. Looking forward, Banyule is projecting a positive underlying result and increased capital spending over the next 2 financial years.
- **Kingston** – spent on average over the past 5 years only 51 cents for every dollar charged in depreciation on capital works and asset acquisitions. While the future plans for **Kingston** show increased spending on assets, the investment gap will still be well less than one by 2010.

- **Moreland** and **Maroondah** – both reported capital spending over the past 5 years to be less on average than the level of depreciation. An analysis of each council's forward plans indicates that both councils plan to continue to spend less on capital works over the next 3-year period than the rate at which existing assets are being consumed. Unlike **Banyule**, **Maroondah** and **Moreland** project operating deficits for the next 4 years.

RESPONSE provided by the Chief Executive Officer of the Banyule City Council

Council will maintain a positive underlying result and increased capital spending in coming years.

RESPONSE provided by the Chief Executive Officer of the Kingston City Council

Our figures for the average spend on capital compared to depreciation is low due to the interpretation you take on capital expenditure. We take a very conservative view on what is charged to capital compared to the operating statement. We believe you should be using the figures as per the standard statement of capital works which reflects what we are spending of a capital nature.

Further audit comment

Audit uses Australian Accounting Standards to determine capital expenditure for this ratio. The standard statement of capital works is not considered a relevant measure, as the expenditure in it relates to the overall capital budget, which includes maintenance and other asset-related expenditure which is not capitalised.

RESPONSE provided by the Chief Executive Officer of the Moreland City Council

Moreland City Council recognised this issue 5 years ago and, following consultation with our community, implemented a financial plan to address it. A key feature of the community consultation was the capacity of residents to pay increased rates. The strategy has been successful as the annual plan gap has narrowed and the trend is positive.

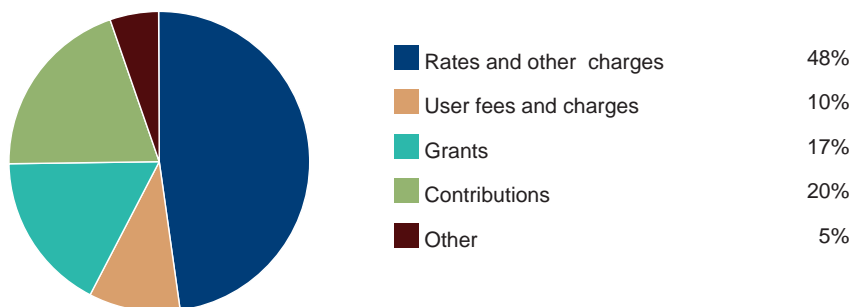
5.5.2 Sustainability of outer metropolitan councils

The 14 outer metropolitan councils are:

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

Outer metropolitan councils received \$1.7 billion in revenue for 2006-07 and paid \$1.3 billion in expenses for the same period. Figure 5O provides an analysis of the revenue figures.

Figure 5O
Outer metropolitan councils, revenue composition, 2006-07

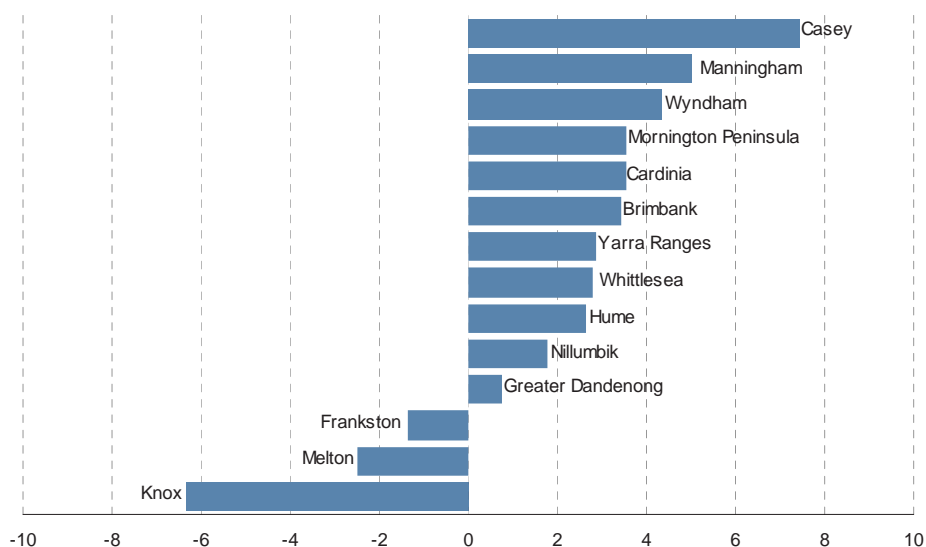


Source: Victorian Auditor-General's Office.

Other than rates, significant revenue was received through developer contributions, making up 20 per cent of total revenue for the group. This is as expected given that the councils are on the urban fringe and, therefore, include many new housing estates which give rise to developer-contributed cash and assets.

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

Figure 5P
Five-year average underlying result (%) for outer metropolitan councils



Source: Victorian Auditor-General's Office.

The assets of outer metropolitan councils totalled \$13.1 billion at 30 June 2007, compared with total liabilities of \$541 million. The level of liabilities in this group is comparable with the level of borrowings of inner metropolitan councils (\$563 million), however, this is against a much lower total asset base.

Analysis of our lead indicator, underlying result, showed strong performances for most of the outer metropolitan councils' operating performances for the current year. This was also the case for the 5-year average as indicated in Figure 5P. Only 3 of the 14 councils in the outer metropolitan group have an average underlying deficit over the past 5 years.

The results for all the 5 viability risk indicators are provided in Figure 5Q for each council in the group.

Figure 5Q
Results for outer metropolitan councils at 30 June 2007

	5-year average underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	5-year average investment gap ratio	Sustainability assessment
Brimbank City	3.42	2.23	29.0	28.5	1.09	●
Cardinia Shire	3.52	1.60	97.8	32.2	2.34	●
Casey City	8.54	3.54	15.1	30.6	1.46	●
Frankston City	-1.35	1.59	5.0	14.1	0.97	●
Greater Dandenong City	0.76	1.11	22.1	21.8	1.26	●
Hume City	2.64	1.37	37.2	24.8	1.23	●
Knox City	-6.10	1.66	8.37	17.3	1.08	●
Manningham City	5.03	1.82	13.3	30.3	1.72	●
Melton Shire	-2.50	2.92	37.8	17.9	0.98	●
Mornington Peninsula Shire	3.56	1.43	45.3	17.4	1.14	●
Nillumbik Shire	1.78	2.46	23.7	19.1	1.19	●
Whittlesea City	2.80	4.06	21.0	15.9	1.12	●
Wyndham City	4.34	2.80	8.7	35.7	1.33	●
Yarra Ranges Shire	2.88	2.99	12.4	27.9	0.99	●

Source: Victorian Auditor-General's Office.

As with inner metropolitan councils, no councils in this group exhibited any short-term viability risks. Three did however have a combination of risk ratings that suggest some level of caution is required:

- **Cardinia Shire** has a high indebtedness level of 97.8 per cent. This is an improved position on the past financial year where an indebtedness level of 118 per cent was reported at 30 June 2006. The council's budget and strategic resource plan for the next 4 years indicate that this level of indebtedness will continue decreasing over the coming 3-year period.
- In assessing the investment gap ratio indicator, **Frankston City, Melton Shire** and **Yarra Ranges Shire** spent less on capital works compared to the depreciation over the past 5 years. This is an unexpected result for growth councils, where significant capital works could be expected in establishing areas. The high level of developer contributions may mitigate this to some extent – however, this points to a growing infrastructure asset base that will require increased rates of capital expenditure as time goes on.

RESPONSE provided by the Chief Executive Officer of the Frankston City Council

According to your records, and ours, Council's ratio of capital works compared with depreciation was less than one, for only four of the last five years.

Further audit comment

The ratio has been negative for the last 4 years, and on average, has been negative over the last 5 years.

RESPONSE provided by the Chief Executive Officer of the Yarra Ranges Shire Council

The Shire has put in place an increased capital budget for the next four years to bridge the asset gap, after which, investment will be maintained at greater than a 1:1 ratio of asset depreciation.

5.5.3 Sustainability of regional city councils

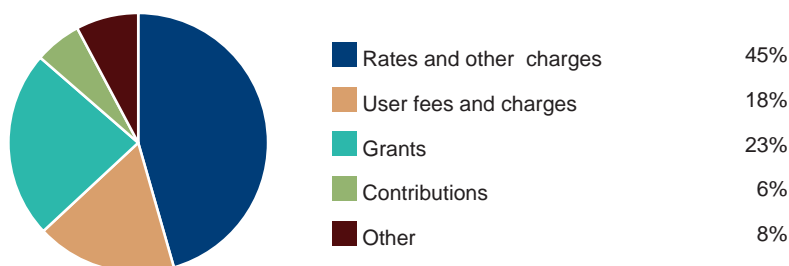
There are 11 regional city councils that are partly urban and partly regional in character. These councils are:

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

The 11 regional city councils received total revenue of \$795 million in 2006-07 and paid expenses totalling \$701 million. Figure 5R provides an analysis of the revenue figures.

The revenue streams of regional city councils provide for some flexibility, with 45 per cent of revenue coming from rates and 18 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.

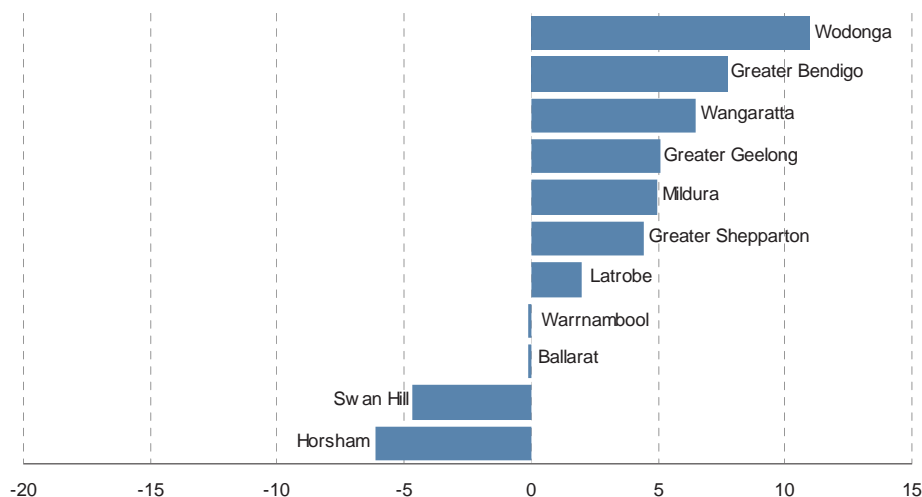
Figure 5R
Regional city councils, revenue composition, 2006-07



Source: Victorian Auditor-General's Office.

The balance sheet position of regional cities is strong with significant assets totalling \$6.43 billion at 30 June 2007 compared with a small level of liabilities totalling \$312 million.

Figure 5S
Five-year average underlying result (%) for regional cities



Source: Victorian Auditor-General's Office.

Figure 5S shows the results of our analysis of the operating performance for the group over the past 5 years. We found 4 out of the 11 regional city councils reported underlying deficits on average for the 5-year period. Underlying deficits are not sustainable in the long-term.

The results for each council in the group for all 5 sustainability indicators is provided in Figure 5T.

Figure 5T
Results for regional city councils at 30 June 2007

	5-year average underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	5-year average investment gap ratio	Sustainability assessment
Ballarat	-0.05	2.10	19.8	24.8	0.93	●
Greater Bendigo	7.72	1.58	9.6	24.6	1.56	●
Greater Geelong	5.12	1.13	14.0	21.7	1.53	●
Greater Shepparton	4.44	2.01	2.6	26.3	1.07	●
Horsham Rural	-6.11	2.27	28.6	28.9	1.05	●
Latrobe	1.98	1.73	30.3	21.3	1.21	●
Mildura	4.97	2.27	45.9	30.2	1.55	●
Swan Hill	-4.67	2.86	40.3	11.1	0.99	●
Wangaratta	7.37	1.92	38.2	23.3	1.49	●
Warrnambool	-0.10	1.92	23.3	19.5	1.00	●
Wodonga	10.98	4.52	86.8	7.9	2.59	●

Source: Victorian Auditor-General's Office.

No regional city councils exhibited any immediate liquidity concerns. However, a large proportion show heightened sustainability risks:

- **Wodonga** has reported a negative underlying result for this financial year which is in contrast to positive results over past periods and also future plans and budgets. **Wodonga** has reported a high indebtedness level coupled with a low self-financing indicator which may indicate long-term debt servicing issues with the council having high debt levels yet generating little own-source revenue to repay the debt.
- Three councils in this group have reported a 5-year average investment gap ratio equal to or less than one. These councils were **Ballarat**, **Swan Hill** and **Warrnambool**.

RESPONSE provided by the Chief Executive Officer of the City of Wodonga

Whilst we agree with the accuracy of the data with respect to the City of Wodonga, we do not agree with the conclusions drawn with respect to sustainability and long term self financing. We believe the conclusion fails to take into account significant investment in land and infrastructure held by the City of Wodonga at its newly developed industrial and transport hub.

***RESPONSE provided by the Chief Executive Officer of the City of Wodonga
- continued***

Even at its conservative value in the balance sheet of \$24 million City of Wodonga's current remaining holdings of land and infrastructure at its industrial and transport hub almost totally extinguishes long term borrowings of 26 million as at 30 June 2007. City of Wodonga is confident however that eventual sales will be significantly higher, and private and confidential land valuations commissioned by City of Wodonga have confirmed this.

The City of Wodonga has communicated a clear and concise financial strategy to its community. This includes a steady and predictable rates increase path not exceeding 4.25 per cent per year. It is our strong and clear view that the City's finances are both sustainable and self funding, and that strategies already in place will ensure this published rates growth will not be compromised, whilst delivering the services, assets, and events expected by the Wodonga community.

RESPONSE provided by the Chief Executive Officer of the Ballarat City Council

Council has a number of strategies in operation to constantly improve its financial position. The biggest hurdle facing Council is to maintain the current range of service the community demands, provide sufficient funds to tackle the infrastructure issue, with limited funding options. Council has increased its reliance on rate funds from 34 per cent of total revenue in 2003-04 to 48 per cent in 2007-08, this will further increase to 50 per cent by 2009-10.

Councils' financial viability has significantly improved since 2003-04, and over the next 5 years is expected to improve further, though there will be individual years where the result maybe adversely effected by the timing of major projects, the long term trend is the slow improvement of the Councils' financial viability.

RESPONSE provided by the Chief Executive Officer of the Warrnambool City Council

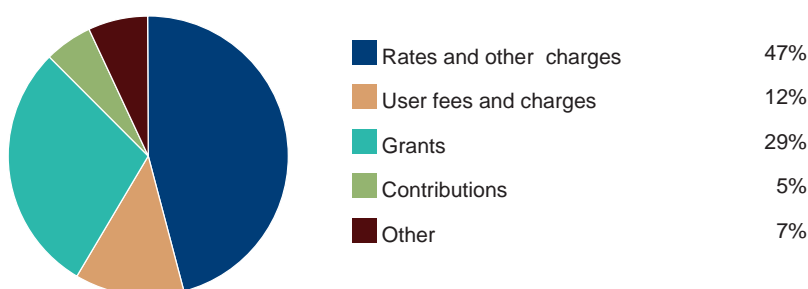
The investment gap ratio for Warrnambool City Council for the next 4 years averages 1.8 reflecting Council's commitment to capital reinvestment in it's Strategic Resource Plan. The capital works profile for Warrnambool, like most regional cities, tends to fluctuate in accordance with major facilities upgrades.

5.5.4 Sustainability of large shire councils

Shire councils are predominately rural in character, Victoria's 15 large shire councils are:

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

Figure 5U
Large shire councils, revenue composition, 2006-07



Source: Victorian Auditor-General's Office.

Large shire councils received \$604 million in revenue and paid \$555 million in expenses for 2006-07. Figure 5U provides an analysis of the revenue figures.

Large shire councils depend on grant funding for around one-third of their revenue. Our analysis of the average underlying result for each council over the past 5 years shows 4 out of the 15 councils in the large shire group have underlying deficits.

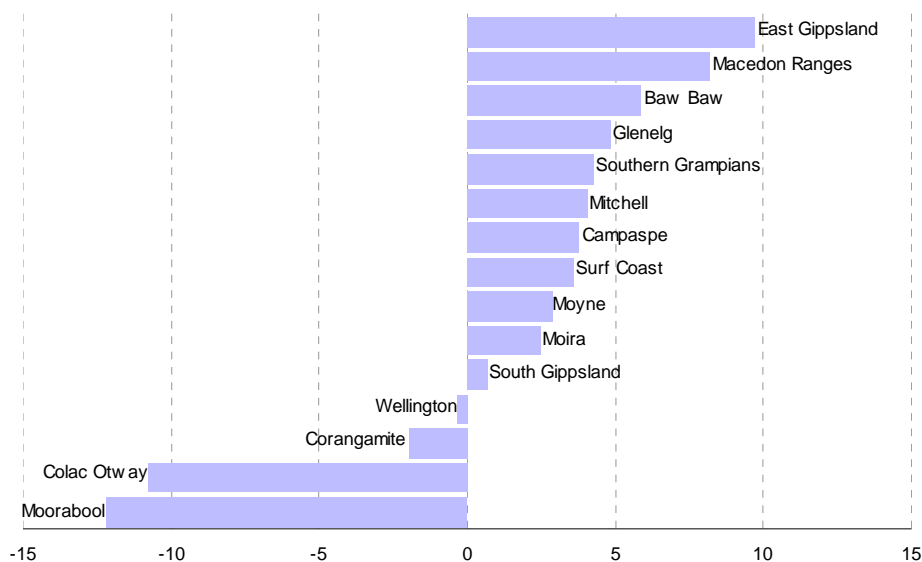
Within the large shire group, only **Colac Otway** exhibited immediate liquidity concerns.

Surf Coast has reported consistently positive results for the past 4 financial years with the current result influenced by higher other expenditure of \$5 million.

Colac Otway has reported mixed results over the past 5 financial years making it difficult to identify a pattern of performance. **Colac Otway** has, on average over 5 years, underspent on asset renewal, as well as reporting an average negative underlying result for the same period.

The level of spending on asset renewal as measured by the 5-year average investment gap results also indicated insufficient spending by **Surf Coast** and **Wellington**.

Figure 5V
Five-year average underlying result (%) for large shire councils



Source: Victorian Auditor-General's Office.

Colac Otway has been rated as high risk both because of the combination of its relatively high operating deficits and its underspending on infrastructure renewals over the past 5 years, and because its forecasts for the next 3 years for these items remain negative.

Moorabool is rated as high risk due to sustained underlying deficits.

RESPONSE provided by the Chief Executive Officer of the Colac Otway Shire Council

Colac Otway Shire has been rated as high risk based on trend data over the past 5 years. However, trend data over the past 2 years and forecasts for the next 3 years clearly indicates that Colac Otway has met and will meet all targets related to the 5 viability measures as a result of strong financial decisions Council has made over the past 3 years.

Council's underlying result over the past 5 years has been significantly influenced by one off extraordinary factors such as recognition of landfill rehabilitation costs.

Our Strategic Resource Plan indicates that Council will achieve ongoing operational surpluses, achieve asset renewal expenditure targets and continuing reduction in loan liability which ensures the Shire's long term financial viability.

Council acknowledges that over the past five years it has operated with a constrained ability to meet the required level of infrastructure spending. With significant growth occurring within urban areas of the Shire, there has been a need to develop new and upgraded community infrastructure whilst trying to maintain existing infrastructure.

RESPONSE provided by the Chief Executive Officer of the Moorabool Shire Council

Council has now adopted a five-year financial plan that demonstrates a commitment to significant improvement in its underlying operating result and net cash flows from operating activities that will directly lead to an increased ability to fund infrastructure spending.

RESPONSE provided by the Chief Executive Officer of the Surf Coast Shire Council

The results reported appear to reflect the Council position, however, our view is that they do not take sufficient account of the underlying context of the broader financial framework, as reflected in Council's Strategic Resource Plan.

Underlying results in previous years have been significantly reduced due to the creation of one-off provisions of \$1.2 million, \$1.1 million and \$0.5 million in 2003, 2004 and 2005 for future site remediation of an industrial estate and landfill rehabilitation works that continue to be responsibly funded over the life of the landfill. Further, Council made a final payment of \$0.7 million to fund the unfunded superannuation liability in 2003, reducing earlier underlying results. Expenditure commitments of this nature are not expected in the future.

The 2007 underlying result shows 2 extraordinary events resulting in \$3.9 million write-off of assets reported as "higher than expenditure of \$5 million". This relates to one-off events whereby coastal assets were donated to the Department of Sustainability and Environment and assets deteriorated and road pavement failure occurred from an extreme weather incident. The timing of significant future cash developer contributed revenues is also expected to peak significantly in 2009 and again in 2011, hence the appearance of a downward trend in the underlying result in 2010.

Council's investment in asset renewal expenditure is increasing and in relation to Council's largest financial asset class, roads, expenditure has and continues to increase into the future. Council has supporting data from asset condition audits to demonstrate improved asset condition over time. Council road condition and customer survey data also confirms that Council's renewal spend is reasonable.

RESPONSE provided by the Chief Executive Officer of the Wellington Shire Council

Wellington Shire Council have reviewed the figures resulting in the overall assessment, and are confident that they are correctly represented indicating insufficient spending on infrastructure renewal over the 5-year average.

Figure 5W
Results for large shires at 30 June 2007

	5-year average underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	5-year average investment gap ratio	Sustainability assessment
Baw Baw	5.85	1.60	39.7	27.7	2.11	●
Campaspe	3.80	2.79	26.6	23.0	1.15	●
Colac Otway	-10.78	2.67	31.3	24.2	0.89	●
Corangamite	-2.00	1.44	16.9	25.1	1.02	●
East Gippsland	9.71	2.68	22.3	27.0	1.17	●
Glenelg	4.84	3.00	34.8	34.8	1.29	●
Macedon Ranges	8.20	1.69	30.4	30.2	1.34	●
Mitchell	4.06	1.31	24.2	30.9	1.55	●
Moira	2.49	2.05	55.2	27.9	1.18	●
Moorabool	-12.18	1.06	26.3	16.5	1.03	●
Moyne	2.85	2.88	3.2	35.3	1.08	●
South Gippsland	0.65	1.27	25.2	23.0	1.23	●
Southern Grampians	4.27	2.39	34.6	27.3	1.61	●
Surf Coast	3.61	2.30	25.4	22.9	0.86	●
Wellington	-0.33	2.49	37.2	34.2	0.93	●

Source: Victorian Auditor-General's Office.

5.5.5 Sustainability of 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
- Strathbogrie Shire Council
- Towong Shire Council
- West Wimmera Shire Council
- Yarriambiack Shire Council

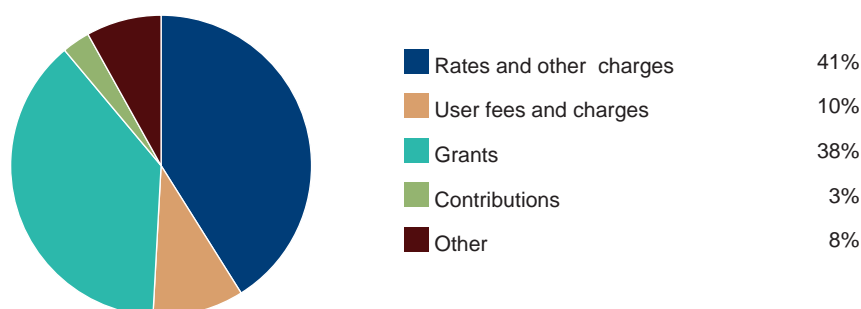
Small shire councils received total revenue of \$414 million in 2006-07 and paid expenses totalling \$390 million. Figure 5X provides a breakdown of the revenue.

Figure 5X shows that small shire councils rely heavily on transfer payments (government grants) and have less flexibility to raise revenue over which they can make autonomous spending decisions. Councils have little control over the level of government grants received from year-to-year, and any sustained decrease in the level of grants received would impact directly on the viability of small shire councils.

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

- relatively low income levels of ratepayers
- in some cases declining population is shrinking the rate base
- the current drought conditions⁴
- unbundling of water rights from the value of properties for rating purposes.

Figure 5X
Small shire councils, revenue composition, 2006-07



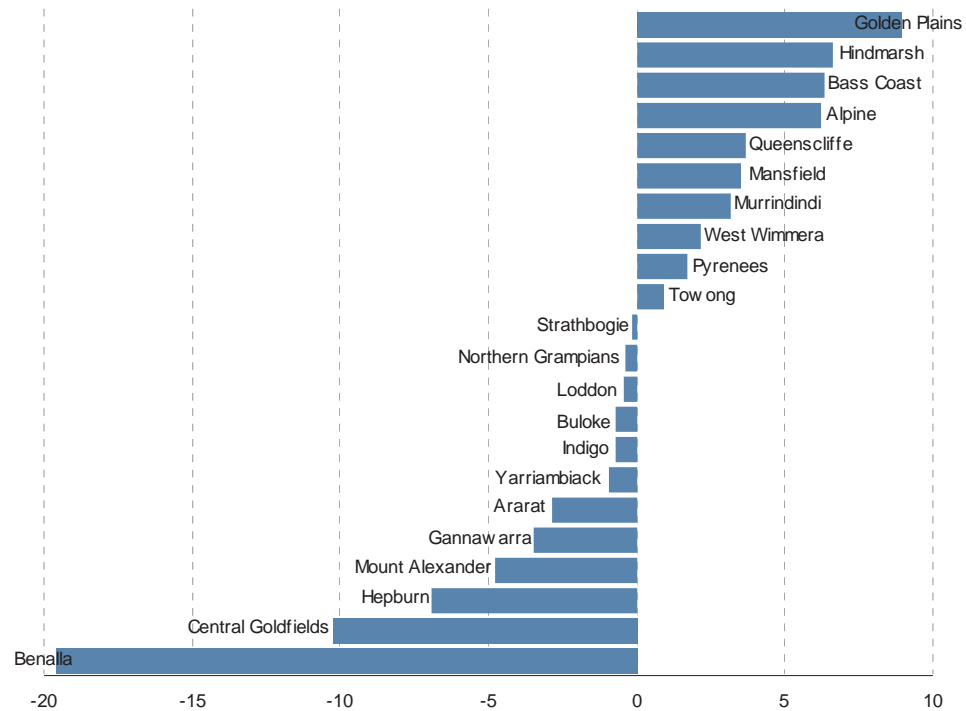
Source: Victorian Auditor-General's Office.

The sensitivity of small shires to 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 viability.

Figure 5Y shows the 5-year average underlying result for all small shire councils – 13 of the 22 small shire councils have reported an average underlying deficit since 2002-03. The portion of small shire councils with underlying deficits is higher in the small shire group than any other of the council groups.

⁴ The Commonwealth Government is assisting farmers to pay council rates and will provide farmers in drought affected areas with funding to cover 50 per cent of the council rates on application.

Figure 5Y
Five-year average underlying result (%) for small shire councils



Source: Victorian Auditor-General's Office.

The results of our viability risk indicators are set out in Figure 5Z. We have identified 2 councils with immediate liquidity concerns due to sustained underlying deficits. Debt for this group of councils is small and largely under control. However, a clear pattern that emerges is that most of the councils in this group are currently investing sufficiently in infrastructure renewal.

Benalla has reported negative underlying financial results for 4 of the past 5 financial years. The indebtedness level has increased this financial year, yet spending on asset renewal has been less than the level of depreciation.

In accordance with the criteria, **Benalla** has been rated as low risk. However, it has received medium assessments on all 5 indicators. Large underlying deficits and high debt levels have been a feature of this council since it was de-amalgamated from **Mansfield** in 2002-03. It is pleasing to note that **Benalla** is forecasting a break-even result by 2009, and a small surplus in 2010. It will be important that these forecasts are achieved so that the council can focus on building capacity to sustain its asset renewal program.

Central Goldfields has been rated as high risk because of its relatively large, persistent operating deficits over the past 5 years.

Hepburn have been rated as a moderate risk, however, it is noted that Hepburn forecast positive operating results over the next 3 years. If surpluses are able to be achieved and sustained the risk rating will reduce.

By contrast, **Central Goldfields** continues to forecast operating deficits. It also forecast a decline in its current ratio and its debt level is large relative to its own-source revenue base. Also, its average investment gap ratio over the past 5 years and next 3 years remains less than one. While it generates sufficient operating cash flows, these other indicators point to a high risk of medium-term sustainability issues.

Buloke, Mount Alexander and **Yarriambiack** have been rated as moderate risk primarily because of their underspending on asset renewal. None of these small shire councils will achieve a positive ratio for asset renewal when averaged over the 8 years of our analysis.

Capital investment policies that continually fall short of the rate of consumption of assets create long-term sustainability risks for these small shire councils.

RESPONSE provided by the Chief Executive Officer of the Central Goldfields Shire Council

Central Goldfields understands that ongoing operational deficits are not sustainable and is actively focusing on economic and community development with the goal of growing the local economy.

A strategic short-term loan borrowing program to assist the above aim was initiated in 2006-07 with Council being in a position already to repay \$1.5 million of interest bearing liabilities in the current financial year.

Central Goldfields current long-term financial plan forecasts to 2011-12 include projected surpluses in 2010-11 and 2011-12.

Central Goldfields is aware that current investment in infrastructure asset renewal is insufficient and unsustainable. Our economic development goals will assist with improving our infrastructure investment through the application of increased operating revenues.

RESPONSE provided by the Chief Executive Officer of the Mount Alexander Shire Council

Council has adopted an independently assessed 20 year long term financial strategy plan which targets asset expenditure improvement over the long term and indicates an average investment gap of 1.45 over the next 3 years.

Figure 5Z
Results for small shires 30 June 2007

	5-year average underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	5-year average investment gap ratio	Sustainability assessment
Alpine	6.21	2.56	16.1	15.4	1.36	●
Ararat	-2.87	1.59	4.3	27.1	0.90	●
Bass Coast	6.53	1.81	12.0	23.6	1.29	●
Benalla	-8.48	1.49	59.6	18.6	1.03	●
Queenscliffe	3.67	3.77	26.8	13.6	1.53	●
Buloke	-0.72	0.74	10.4	25.8	0.94	●
Central Goldfields	-10.27	1.53	112.6	21.4	1.12	●
Gannawarra	-3.45	1.94	41.9	29.4	1.18	●
Golden Plains	8.92	3.47	17.2	39.6	1.95	●
Hepburn	-6.91	1.54	18.2	13.6	0.76	●
Hindmarsh	6.61	3.50	8.0	33.3	1.16	●
Indigo	-0.74	1.49	25.5	8.8	1.05	●
Loddon	-0.43	3.52	44.2	33.1	1.16	●
Mansfield	3.52	1.49	32.8	19.2	1.45	●
Mount Alexander	-4.75	2.86	24.1	18.7	0.74	●
Murrindindi	3.19	1.37	40.9	25.4	1.37	●
Northern Grampians	-0.36	1.82	19.5	25.0	1.19	●
Pyrenees	1.72	2.93	20.2	40.7	1.13	●
Strathbogie	-0.16	1.33	42.5	19.1	1.05	●
Towong	0.91	2.78	3.6	38.6	1.18	●
West Wimmera	2.14	1.81	0.8	36.4	1.12	●
Yarriambiack	-0.96	2.13	7.8	33.0	0.66	●

Source: Victorian Auditor-General's Office.

5.5.6 Overall conclusion

The above analysis shows that a number of local governments have a high or moderate risk of becoming unsustainable over the long-term.

Figure 5AA summarises the results of our sustainability risk assessment.

The 3 councils rated as high risk, namely **Colac Otway, Central Goldfields and Moorabool**, have experienced recent persistent operating deficits. There are also indications that their investment in infrastructure asset renewals has not kept pace with the rate at which they are using up their assets.

The moderate risk ratings achieved by a number of councils relate primarily to their widening infrastructure asset renewal gaps and their limited capacity to increase own-sourced revenues to address this issue.

Figure 5AA
Summary sustainability risk rating

Council group	Risk			Total
	High	Moderate	Low	
Inner metropolitan	-	4	13	17
Outer metropolitan	-	3	11	14
Regional city	-	4	7	11
Large shire	2	2	11	15
Small shire	1	5	16	22
Total	3	18	58	79

Source: Victorian Auditor-General's Office.

Recommendations

- 5.1 Councils rated as high risk should critically review their current and forecast financial capacity and responsibility against their revenue and expenditure policies.
- 5.2 Councils should benchmark their financial performance, and their financial viability ratios, against other like councils to better understand whether their current revenue and expenditure policies are sustainable.

5.6 Regional library corporations

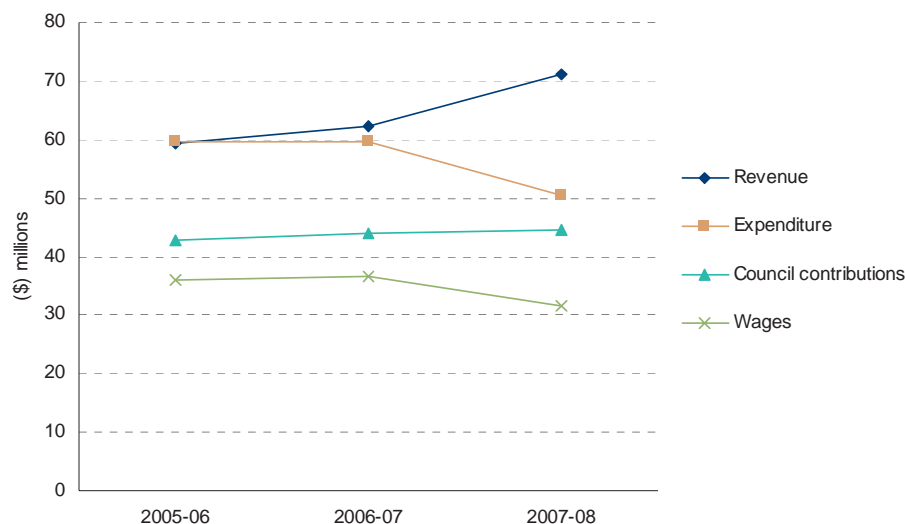
Regional library corporations (RLCs) are wholly-owned by councils and are largely dependent on their owners for financial support. They generate relatively little own-sourced revenues, being highly reliant on transfers (annual operating contributions from each owner and grants).

An analysis of the composition of revenue for 2006-07 for RLCs shows that 62 per cent of RLC funding came from council contributions, and 29 per cent from government grants. The low proportion of user fees and charges means RLCs have little or no flexibility in terms of their financial capacity. They must therefore focus predominantly on containing their financial requirements within existing capacity.

5.6.1 Analysis of financial performance

In 2006-07, the total operating revenue for RLCs grew more than costs. Figure 5AB shows trends over the last 3 years in total revenue, expenditure, council contributions and wages expenditure reported by the RLCs.

Figure 5AB
RLC revenue and expenditure trends



Source: Victorian Auditor-General's Office.

Figure 5AB indicates that the RLC sector's financial performance is improving, as the gap between expenditure and revenue is growing. However, our analysis of the financial performance of individual RLCs indicates that a number have pressing liquidity issues.

5.6.2 Financial viability indicators




Analysis of the financial sustainability of RLCs needs to be considered in the context of the funding policies of the councils which own them. In particular, operating results and cash position will be influenced by how much each council contributes. Therefore, we have limited our analysis to 3 key risk indicators – operating result, liquidity and investment gap.

An overall sustainability risk rating for each RLC has been calculated from the risk ratings determined for each viability indicator. The criteria we used to rate sustainability risk are outlined in Figure 5AC. This sustainability risk rating provides our assessment of those RLCs that are at a relatively higher risk of becoming unsustainable.

The individual results for each RLC for the 2006-07 financial year against each financial viability indicator is summarised using the key identified in Figure 5AC.

In 2006-07, the total combined surplus of all RLCs was \$20.7 million, compared with a combined surplus of \$2.7 million in 2005-06. The number of RLCs reporting an underlying deficit went from 4 in 2005-06 to 6 in 2006-07 (excluding Yarra-Melbourne Regional Library Corporation which ceased operating at 31 March 2007 and had reported an underlying deficit for the operating period).

Figure 5AC
RLC overall sustainability risk rating criteria

	High risk of short-term and immediate viability concerns indicated by: <ul style="list-style-type: none"> • a “red” underlying result indicator or • a “red” liquidity ratio.
	Medium risk of longer-term sustainability concerns indicated by a “red” investment gap indicator.
	Low risk of financial sustainability concerns – no high risk indicators.

Source: Victorian Auditor-General's Office.

The combined underlying deficit of these 6 RLCs in 2006-07 was \$843 000 compared with \$345 000 last year.

In 2006-07, the liquidity position of RLCs improved overall, however, 5 are operating with negative working capital. Without the financial support of their owners, these RLCs would find it difficult to meet short-term commitments.

The level of spending on capital is decreasing in comparison with the level of depreciation, measured as the investment gap ratio. This may indicate that RLCs are not maintaining their collections.

The long-term viability of Goulburn Valley Regional Library has been rated a high risk because it also has a high level of debt compared to its revenue base which is not reflected in Figure 5AD.

Figure 5AD
Results for RLCs for 30 June 2007

	Underlying result (%)	Liquidity	Investment gap ratio	Assessment
Casey Cardinia	4.0	2.16	1.05	
Central Highlands	-2.6	0.97	0.10	
Corangamite	-13.2	0.46	0.92	
Eastern	3.2	1.44	1.09	
Geelong	9.99	0.95	1.14	
Goulburn Valley	30.7	0.81	0.98	
High Country	84.8	1.47	2.01	
North Central Goldfields	20.9	2.46	1.37	
West Gippsland	-1.0	1.69	1.13	
Whitehorse-Manningham	-3.2	1.11	0.80	
Wimmera	-9.0	1.92	0.83	
Yarra Plenty	9.8	0.92	0.83	

Note: Yarra-Melbourne Regional Library has been excluded from the table as it ceased operating on 31 March 2007.

Source: Victorian Auditor-General's Office.

RESPONSE provided by the Chief Executive Officer of the Goulburn Regional Library Corporation

The underlying 'going concern' concept you rely on is not valid for a regional library, which is no more than a vehicle for member councils to provide library services to their communities.

The reality is that funding (approximately 70 per cent from member councils of the region and 26 per cent from the state government) is received on an annual cash requirements basis and committed prior to the commencement of each financial year.

The debt is confined to relatively short-term lease payments of capitalized IT and furniture and equipment acquisitions and accrued employee benefits which are annual budget line items.

As at one minute to midnight on 30 June 2007 the ratio is as you report, but at one minute past midnight, i.e. 1 July 2007, the corporation has additional current debtors (member councils and state government) of \$2.2 million which provides an entirely different picture, further demonstrating that the measure is not valid in the context of the regional library.

5.6.3 Conclusion

Taking the results of RLCs as a group, the financial position of RLCs appears to have improved. However, this masks the poor performance of a number of RLCs, including:

- immediate liquidity issues at 5 RLCs
- one RLC with both short-term and long-term debt management issues
- half of all RLCs not spending sufficient money to maintain their assets (including library collections) at the current levels.

Recommendation

5.3 All local councils as owners, contributors and users of RLCs should:

- critically assess the financial health of their RLCs
 - develop strategies to ensure the long-term viability of their RLCs.
-

Appendix A

Acronyms and glossary

A.1 Acronyms

ABS	Australian Bureau of Statistics
ANAO	Australian National Audit Office
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ICT	Information and communications technology
IT	Information technology
KPI	Key performance indicator
LG Act	<i>Local Government Act 1989</i>
RLC	Regional library corporation

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.

Asset valuation

From 1 July 2002 Commonwealth agencies and authorities are required to use either the cost basis or the fair value basis to measure Property, Plant and Equipment. The shift from the deprival method of valuation to fair value should occur gradually over a three-year period. Fair value essentially reflects the current market value of an asset.

Australian Accounting Standards

Accounting standards are developed in Australia by the Australian Accounting Research Foundation and approved by the Institute of Chartered Accountants in Australia and the Australian Society of CPA's. Exposure drafts of Accounting Standards do not qualify as Australian Accounting Standards.

Benefit

An improvement in service quality, quantity, cost or risk and/or a positive financial output arising from a proposed investment project.

Cost

An expense incurred in the production of outputs.

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.”

Current ratio

It is an indication of a council's ability to meet short-term debt obligations. We have used a benchmark value of 1 for the current ratio. A council that records a value less than 1 may face potential problems in meeting short-term obligations.

Depreciation

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.

Depreciation charge

A systematic charge against revenue made for the purpose of allocating the depreciable amount of a depreciable asset over its useful life.

Equity or net assets

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

Expense

Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.

Financial year

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

Government department or agency

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 councils' purpose to provide for a democratic, efficient and effective system of local government in Victoria, to give councils powers which will enable councils 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 of entries that holds the details which is 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

The extent of variability in, or of exposure to loss in, the expected benefits or returns from an investment. Investment risk is related to the probability of realising fewer benefits than expected.

Risk assessment

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

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; or

The estimated total services, expressed in terms of production or similar units, that is expected to be obtained from the asset.

Valuation

The process of placing a value on an asset.

Appendix B

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 2 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 2 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 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 separate audit opinion is provided for inclusion with the financial statements that are placed on the client's website.
- A report to the minister responsible for the entity of significant findings identified during the audit.

Appendix C

Completed audits

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Completed audits with 30 June 2007 balance dates

Inner metropolitan councils

Entity	Financial statements		Auditor-General's report signed	Timeliness of audited financial statement completion			
	Financial statements signed	Clear opinion issued		< 2 months	2 to 3 months	3 to 4 months	Over 4 months
Banyule City Council	17 Sept. 2007	✓	20 Sept. 2007	●			
Bayside City Council	18 Sept. 2007	✓	20 Sept. 2007	●			
Boroondara City Council	20 Sept. 2007	✓	25 Sept. 2007	●			
Darebin City Council	3 Sept. 2007	✓	10 Sept. 2007	●			
Glen Eira City Council	13 Sept. 2007	✓	19 Sept. 2007	●			
Hobsons Bay City Council	11 Sept. 2007	✓	25 Sept. 2007	●			
Kingston City Council	10 Sept. 2007	✓	25 Sept. 2007	●			
Maribyrnong City Council	18 Sept. 2007	✓	26 Sept. 2007	●			
Maroondah City Council	11 Sept. 2007	✓	17 Sept. 2007	●			
Melbourne City Council	28 Aug. 2007	✓	31 Aug. 2007	●			
Monash City Council	6 Sept. 2007	✓	17 Sept. 2007	●			
Moonee Valley City Council	4 Sept. 2007	✓	17 Sept. 2007	●			
Moreland City Council	12 Sept. 2007	✓	25 Sept. 2007	●			
Port Phillip City Council	18 Sept. 2007	✓	25 Sept. 2007	●			
Stonnington City Council	10 Sept. 2007	✓	20 Sept. 2007	●			
Whitehorse City Council	11 Sept. 2007	✓	19 Sept. 2007	●			
Yarra City Council	25 Sept. 2007	✓	27 Sept. 2007	●			

Outer metropolitan councils

Entity	Financial statements			Timeliness of audited financial statement completion			
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months
Brimbank City Council	18 Sept. 2007	✓	20 Sept. 2007	●			
Cardinia Shire Council	29 Oct. 2007	✓	31 Oct. 2007			●	
Casey City Council	4 Sept. 2007	✓	10 Sept. 2007	●			
Frankston City Council	10 Sept. 2007	✓	17 Sept. 2007	●			
Greater Dandenong City Council	24 Sept. 2007	✓	25 Sept. 2007	●			
Hume City Council	24 Sept. 2007	✓	27 Sept. 2007	●			
Knox City Council	20 Sept. 2007	✓	27 Sept. 2007	●			
Manningham City Council	31 Aug. 2007	✓	20 Sept. 2007	●			
Melton Shire Council	7 Sept. 2007	✓	12 Sept. 2007	●			
Mornington Peninsula Shire Council	12 Sept. 2007	✓	18 Sept. 2007	●			
Nillumbik Shire Council	11 Sept. 2007	✓	19 Sept. 2007	●			
Whittlesea City Council	18 Sept. 2007	✓	25 Sept. 2007	●			
Wyndham City Council	13 Sept. 2007	✓	18 Sept. 2007	●			
Yarra Ranges Shire Council	14 Aug. 2007	✓	28 Aug. 2007	●			

Regional city councils

Entity	Financial statements			Timeliness of audited financial statement completion				
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months	
Ararat Rural City Council	10 Sept. 2007	✓	14 Sept. 2007	●				
Ballarat City Council	12 Sept. 2007	✓	20 Sept. 2007	●				
Benalla Rural City Council	5 Sept. 2007	✓	25 Sept. 2007	●				
Greater Bendigo City Council	10 Sept. 2007	✓	19 Sept. 2007	●				
Greater Geelong City Council	28 Aug. 2007	✓	12 Sept. 2007	●				
Greater Shepparton City Council	11 Sept. 2007	✓	13 Sept. 2007	●				
Horsham Rural City Council	17 Sept. 2007	✓	19 Sept. 2007	●				
Latrobe City Council	19 Sept. 2007	✓	21 Sept. 2007	●				
Mildura Rural City Council	21 Sept. 2007	✓	27 Sept. 2007	●				
Swan Hill Rural City Council	11 Sept. 2007	✓	20 Sept. 2007	●				
Wangaratta Rural City Council	13 Sept. 2007	✓	19 Sept. 2007	●				
Warrnambool City Council	6 Sept. 2007	✓	17 Sept. 2007	●				
Wodonga Rural City Council	20 Sept. 2007	✓	27 Sept. 2007	●				

Large shire councils

Entity	Financial statements			Timeliness of audited financial statement completion				
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months	
Baw Baw Shire Council	12 Sept. 2007	✓	21 Sept. 2007	●				
Campaspe Shire Council	4 Oct. 2007	✓	10 Oct. 2007			●		
Colac Otway Shire Council	4 Sept. 2007	✓	7 Sept. 2007	●				
Corangamite Shire Council	25 Sept. 2007	✓	27 Sept. 2007	●				
East Gippsland Shire Council	14 Sept. 2007	✓	24 Sept. 2007	●				
Glenelg Shire Council	20 Sept. 2007	✓	27 Sept. 2007	●				
Macedon Ranges Shire Council	14 Sept. 2007	✓	20 Sept. 2007	●				
Mitchell Shire Council	12 Sept. 2007	✓	18 Sept. 2007	●				
Moira Shire Council	20 Sept. 2007	✓	21 Sept. 2007	●				
Moorabool Shire Council	5 Sept. 2007	✓	18 Sept. 2007	●				
Moyne Shire Council	13 Sept. 2007	✓	19 Sept. 2007	●				
South Gippsland Shire Council	5 Sept. 2007	✓	19 Sept. 2007	●				
Southern Grampians Shire Council	5 Sept. 2007	✓	10 Sept. 2007	●				
Surf Coast Shire Council	5 Sept. 2007	✓	14 Sept. 2007	●				
Wellington Shire Council	11 Sept. 2007	✓	19 Sept. 2007	●				

Small shire councils

Entity	Financial statements			Timeliness of audited financial statement completion			
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months
Alpine Shire Council	18 Sept. 2007	✓	27 Sept. 2007		●		
Bass Coast Shire Council	19 Sept. 2007	✓	21 Sept. 2007		●		
Borough of Queenscliffe	18 Sept. 2007	✓	25 Sept. 2007		●		
Buloke Shire Council	10 Oct. 2007	✓	22 Oct. 2007			●	
Central Goldfields Shire Council	11 Sept. 2007	✓	25 Sept. 2007		●		
Gannawarra Shire Council	20 Sept. 2007	✓	21 Sept. 2007		●		
Golden Plains Shire Council	13 Sept. 2007	✓	17 Sept. 2007		●		
Hepburn Shire Council	11 Sept. 2007	✓	19 Sept. 2007		●		
Hindmarsh Shire Council	26 Sept. 2007	✓	26 Sept. 2007		●		
Indigo Shire Council	4 Sept. 2007	✓	7 Sept. 2007		●		
Loddon Shire Council	13 Sept. 2007	✓	19 Sept. 2007		●		
Mansfield Shire Council	18 Sept. 2007	✓	27 Sept. 2007		●		
Mount Alexander Shire Council	18 Sept. 2007	✓	21 Sept. 2007		●		
Murrumbidgee Shire Council	6 Sept. 2007	✓	19 Sept. 2007		●		
Northern Grampians Shire Council	24 Sept. 2007	✓	25 Sept. 2007		●		
Pyrenees Shire Council	11 Sept. 2007	✓	20 Sept. 2007		●		
Strathbogie Shire Council	13 Sept. 2007	✓	19 Sept. 2007		●		
Towong Shire Council	28 Sept. 2007	✓	28 Sept. 2007		●		
West Wimmera Shire Council	6 Sept. 2007	✓	12 Sept. 2007		●		
Yarriambiack Shire Council	12 Sept. 2007	✓	17 Sept. 2007		●		

Regional library corporations

Entity	Financial statements			Timeliness of audited financial statement completion			
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months
Casey - Cardinia Regional Library Corporation	5 Sept. 2007	✓	20 Sept. 2007		●		
Central Highlands Regional Library Corporation	21 Sept. 2007	✓	24 Sept. 2007		●		
Corangamite Regional Library Corporation	5 Sept. 2007	✓	7 Sept. 2007		●		
Eastern Regional Library Corporation	14 Sept. 2007	✓	20 Sept. 2007		●		
Geelong Regional Library Corporation	15 Aug. 2007	✓	24 Aug. 2007	●			
Goulburn Valley Regional Library Corporation	25 Sept. 2007	✓	26 Sept. 2007		●		
High Country Regional Library Corporation	10 Sept. 2007	✓	10 Sept. 2007		●		
North Central Goldfields Regional Library Corporation	31 Aug. 2007	✓	3 Sept. 2007		●		
West Gippsland Regional Library Corporation	26 Sept. 2007	✓	26 Sept. 2007		●		
Whitehorse Manningham Regional Library Corporation	29 Aug. 2007	✓	6 Sept. 2007		●		
Wimmera Regional Library Corporation	21 Sept. 2007	✓	24 Sept. 2007		●		
Yarra Plenty Regional Library Corporation	14 Sept. 2007	✓	20 Sept. 2007		●		

Associated companies

Entity	Financial statements			Timeliness of audited financial statement completion			
	Financial statements signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2 to 3 months	3 to 4 months	Over 4 months
CityWide Service Solutions Pty Ltd	10 Aug. 2007	✓	15 Aug. 2007	●			
Melbourne Wholesale Fish Market Pty Ltd	22 Aug. 2007	✓	28 Aug. 2007	●			
Prahran Market Pty Ltd	28 Aug. 2007	✓	28 Aug. 2007	●			
Queen Victoria Market Pty Ltd	21 Aug. 2007	✓	28 Aug. 2007	●			
Regent Management Company Pty Ltd	26 Sept. 2007	✓	27 Sept. 2007		●		
Streetshead Cleaning Services	5 Sept. 2007	✓	19 Sept. 2007		●		
Sustainable Melbourne Trust Fund	21 Sept. 2007	✓	26 Sept. 2007		●		
Wimmera Development Association	27 Sept. 2007	✓	28 Sept. 2007		●		

Completed audits: Other balance dates (31 March 2007)

Entity	Financial statements		
	Financial statements signed	Clear opinion issued	Auditor-General's report signed
City Library Joint Venture	6 July 2007	✓	24 July 2007
Yarra-Melbourne Regional Library Corporation	26 June 2007	✓	12 July 2007

Note: City Library Joint Venture and Yarra-Melbourne Regional Library Corporation ceased operations on 31 March 2007. Financial statements cover the period from 1 July 2006 to 31 March 2007

Summary of completed audits with 30 June 2007 balance dates

Entity	Timeliness of audited financial statement completion				
	< 2 months	2 to 3 months	3 to 4 months	Over 4 months	
2006-07 Total number of agencies = 98	7	89	2	0	
Per cent (cumulative)	7	98	100	100	
2005-06 Total number of agencies = 101	6	95	0	0	
Per cent (cumulative)	6	100	100	100	

Appendix D

Audit tables

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	D.5.E Small shire councils.....	100

D.1 Underlying results (%)

D.1.A Underlying results (%) – Inner metropolitan councils

Inner metropolitan councils	2003	2004	2005	2006	2007	Mean	Forecast			Future trend
							2008	2009	2010	
Banyule City Council	-6.81	-8.70	-4.31	-6.37	0.03	-5.24	-3.40	-1.61	0.16	↗
Bayside City Council	-0.73	14.70	2.58	-1.52	2.00	3.41	1.48	1.64	1.96	↗
Boroondara City Council	-2.88	-0.60	-0.50	1.57	4.80	0.48	3.15	8.03	9.53	↗
Darebin City Council	4.59	2.33	-0.02	0.17	0.49	1.51	2.37	2.75	3.65	↗
Glen Eira City Council	8.19	8.60	10.87	4.69	5.20	7.51	3.83	5.76	4.93	↗
Hobsons Bay City Council	1.88	-15.90	-0.57	1.12	5.60	-1.57	9.65	7.19	6.15	↘
Kingston City Council	-8.78	-1.90	-3.40	-3.64	3.90	-2.76	-0.37	-0.58	-1.12	↘
Maribyrnong City Council	-0.04	7.90	10.09	12.14	3.00	6.62	11.14	9.74	11.46	↗
Maroondah City Council	-8.45	-3.30	-3.60	-0.51	1.10	-2.95	0.09	-1.17	11.92	↗
Melbourne City Council	2.85	6.62	4.64	8.56	-0.60	4.41	2.89	1.63	5.81	↗
Monash City Council	-3.51	-4.80	0.66	-1.73	2.60	-1.36	-0.98	-0.93	-3.70	↘
Moonee Valley City Council	-11.07	-2.40	4.47	4.69	3.90	-0.08	2.95	4.55	2.11	↘
Moreland City Council	-3.49	-9.20	-8.67	-6.95	-2.80	-6.22	-2.32	-2.44	-1.27	↗
Port Phillip City Council	1.41	5.30	0.64	4.42	16.00	5.55	11.76	10.62	11.58	↗
Stonnington City Council	1.66	1.10	9.03	7.27	9.79	5.77	7.89	5.91	5.44	↗
Whitehorse City Council	-5.05	-7.80	-1.80	-7.16	-4.34	-5.23	-2.83	-2.19	-1.04	↗
Yarra City Council	1.82	8.33	-0.10	8.13	6.14	4.86	7.35	7.18	6.86	↘
Average underlying result (%)	-1.67	0.02	1.18	1.46	3.34	0.88	3.50	1.64	-0.17	↘

D.1.B Underlying results (%) – Outer metropolitan councils

Outer metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
								2008	2009	2010	
Brimbank City Council	2.01	3.25	4.09	3.23	4.51	3.42	↕	14.59	11.83	12.06	↕
Cardinia Shire Council	-10.07	10.70	1.87	6.63	8.47	3.52	↕	11.66	4.63	6.01	↕
Casey City Council	4.43	8.29	10.33	1.86	17.80	8.54	↕	10.53	7.36	10.44	↕
Frankston City Council	0.59	-0.39	1.25	-5.71	-2.50	-1.35	↗	3.74	5.43	3.20	↗
Greater Dandenong City Council	-9.02	4.61	-4.09	8.45	3.84	0.76	↕	4.80	15.16	17.70	↕
Hume City Council	1.38	-3.05	-15.30	7.15	23.00	2.64	↕	9.54	8.69	7.27	↗
Knox City Council	-11.29	-18.41	-5.18	1.93	2.47	-6.10	↕	5.62	4.37	5.52	↗
Manningham City Council	-8.99	2.92	7.44	8.90	14.90	5.03	↕	15.21	19.03	19.06	↕
Melton Shire Council	-6.21	-36.30	1.11	-2.28	31.20	-2.50	↕	31.43	30.69	30.06	↗
Mornington Peninsula Shire Council	5.49	4.72	18.97	-15.47	4.10	3.56	↗	3.20	2.48	2.40	↗
Nillumbik Shire Council	2.76	5.25	-8.21	-1.59	10.70	1.78	↗	9.79	29.43	5.36	↗
Whittlesea City Council	-6.56	6.23	6.12	5.86	2.33	2.80	↕	-4.26	0.49	0.32	↗
Wyndham City Council	-5.99	4.98	10.32	4.16	8.23	4.34	↕	12.92	6.22	7.35	↕
Yarra Ranges Shire Council	-1.23	-1.65	5.56	-2.89	14.60	2.88	↕	3.37	-0.85	0.28	↕
Average underlying result (%)	-3.44	-0.63	2.45	1.30	10.32	2.00	↕	11.82	13.06	11.45	↗

D.1.C Underlying results (%) – Regional city councils

Regional city councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Ballarat City Council	-5.87	3.96	-1.58	-7.08	10.30	-0.05	↑	7.70	9.43	8.82	→
Greater Bendigo City Council	5.53	10.12	6.66	4.90	11.40	7.72	↓	23.64	23.00	23.49	↑
Greater Geelong City Council	1.11	9.23	2.11	5.34	7.80	5.12	↓	14.51	11.58	11.11	↓
Greater Shepparton City Council	-0.43	1.01	3.86	6.14	11.60	4.44	↑	7.43	5.45	6.95	↑
Horsham Rural City Council (a)	-18.62	-12.13	-22.34	10.03	12.50	-6.11	↑	-4.66	-2.37	N/A	↑
Latrobe City Council	-4.24	-2.57	4.94	5.40	6.36	1.98	↑	5.88	2.83	4.09	↑
Mildura Rural City Council	-13.01	5.43	8.60	11.42	12.40	4.97	↑	8.54	5.88	6.58	↑
Swan Hill Rural City Council	-9.51	-13.68	0.82	0.30	-1.27	-4.67	↑	-6.07	-5.42	-0.33	↓
Wangaratta Rural City Council	3.68	5.73	7.57	10.53	9.36	7.37	↑	3.39	1.35	9.30	↑
Warrnambool City Council	3.76	1.79	-7.49	-4.74	6.20	-0.10	↓	12.88	18.63	12.30	↓
Wodonga Rural City Council	5.01	20.33	8.94	10.21	10.39	10.98	↓	18.60	18.44	8.83	↓
Average underlying result (%)	-10.26	-1.49	-3.90	3.73	5.77	-1.23	↑	2.77	3.11	2.21	↑

(a) The forecast information provided by Horsham Rural City Council does not include data for 2010.

D.1.D Underlying results (%) – Large shire councils

Large shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Baw Baw Shire Council	10.16	8.78	2.14	4.92	3.24	5.85	↘	1.38	1.03	4.27	↘
Campaspe Shire Council	3.12	1.16	-4.70	10.49	8.94	3.80	↗	2.29	1.67	-0.45	↘
Colac Otway Shire Council	-28.43	-8.79	-16.66	5.02	-5.03	-10.78	↗	0.98	2.55	2.83	↗
Corangamite Shire Council	-6.12	2.09	-3.89	1.80	-3.87	-2.00	↗	-0.62	-0.01	0.66	↗
East Gippsland Shire Council	12.25	6.00	-0.40	13.95	16.77	9.71	↗	17.52	20.83	14.08	↗
Glenelg Shire Council	5.62	4.40	-7.40	8.48	13.10	4.84	↗	9.58	6.36	7.03	↗
Macedon Ranges Shire Council	3.85	7.27	4.25	6.24	19.40	8.20	↗	7.28	17.17	8.28	↘
Mitchell Shire Council	1.71	-1.96	5.22	9.75	5.60	4.06	↗	8.67	9.67	10.33	↗
Moira Shire Council	-0.73	1.54	4.68	4.99	1.95	2.49	↗	4.59	0.95	3.09	↗
Moorabool Shire Council	-11.22	-10.47	-4.10	-23.99	-11.11	-12.18	↗	-0.99	-3.21	-3.23	↗
Moynes Shire Council	1.06	0.34	-0.32	5.07	8.10	2.85	↗	2.36	3.88	0.40	↘
South Gippsland Shire Council	-6.45	-6.64	3.53	8.28	4.51	0.65	↗	0.87	2.00	1.76	↘
Southern Grampians Shire Council	-2.32	9.36	0.78	7.28	6.25	4.27	↗	-5.67	-3.81	-2.07	↗
Surf Coast Shire Council	-4.78	10.39	0.63	1.22	10.61	3.61	↗	8.06	7.96	5.02	↘
Wellington Shire Council	6.39	-3.58	-6.39	-4.00	5.94	-0.33	↘	7.38	9.45	16.25	↗
Average underlying result (%)	-0.75	1.33	2.53	5.05	6.47	2.92	↗	5.65	6.54	6.51	↘

D.1.E Underlying results (%) – Small shire councils

Small shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
	2003	2004	2005	2006	2007	2008		2009	2010		
Alpine Shire Council	6.87	10.29	3.43	9.79	0.68	6.21	↗	1.86	1.88	3.01	↗
Ararat Rural City Council	-14.56	-9.60	-5.33	-0.56	15.70	-2.87	↗	5.23	0.92	2.28	↗
Bass Coast Shire Council	5.58	-4.68	8.17	7.19	16.40	6.53	↗	1.63	11.50	12.43	↗
Benalla Rural City Council (b)	N/A	-20.24	-12.96	6.08	-6.80	-8.48	↗	-4.32	0.01	1.36	↗
Borough of Queenscliffe	1.53	-3.92	7.86	4.92	7.98	3.67	↗	2.37	20.80	25.20	↗
Buloke Shire Council (c)	-20.16	6.52	0.68	5.45	3.92	-0.72	↗	-4.91	-4.67	N/A	↗
Central Goldfields Shire Council	-13.50	-11.88	-12.54	-9.10	-4.34	-10.27	↗	-4.97	-3.62	-3.90	↗
Gannawarra Shire Council	-3.67	-0.91	-11.56	-1.70	0.60	-3.45	↗	2.47	2.35	2.42	↗
Golden Plains Shire Council (d)	9.93	15.27	-8.56	5.87	22.10	8.92	↗	N/A	N/A	N/A	N/A
Hepburn Shire Council	-11.69	-6.41	-8.61	-6.96	-0.87	-6.91	↗	9.20	2.99	2.42	↗
Hindmarsh Shire Council	-0.73	0.66	3.48	15.95	13.70	6.61	↗	9.84	9.61	9.46	↗
Indigo Shire Council	-0.74	-4.05	-5.96	1.37	5.67	-0.74	↗	16.36	11.12	8.79	↗
Loddon Shire Council	2.49	1.10	-11.98	4.63	1.60	-0.43	↗	-6.31	-15.91	-15.22	↗
Mansfield Shire Council (b)	N/A	3.28	4.62	5.43	0.74	3.52	↗	4.38	5.25	5.09	↗
Mount Alexander Shire Council	-7.84	-7.90	0.94	-4.63	-4.30	-4.75	↗	0.93	2.98	2.15	↗
Murrindindi Shire Council	2.04	2.41	3.36	4.22	3.90	3.19	↗	5.95	2.10	2.36	↗
Northern Grampians Shire Council	-3.83	-1.20	-6.10	4.82	4.50	-0.36	↗	2.92	3.29	3.85	↗
Pyrenees Shire Council	-8.02	-8.79	-8.55	9.47	24.50	1.72	↗	7.52	5.82	-14.76	↗
Strathbogie Shire Council	0.19	0.11	-7.72	5.53	1.07	-0.16	↗	-1.46	-0.47	0.15	↗
Towong Shire Council	-4.91	3.88	-7.36	2.16	10.80	0.91	↗	-1.11	-1.03	-1.06	↗
West Wimmera Shire Council (3)	-3.67	2.22	-2.24	8.37	6.03	2.14	↗	15.57	15.95	N/A	↗
Yarriambiack Shire Council	-5.19	0.99	-7.88	3.84	3.45	-0.96	↗	-4.96	-5.51	-4.09	↗
Average underlying result (%)	-7.35	-0.15	-3.38	3.83	5.91	-0.23	↗	3.01	3.39	2.25	↗

(b) The 5-year analysis for Benalla and Mansfield does not include data for 2003 as it was not representative due to de-amalgamation.

(c) The forecast information provided by Buloke and West Wimmera Shire Council does not include data for 2010.

(d) The forecast information provided by Golden Plains Shire Council is expressed as the data for each financial year and not include as total figures.

D.2 Liquidity

D.2.A Liquidity – Inner metropolitan councils

Inner metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Banyule City Council	2.88	2.99	3.68	3.23	3.25	3.21	↑	2.47	1.63	1.75	↑
Bayside City Council	2.19	1.90	2.02	1.31	1.27	1.74	↓	1.15	1.02	1.06	↑
Boroondara City Council	1.77	1.97	1.58	1.22	1.62	1.63	↓	1.10	1.01	1.02	↑
Darebin City Council	1.62	1.51	1.11	1.02	1.14	1.28	↓	0.98	0.99	1.00	↑
Glen Eira City Council	2.11	2.07	2.48	2.08	1.77	2.10	↑	1.24	1.16	0.97	↓
Hobsons Bay City Council	1.81	2.10	1.55	1.33	1.21	1.60	↓	1.23	1.22	1.28	↑
Kingston City Council	0.93	1.01	1.19	1.40	1.47	1.20	↑	1.56	1.50	1.48	↓
Maribymong City Council	1.63	1.86	1.83	1.72	1.65	1.74	↓	1.80	1.75	1.66	↓
Maroondah City Council	1.92	1.86	2.15	2.27	2.98	2.24	↑	2.25	2.32	2.34	↑
Melbourne City Council	4.01	4.64	4.01	2.83	5.34	4.17	↓	1.99	1.96	2.14	↓
Monash City Council	2.51	2.03	2.15	2.15	2.01	2.17	↓	1.96	1.85	1.75	↓
Moonee Valley City Council	2.00	1.83	2.11	1.80	1.48	1.84	↓	1.55	1.61	1.70	↑
Moreland City Council	2.52	2.61	1.48	1.57	1.64	1.96	↓	1.59	1.55	1.55	→
Port Phillip City Council	3.53	2.72	2.74	3.23	2.66	2.98	↓	2.27	2.68	3.17	↑
Stonnington City Council	1.99	1.94	2.16	2.00	2.16	2.05	↑	2.27	2.18	2.11	↑
Whitehorse City Council	2.70	3.80	3.82	2.54	2.26	3.02	↓	2.10	2.03	2.11	↓
Yarra City Council	1.33	1.34	1.24	1.25	1.34	1.30	↓	1.34	1.49	1.56	↑
Average liquidity	2.20	2.25	2.19	1.94	2.07	2.13	↓	1.76	1.71	1.70	↓

D.2.B Liquidity – Outer metropolitan councils

Outer metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Brimbank City Council	1.59	1.62	1.78	2.48	2.23	1.94	↑	1.07	1.01	1.04	↑
Cardinia Shire Council	1.79	2.15	1.73	1.73	1.60	1.80	↓	1.27	1.54	1.45	↓
Casey City Council	3.79	3.96	3.70	3.42	3.54	3.68	↓	2.56	2.57	2.85	↑
Frankston City Council	1.23	1.90	1.80	1.61	1.59	1.63	↑	1.29	1.29	1.22	↓
Greater Dandenong City Council	1.15	1.73	0.65	0.64	1.11	1.06	↓	1.10	1.02	0.95	↓
Hume City Council	1.29	1.43	1.25	1.02	1.37	1.27	↓	1.11	1.14	1.14	→
Knox City Council	1.97	1.68	1.73	1.60	1.66	1.73	↓	1.40	1.36	1.36	↑
Manningham City Council	1.44	1.24	1.13	1.55	1.82	1.44	↑	1.86	1.91	1.96	↑
Melton Shire Council	3.19	3.16	3.82	3.34	2.92	3.29	↑	2.44	2.23	2.20	↓
Mornington Peninsula Shire Council	1.91	1.53	1.35	1.37	1.43	1.52	↓	1.26	1.19	1.14	↓
Nillumbik Shire Council	2.14	2.80	2.09	2.14	2.46	2.33	↓	1.74	1.51	1.82	↑
Whittlesea City Council	2.76	4.22	3.46	4.49	4.06	3.80	↑	4.54	4.33	3.82	↓
Wyndham City Council	3.11	3.56	2.75	2.89	2.80	3.02	↓	2.62	2.56	2.51	↓
Yarra Ranges Shire Council	1.57	2.19	2.03	2.37	2.99	2.23	↑	2.37	2.34	2.57	↑
Average liquidity	2.07	2.37	2.09	2.19	2.26	2.20	↓	2.00	1.97	1.95	↓

D.2.C Liquidity – Regional city councils

Regional city councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
								2008	2009	2010	
Ballarat City Council	1.40	1.80	2.12	1.70	2.10	1.82	↕	1.61	1.72	1.59	↘
Greater Bendigo City Council	1.32	1.40	1.29	1.35	1.58	1.39	↕	1.18	1.23	1.10	↘
Greater Geelong City Council	1.34	1.41	0.68	1.04	1.13	1.12	↘	0.83	1.01	1.12	↕
Greater Shepparton City Council	2.34	2.08	1.88	2.06	2.01	2.07	↘	1.93	2.01	2.06	↕
Horsham Rural City Council (e)	4.79	4.18	2.49	2.07	2.27	3.16	↘	1.80	1.76	N/A	↘
Latrobe City Council	1.95	1.92	1.85	2.06	1.73	1.90	↘	1.17	1.18	1.17	↘
Mildura Rural City Council	1.85	2.12	2.62	1.90	2.27	2.15	↕	2.76	2.53	2.66	↕
Swan Hill Rural City Council	1.51	1.75	2.26	2.23	2.86	2.12	↕	1.60	1.77	1.79	↕
Wangaratta Rural City Council	1.84	2.15	2.14	1.84	1.92	1.98	↘	1.53	1.60	1.48	↘
Warrnambool City Council	1.25	1.56	1.52	1.34	1.92	1.52	↕	1.25	1.20	1.30	↕
Wodonga Rural City Council	2.28	4.37	3.93	4.29	4.52	3.88	↕	3.68	3.79	3.84	↕
Average liquidity	1.99	2.25	2.07	1.99	2.21	2.10	↕	1.69	1.73	1.74	↕

(e) The forecast information provided by Horsham Rural City Council does not include data for 2010.

D.2.D Liquidity – Large shire councils

Large shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
								2008	2009	2010	
Baw Baw Shire Council	1.81	2.03	2.18	1.88	1.60	1.90	↓	1.26	0.99	0.95	↑
Campaspe Shire Council	2.60	3.08	3.56	2.38	2.79	2.88	↑	3.24	3.21	3.23	↑
Colac Otway Shire Council (f)	1.55	2.01	2.08	2.43	2.67	2.15	↑	1.57	1.43	N/A	↓
Corangamite Shire Council	1.53	2.36	1.73	1.96	1.44	1.80	↓	1.44	1.27	1.19	↓
East Gippsland Shire Council	1.72	1.58	2.51	2.49	2.68	2.20	↑	1.90	1.91	2.22	↑
Glenelg Shire Council	1.50	1.94	2.44	2.99	3.00	2.37	↑	2.44	2.58	2.61	↑
Macedon Ranges Shire Council	1.48	1.82	1.60	1.65	1.69	1.65	↔	1.58	1.64	1.87	↑
Mitchell Shire Council	1.70	1.67	1.34	1.35	1.31	1.47	↓	1.19	1.33	1.42	↑
Moira Shire Council	1.47	2.01	2.27	2.03	2.05	1.97	↑	1.22	1.07	1.10	↑
Moorabool Shire Council	1.37	1.47	1.45	1.69	1.06	1.41	↓	1.05	1.06	1.09	↓
Moyne Shire Council	2.38	2.73	2.47	2.47	2.88	2.59	↑	1.86	2.03	1.94	↓
South Gippsland Shire Council	1.77	2.00	1.65	2.15	1.27	1.77	↓	1.19	1.37	1.74	↑
Southern Grampians Shire Council	1.99	4.34	1.72	1.74	2.39	2.44	↓	1.75	1.45	1.33	↓
Surf Coast Shire Council	1.67	1.67	2.13	1.88	2.30	1.93	↑	2.00	2.03	2.25	↑
Wellington Shire Council	2.19	1.78	1.92	2.00	2.49	2.08	↑	1.41	1.57	1.46	↓
Average liquidity	1.78	2.17	2.07	2.07	2.11	2.04	↑	1.66	1.66	1.75	↑

(f) The forecast information provided by Colac Otway Shire Council does not include data for 2010.

D.2.E Liquidity – Small shire councils

Small shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
								2008	2009	2010	
Alpine Shire Council	1.93	2.70	2.43	2.43	2.56	2.41	↕	1.96	2.14	2.13	↗
Ararat Rural City Council	1.87	1.99	1.92	1.81	1.59	1.84	↘	1.44	1.48	1.56	↕
Bass Coast Shire Council	1.73	1.56	1.68	1.35	1.81	1.63	↘	1.33	1.38	1.39	↕
Benalla Rural City Council	1.65	1.09	1.28	1.52	1.49	1.41	↕	1.22	1.23	1.23	↗
Borough of Queenscliffe	2.01	2.13	2.45	2.71	3.77	2.61	↕	3.05	2.55	1.44	↘
Buloke Shire Council	1.83	2.39	2.04	1.09	0.74	1.62	↘	0.58	0.50	0.49	↘
Central Goldfields Shire Council	1.85	2.42	1.82	2.36	1.53	2.00	↘	1.15	1.09	1.21	↗
Gannawarra Shire Council	2.24	2.24	1.61	1.96	1.94	2.00	↘	1.33	1.28	0.92	↘
Golden Plains Shire Council (g)	2.62	2.77	2.16	2.94	3.47	2.79	↕	N/A	N/A	N/A	N/A
Hepburn Shire Council	1.40	1.44	1.62	1.45	1.54	1.49	↕	1.07	1.08	1.08	↗
Hindmarsh Shire Council	1.65	1.78	1.68	2.34	3.50	2.19	↕	1.66	1.97	2.28	↕
Indigo Shire Council	1.36	1.28	1.27	1.30	1.49	1.34	↕	1.06	1.18	1.33	↕
Loddon Shire Council	2.27	2.88	2.43	2.74	3.52	2.77	↕	2.28	1.93	1.79	↘
Mansfield Shire Council	1.40	1.69	1.18	1.43	1.49	1.44	↘	1.02	1.19	1.22	↕
Mount Alexander Shire Council	2.45	1.52	2.06	2.38	2.86	2.25	↕	2.15	2.46	2.70	↕
Murrindindi Shire Council	1.98	1.72	1.48	1.56	1.37	1.62	↘	1.05	1.02	1.10	↕
Northern Grampians Shire Council	1.82	1.60	1.54	1.61	1.82	1.68	↘	1.45	1.54	1.54	↗
Pyrenees Shire Council	3.65	2.01	1.91	1.91	2.93	2.48	↘	3.66	3.05	3.35	↕
Strathbogie Shire Council	2.42	2.27	2.48	2.07	1.33	2.11	↘	1.33	1.33	1.38	↕
Towong Shire Council	2.55	1.97	1.50	2.06	2.78	2.17	↘	0.73	0.70	0.65	↘
West Wimmera Shire Council (h)	1.73	1.99	2.53	1.95	1.81	2.00	↕	1.68	1.90	N/A	↕
Yarriambiack Shire Council	2.31	2.02	2.04	2.71	2.13	2.24	↕	1.66	1.59	1.54	↘
Average liquidity	2.03	1.98	1.87	1.99	2.16	2.04	↗	1.59	1.57	1.53	↘

(g) The forecast information provided by Golden Plains Shire Council is expressed as the data for each financial year and not include as total figures.

(h) The forecast information provided by West Wimmera Shire Council does not include data for 2010.

D.3 Indebtedness (%)

D.3.A Indebtedness (%) – Inner metropolitan councils

Inner metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Banyule City Council	10.40	9.00	12.20	1.80	1.70	7.02	↓	1.60	1.50	1.50	→
Bayside City Council	40.50	27.60	30.60	26.10	26.60	30.28	↓	27.50	26.40	25.30	↓
Boroondara City Council	20.70	17.90	15.40	14.60	12.00	16.12	↓	10.35	11.07	12.90	↑
Darebin City Council	10.10	12.40	11.90	5.10	6.00	9.10	↓	6.20	5.10	4.20	↓
Glen Eira City Council	4.30	5.00	5.50	1.70	1.60	3.62	↓	1.50	1.40	1.50	↑
Hobsons Bay City Council	16.90	19.90	11.40	7.90	5.90	12.40	↓	4.60	3.70	3.30	↓
Kingston City Council	39.90	27.90	20.60	17.60	16.30	24.46	↓	16.50	13.60	11.00	↓
Maribyrnong City Council	75.60	62.90	45.90	40.30	31.80	51.30	↓	24.20	18.50	12.30	↓
Maroondah City Council	15.30	9.10	7.00	5.40	5.00	8.36	↓	4.50	4.20	3.40	↓
Melbourne City Council	0.60	3.60	4.26	1.30	8.40	3.60	→	1.22	1.27	1.29	→
Monash City Council	28.70	26.00	21.60	22.70	24.50	24.70	↓	27.80	27.30	27.40	↑
Moonee Valley City Council	20.60	18.60	20.20	19.90	24.30	20.72	↓	27.20	30.10	26.60	↓
Moreland City Council	11.90	13.60	2.60	2.80	13.50	8.88	↓	18.50	17.70	16.90	↓
Port Phillip City Council	15.60	13.60	10.30	9.80	4.20	10.70	↓	8.70	7.40	6.20	↓
Stonnington City Council	21.20	14.90	14.50	7.50	7.40	13.10	↓	11.40	10.20	10.30	↓
Whitehorse City Council	4.20	8.56	7.70	1.11	1.06	4.53	↓	3.77	3.46	2.93	↓
Yarra City Council	28.50	23.60	16.70	11.20	6.00	17.20	↓	10.10	8.50	6.30	↓
Average indebtedness (%)	21.47	18.48	15.20	11.58	11.55	15.65	↓	12.65	11.90	11.24	↓

D.3.B Indebtedness (%) – Outer metropolitan councils

Outer metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
	2003	2004	2005	2006	2007	2008		2009	2010		
Brimbank City Council	58.90	43.80	33.80	30.10	29.00	39.12	↓	19.70	17.80	16.10	↓
Cardinia Shire Council	77.00	96.80	118.10	101.20	97.80	98.18	↑	86.10	88.20	82.80	↓
Casey City Council	21.30	16.00	12.70	18.10	15.10	16.64	↓	5.90	5.00	4.40	↓
Frankston City Council	16.60	12.30	3.10	5.40	5.00	8.48	↓	4.90	3.00	3.00	↓
Greater Dandenong City Council	21.50	16.80	21.70	25.20	22.10	21.46	↑	21.80	18.40	15.90	↓
Hume City Council	37.50	34.00	25.80	20.50	37.20	31.00	↓	32.70	28.30	24.90	↓
Knox City Council	19.37	18.62	14.71	9.20	8.37	14.06	↓	7.87	7.87	7.47	↓
Manningham City Council	10.50	10.00	10.20	13.30	13.30	11.46	↑	12.30	11.80	11.30	↓
Melton Shire Council	44.90	35.90	29.90	34.70	37.80	36.64	↓	43.90	40.30	35.80	↓
Mornington Peninsula Shire Council	33.30	37.40	32.70	58.70	45.30	41.48	↑	43.80	42.00	39.70	↓
Nillumbik Shire Council	19.00	17.30	19.00	22.60	23.70	20.32	↑	26.00	23.80	21.70	↓
Whittlesea City Council	28.20	32.50	27.00	23.30	21.00	26.40	↓	24.70	38.20	34.00	↓
Wyndham City Council	41.17	32.00	12.50	11.10	8.70	21.09	↓	28.98	38.17	34.34	↓
Yarra Ranges Shire Council	13.50	26.80	16.60	16.40	12.40	17.14	↓	16.20	13.30	11.10	↓
Average indebtedness (%)	31.36	30.73	26.99	27.84	26.91	28.77	↓	27.19	26.96	24.60	↓

D.3.C Indebtedness (%) – Regional city councils

Regional city councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
	2003	2004	2005	2006	2007	2008		2009	2010		
Ballarat City Council	27.00	26.80	21.50	24.60	19.80	23.94	↓	21.60	19.50	17.00	↓
Greater Bendigo City Council	23.80	22.40	18.90	14.80	9.60	17.90	↓	11.90	13.50	14.50	↓
Greater Geelong City Council	23.60	15.30	14.30	14.50	14.00	16.34	↓	13.20	19.30	17.20	↓
Greater Shepparton City Council	9.30	8.00	4.50	2.90	2.60	5.46	↓	2.20	2.00	1.90	↓
Horsham Rural City Council ⁽ⁱ⁾	43.30	37.40	34.50	37.40	28.60	36.24	↓	33.00	29.30	N/A	↓
Latrobe City Council	22.20	35.60	32.50	33.90	30.30	30.90	↑	33.40	29.90	27.80	↓
Mildura Rural City Council	39.20	45.00	52.70	44.10	45.90	45.38	↑	45.00	44.60	43.20	↓
Swan Hill Rural City Council	42.30	44.40	49.00	49.50	40.30	45.10	↑	31.60	30.00	25.60	↓
Wangaratta Rural City Council	53.80	52.00	51.80	46.70	38.20	48.50	↓	45.30	52.30	36.40	↓
Warrnambool City Council	43.60	29.80	28.20	22.90	23.30	29.56	↓	22.80	23.10	17.90	↓
Wodonga Rural City Council	45.30	54.40	62.50	81.80	86.80	66.16	↑	84.60	85.20	77.20	↓
Average indebtedness (%)	33.95	33.74	33.67	33.92	30.85	33.23	↓	31.37	31.26	27.77	↓

(i) The forecast information provided by Horsham Rural City Council does not include data for 2010.

D.3.D Indebtedness (%) – Large shire councils

Large shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
								2008	2009	2010	
Baw Baw Shire Council	51.60	54.80	56.60	50.00	39.70	50.54	↓	38.10	39.50	41.20	↓
Campaspe Shire Council	28.60	24.80	27.60	19.90	26.60	25.50	↓	28.30	32.40	28.50	↓
Colac Otway Shire Council (j)	37.40	33.60	39.30	34.20	31.30	35.16	↓	27.20	20.10	N/A	↓
Corangamite Shire Council	20.70	24.70	19.10	17.80	16.90	19.84	↓	25.30	26.60	22.00	↓
East Gippsland Shire Council	54.50	42.70	42.20	28.70	22.30	38.08	↓	20.90	33.70	27.30	↓
Glenelg Shire Council	30.30	29.50	42.50	41.10	34.80	35.64	↑	32.30	28.90	25.60	↓
Macedon Ranges Shire Council	40.00	35.70	46.00	37.90	30.40	38.00	↑	34.20	34.90	29.40	↓
Mitchell Shire Council	22.40	32.50	25.70	30.10	24.20	26.98	↓	25.30	26.50	27.20	↑
Moira Shire Council	48.30	37.80	55.60	45.80	55.20	48.54	↑	54.20	54.20	56.80	↑
Moorabool Shire Council	32.70	33.80	27.64	33.68	26.34	30.83	↓	28.83	37.45	45.62	↑
Moyne Shire Council	23.00	20.40	10.40	7.60	3.20	12.92	↓	5.80	7.70	7.60	↓
South Gippsland Shire Council	69.90	77.00	64.70	48.80	25.20	57.12	↓	19.20	12.80	9.00	↓
Southern Grampians Shire Council	19.60	32.00	40.35	39.50	34.60	33.21	↑	28.20	27.60	25.60	↓
Surf Coast Shire Council	45.30	37.90	38.40	32.70	25.40	35.94	↓	21.60	15.40	23.90	↑
Wellington Shire Council	69.50	54.30	39.80	30.40	37.20	46.24	↓	32.60	32.10	31.60	↓
Average indebtedness (%)	39.59	38.10	38.39	33.21	28.89	35.64	↓	26.76	26.18	26.95	↑

(j) The forecast information provided by Colac Otway Shire Council does not include data for 2010.

D.3.E Indebtedness (%) – Small shire councils

Small shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Alpine Shire Council	20.30	20.00	19.60	17.60	16.10	18.72	↘	14.40	13.40	12.50	↘
Ararat Rural City Council	25.80	23.20	10.60	6.60	4.30	14.10	↘	2.90	1.20	1.30	↘
Bass Coast Shire Council	32.00	31.10	15.10	13.70	12.00	20.78	↘	17.50	16.90	16.20	↘
Benalla Rural City Council	205.30	40.40	57.10	56.70	59.60	83.82	↘	60.30	56.50	53.20	↘
Borough of Queenscliffe	17.70	28.80	22.00	14.70	26.80	22.00	↘	31.20	23.50	27.70	↘
Buloke Shire Council	32.60	26.50	17.10	13.50	10.40	20.02	↘	11.20	9.70	8.20	↘
Central Goldfields Shire Council (k)	44.50	40.30	48.00	56.70	112.60	60.42	↘	N/A	N/A	N/A	N/A
Gannawarra Shire Council	27.00	17.60	37.90	45.40	41.90	33.96	↘	30.40	25.00	21.00	↘
Golden Plains Shire Council (k)	13.30	12.70	9.70	23.70	17.20	15.32	↘	15.30	N/A	N/A	N/A
Hepburn Shire Council	26.50	23.70	24.80	21.20	18.20	22.88	↘	28.50	24.10	41.40	↘
Hindmarsh Shire Council	34.60	33.40	18.60	12.80	8.00	21.48	↘	13.00	11.60	10.20	↘
Indigo Shire Council	20.00	19.30	18.70	28.30	25.50	22.36	↘	23.80	20.20	17.10	↘
Loddon Shire Council	14.70	9.00	30.10	47.40	44.20	29.08	↘	44.90	44.90	41.40	↘
Mansfield Shire Council	246.70	38.50	30.10	31.10	32.80	75.84	↘	26.50	38.90	35.20	↘
Mount Alexander Shire Council	58.20	32.90	29.20	25.00	24.10	33.88	↘	22.40	22.90	20.40	↘
Murrindindi Shire Council	46.20	39.90	42.90	45.10	40.90	43.00	↘	41.70	37.20	35.20	↘
Northern Grampians Shire Council	42.50	35.50	28.10	18.50	19.50	28.82	↘	19.60	13.20	9.20	↘
Pyrenees Shire Council	46.30	33.60	21.80	22.70	20.20	28.92	↘	24.20	20.00	16.90	↘
Strathbogie Shire Council	68.20	68.60	67.00	51.20	42.50	59.50	↘	38.10	31.20	26.20	↘
Towong Shire Council	19.00	11.00	13.20	5.20	3.60	10.40	↘	6.20	7.10	8.10	↘
West Wimmera Shire Council (l)	13.50	8.10	13.20	2.10	0.80	7.54	↘	5.10	5.20	N/A	↘
Yarriambiack Shire Council	27.60	22.70	11.50	7.60	7.80	15.44	↘	6.30	5.00	3.80	↘
Average indebtedness (%)	49.20	28.04	26.65	25.76	26.77	31.29	↘	22.12	20.56	20.63	↘

(k) The forecast information provided by Central Goldfields Shire Council and Golden Plains Shire Council is expressed as the data for each financial year and not include as total figures.

(l) The forecast information provided by West Wimmera Shire Council does not include data for 2010.

D.4 Self-financing (%)

D.4.A Self-financing (%) – Inner metropolitan councils

Inner metropolitan councils	Forecast				Mean	Actual trend	Forecast				Future trend
	2003	2004	2005	2006			2007	2008	2009	2010	
Banyule City Council	13.43	6.48	15.24	3.12	14.41	10.54	↑	8.79	10.48	12.16	↑
Bayside City Council	18.76	36.00	17.04	12.95	18.60	20.67	↓	15.78	15.84	15.62	↓
Boroondara City Council	19.89	8.20	21.26	19.92	23.00	18.45	↑	23.26	25.02	26.15	↑
Darebin City Council	15.76	19.46	16.31	15.07	16.80	16.68	↓	17.41	18.09	18.88	↑
Glen Eira City Council	22.65	32.28	22.91	20.48	23.10	24.28	↓	20.52	21.96	21.27	↓
Hobsons Bay City Council	24.39	29.40	21.09	16.67	23.60	23.03	↓	25.22	22.51	21.62	↓
Kingston City Council	10.24	37.40	10.24	11.03	8.08	15.40	↓	11.51	11.46	11.10	↓
Maribyrnong City Council	24.26	30.80	22.09	95.36	28.10	40.12	↑	24.00	23.06	24.11	↑
Maroondah City Council	14.41	24.80	20.94	14.49	14.70	17.87	↓	16.12	12.87	12.53	↓
Melbourne City Council	20.20	18.73	17.91	17.60	19.00	18.69	↓	16.15	15.61	19.45	↓
Monash City Council	15.95	22.51	14.19	14.93	16.90	16.90	↑	19.10	16.93	14.86	↓
Moonee Valley City Council	9.98	11.78	19.67	20.14	25.80	17.47	↑	17.75	19.05	17.00	↓
Moreland City Council	12.39	10.90	-9.42	13.51	17.60	9.00	↓	16.63	15.77	16.49	↑
Port Phillip City Council	22.37	18.00	13.78	23.60	28.60	21.27	↑	24.32	20.83	21.51	↑
Stonnington City Council	25.49	16.65	25.29	25.60	25.80	23.77	↓	15.85	19.84	21.23	↑
Whitehorse City Council	16.57	14.11	19.67	18.80	19.33	17.70	↑	15.33	15.24	15.00	↑
Yarra City Council	22.55	16.72	17.90	26.61	21.61	21.08	↑	21.24	21.28	20.67	↓
Average self-financing (%)	18.19	20.84	16.83	21.76	20.30	19.58	↓	18.50	18.02	18.21	↑

D.4.B Self-financing (%) – Outer metropolitan councils

Outer metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Brimbank City Council	27.46	24.17	29.50	24.09	28.50	26.74	↕	23.76	23.20	22.88	↗
Cardinia Shire Council	16.50	23.68	25.86	25.11	32.20	24.67	↕	23.25	19.07	25.32	↕
Casey City Council	27.22	29.55	27.32	28.44	30.60	28.63	↕	20.07	18.61	21.10	↕
Frankston City Council	19.61	18.68	11.26	21.36	14.10	17.00	↗	16.86	16.10	16.06	↗
Greater Dandenong City Council	22.41	20.46	12.70	22.46	21.80	19.97	↗	18.92	26.75	29.95	↕
Hume City Council	13.21	16.70	17.97	14.49	24.80	17.43	↕	23.91	23.27	21.76	↗
Knox City Council	10.83	13.17	13.28	14.41	17.26	13.79	↕	15.05	16.24	15.43	↗
Manningham City Council	20.45	20.17	18.94	24.83	30.30	22.94	↕	30.40	31.82	28.56	↗
Melton Shire Council	19.32	17.47	15.74	19.62	17.90	18.01	↗	20.88	23.87	25.40	↕
Mornington Peninsula Shire Council	16.81	15.69	12.27	12.65	17.40	14.96	↕	12.62	12.53	12.96	↕
Nillumbik Shire Council	16.75	15.04	14.05	16.25	19.10	16.24	↕	22.61	41.71	30.51	↗
Whittlesea City Council	21.75	13.00	25.74	19.27	15.90	19.13	↕	25.02	29.96	27.20	↗
Wyndham City Council	20.98	30.03	36.58	25.20	35.70	29.70	↕	35.54	33.15	32.80	↕
Yarra Ranges Shire Council	17.70	21.34	20.51	15.81	27.90	20.65	↕	17.99	14.83	15.71	↕
Average self-financing (%)	19.36	19.94	20.12	20.29	23.82	20.70	↕	21.35	23.09	22.74	↗

D.4.C Self-financing (%) – Regional city councils

Regional city councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Ballarat City Council	20.56	24.67	21.29	21.12	24.80	22.49	↓	27.67	30.59	29.87	↓
Greater Bendigo City Council	19.33	27.51	27.33	25.18	24.60	24.79	↑	26.78	28.07	29.13	↑
Greater Geelong City Council	14.56	18.22	14.04	17.69	21.69	17.24	↑	18.62	17.24	17.03	↓
Greater Shepparton City Council	22.05	18.96	23.73	-0.07	26.26	18.19	↓	19.66	16.62	16.30	↓
Horsham Rural City Council (m)	21.86	26.97	30.65	42.38	28.96	30.16	↑	22.48	23.20	N/A	↑
Latrobe City Council	19.07	28.68	19.45	23.76	21.34	22.46	↓	21.77	19.52	20.06	↑
Mildura Rural City Council	19.99	19.39	20.77	28.09	30.21	23.69	↑	24.25	21.94	22.28	↑
Swan Hill Rural City Council	11.22	14.89	17.09	17.76	11.13	14.42	↑	8.71	7.29	11.91	↑
Wangaratta Rural City Council	18.51	21.38	28.34	31.39	23.34	24.59	↑	27.99	27.05	33.50	↑
Warrnambool City Council	25.86	10.59	10.27	16.80	19.46	16.60	↓	22.04	28.38	22.46	↓
Wodonga Rural City Council	19.31	10.16	7.09	-8.87	7.87	7.11	↓	42.99	17.16	15.02	↓
Average self-financing (%)	19.30	20.13	20.00	19.57	21.79	20.16	↓	23.91	21.55	21.76	↑

(m) The forecast information provided by Horsham Rural City Council does not include data for 2010.

D.4.D Self-financing (%) – Large shire councils

Large shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
	2003	2004	2005	2006	2007	2008		2009	2010		
Baw Baw Shire Council	20.98	22.54	22.45	23.40	27.70	23.41	↕	20.79	23.56	27.00	↗
Campaspe Shire Council	22.24	21.01	23.99	36.49	23.00	25.35	↕	27.16	36.91	27.09	↗
Colac Otway Shire Council (n)	21.73	20.28	28.33	22.49	24.20	23.41	↕	22.89	23.54	N/A	↕
Corangamite Shire Council	25.39	23.00	22.71	29.93	25.10	25.23	↕	29.38	29.37	29.32	↗
East Gippsland Shire Council	29.60	27.60	25.46	27.96	27.00	27.52	↘	32.38	35.65	29.53	↗
Glenelg Shire Council	26.93	26.39	28.64	25.38	34.80	28.43	↕	27.98	25.96	26.41	↕
Macedon Ranges Shire Council	22.56	17.51	29.19	23.13	30.20	24.52	↕	21.83	29.81	22.17	↗
Mitchell Shire Council	25.85	19.07	25.81	24.65	30.90	25.26	↕	30.11	29.24	29.61	↕
Moira Shire Council	29.18	27.51	26.61	32.73	27.90	28.79	↕	24.72	19.89	24.30	↕
Moorabool Shire Council	20.22	12.93	16.55	20.48	16.46	18.93	↕	18.21	18.29	19.34	↗
Moyne Shire Council	30.39	27.84	34.73	38.64	35.30	33.38	↕	28.25	31.94	31.34	↗
South Gippsland Shire Council	22.48	16.69	21.39	19.89	23.00	20.69	↕	17.81	21.13	21.39	↕
Southern Grampians Shire Council	26.03	25.35	34.63	24.57	27.25	27.56	↘	23.89	24.86	29.50	↕
Surf Coast Shire Council	14.23	20.36	23.57	26.82	22.93	21.58	↕	28.15	28.32	21.89	↗
Wellington Shire Council	35.60	34.43	31.06	29.51	34.20	32.96	↘	33.69	31.00	36.60	↕
Average self-financing (%)	24.89	22.83	26.34	27.07	27.33	25.69	↕	26.28	27.47	26.62	↗

(n) The forecast information provided by Colac Otway Shire Council does not include data for 2010.

D.4.E Self-financing (%) – Small shire councils

Small shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
	2003	2004	2005	2006	2007	2008		2009	2010		
Alpine Shire Council	26.39	22.95	24.78	22.70	15.40	22.44	↗	15.98	17.55	19.45	↗
Ararat Rural City Council	20.39	27.39	20.79	23.82	27.10	23.90	↘	28.28	24.55	25.12	↗
Bass Coast Shire Council	22.51	17.64	31.69	27.90	23.58	24.66	↗	18.48	26.32	26.76	↗
Benalla Rural City Council	50.20	5.82	14.89	19.60	18.64	21.83	↘	11.23	15.66	16.66	↗
Borough of Queenscliffe	12.20	11.64	17.68	11.27	13.60	13.28	↗	10.35	30.83	32.69	↗
Buloke Shire Council	36.15	28.84	32.50	30.43	25.80	30.74	↘	20.30	20.35	20.34	↘
Central Goldfields Shire Council	29.80	35.07	31.10	24.66	21.40	28.41	↘	15.38	16.21	15.86	↘
Gannawarra Shire Council	25.18	25.17	21.31	24.10	29.40	25.03	↘	16.22	14.94	16.57	↗
Golden Plains Shire Council (o)	22.96	18.16	34.30	25.85	39.60	28.17	↗	N/A	N/A	N/A	N/A
Hepburn Shire Council	15.48	16.90	16.52	20.69	13.60	16.64	↗	16.40	18.40	19.32	↗
Hindmarsh Shire Council	21.41	23.97	24.61	44.66	33.30	29.59	↗	30.73	30.90	30.88	↘
Indigo Shire Council	12.32	5.13	10.67	2.90	8.80	7.96	↘	9.50	10.30	11.51	↗
Loddon Shire Council	23.30	24.75	24.77	33.76	33.10	27.94	↗	27.60	25.62	25.92	↗
Mansfield Shire Council	30.32	22.19	17.72	24.66	19.20	22.82	↘	22.43	27.39	22.50	↘
Mount Alexander Shire Council	25.46	10.31	17.63	24.67	18.70	19.35	↗	19.18	20.31	19.45	↘
Murrindindi Shire Council	23.42	19.61	25.62	22.09	25.40	23.23	↗	25.72	22.03	21.31	↘
Northern Grampians Shire Council	35.74	23.13	15.42	25.60	25.00	24.98	↘	24.67	24.63	24.37	↗
Pyrenees Shire Council	30.76	20.28	28.22	43.78	40.70	32.75	↗	39.79	37.05	25.68	↘
Strathbogie Shire Council	23.15	24.94	11.92	22.25	19.10	20.27	↘	19.36	20.49	21.30	↗
Towong Shire Council	16.54	21.27	13.25	17.09	38.61	21.35	↗	22.07	22.23	22.23	↘
West Wimmera Shire Council (p)	28.48	26.29	31.88	34.13	36.43	31.44	↗	29.68	30.08	N/A	↗
Yarriambiack Shire Council	23.52	28.39	26.99	33.93	32.89	29.14	↗	26.06	25.59	26.46	↗
Average self-financing (%)	25.26	20.90	22.47	25.48	25.43	23.91	↗	21.40	22.93	22.22	↘

(o) The forecast information provided by Golden Plains Shire Council is expressed as the data for each financial year and not include as total figures.

(p) The forecast information provided by West Wimmera Shire Council does not include data for 2010.

D.5 Investment gap ratio

D.5.A Investment gap ratio – Inner metropolitan councils

Inner metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Banyule City Council	1.48	1.15	0.76	0.52	0.93	0.97	↑	1.01	1.85	0.82	↓
Bayside City Council	0.86	0.94	1.25	1.13	1.18	1.07	↑	1.12	1.16	0.98	↓
Boroondara City Council	1.33	0.93	1.30	1.66	1.23	1.29	↑	1.57	1.76	1.86	↑
Darebin City Council	1.50	1.41	1.21	0.92	1.02	1.21	↑	1.44	1.86	1.95	↑
Glen Eira City Council	1.48	1.64	2.02	1.41	1.75	1.66	↑	2.39	1.49	2.30	↑
Hobsons Bay City Council	1.42	1.32	1.39	1.31	1.59	1.41	↑	1.64	1.47	1.34	↓
Kingston City Council	0.74	0.25	0.66	0.49	0.41	0.51	↑	0.78	0.76	0.69	↓
Maribymong City Council	1.05	1.01	1.61	2.64	1.09	1.48	↑	1.58	1.65	1.84	↑
Maroondah City Council	0.57	0.71	1.09	0.81	1.25	0.89	↑	1.42	0.90	0.79	↓
Melbourne City Council	1.31	1.26	2.06	2.96	1.55	1.83	↑	1.80	1.13	1.13	↓
Monash City Council	0.85	0.93	0.97	1.00	1.28	1.01	↑	2.02	1.04	1.11	↑
Moonee Valley City Council	1.04	1.23	1.41	1.32	1.79	1.36	↑	1.21	1.53	0.96	↓
Moreland City Council	0.69	0.72	0.81	0.96	0.82	0.80	↑	0.99	0.90	0.92	↑
Port Phillip City Council	1.39	1.93	1.16	1.47	2.44	1.68	↑	2.29	2.08	2.08	→
Stonnington City Council	1.37	1.12	1.28	1.50	1.29	1.31	↑	1.85	1.45	1.38	↓
Whitehorse City Council	0.96	1.07	0.85	1.21	1.07	1.03	↑	1.25	0.97	0.96	↑
Yarra City Council	0.80	0.98	1.07	1.22	1.21	1.06	↑	1.32	1.35	1.37	↑
Average investment gap ratio	1.11	1.09	1.26	1.33	1.29	1.21	↑	1.43	1.31	1.26	↓

D.5.B Investment gap ratio – Outer metropolitan councils

Outer metropolitan councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast		Future trend	
	2003	2004	2005	2006	2007	2008		2009	2010		
Brimbank City Council	1.16	0.82	0.97	0.90	1.58	1.09	↑	2.10	1.40	1.32	↓
Cardinia Shire Council	2.33	1.75	2.69	2.74	2.20	2.34	↑	1.76	0.77	1.35	↑
Casey City Council	0.81	1.03	1.26	2.11	2.11	1.46	↑	2.45	1.59	1.40	↓
Frankston City Council	1.28	0.92	0.88	0.89	0.90	0.97	↓	1.18	1.36	1.54	↑
Greater Dandenong City Council	1.00	0.88	1.58	1.65	1.19	1.26	↑	1.32	1.69	2.01	↑
Hume City Council	1.21	0.60	0.76	1.28	2.31	1.23	↑	1.96	1.50	1.41	↓
Knox City Council	1.14	1.22	0.97	0.97	1.11	1.08	↓	1.83	1.24	1.26	↓
Manningham City Council	1.53	1.66	1.86	1.79	1.75	1.72	↑	1.65	2.01	1.82	↓
Melton Shire Council	0.81	0.90	0.77	0.83	1.60	0.98	↑	2.84	1.68	1.54	↓
Mornington Peninsula Shire Council	0.95	1.54	0.91	1.15	1.13	1.14	↓	0.81	0.83	0.87	↑
Nillumbik Shire Council	0.96	1.32	1.16	0.90	1.62	1.19	↑	1.52	1.45	1.37	↓
Whittlesea City Council	1.13	1.53	1.22	0.95	0.75	1.12	↓	1.47	2.16	1.44	↓
Wyndham City Council	1.37	1.22	1.55	1.34	1.16	1.33	↑	2.43	1.80	1.44	↓
Yarra Ranges Shire Council	0.85	0.87	1.31	0.87	1.04	0.99	↑	1.21	0.88	0.76	↓
Average investment gap ratio	1.18	1.16	1.28	1.31	1.46	1.28	↑	1.65	1.42	1.36	↑

D.5.C Investment gap ratio – Regional city councils

Regional city councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Ballarat City Council	0.80	0.94	1.06	0.97	0.90	0.93	↕	1.43	1.33	1.42	↕
Greater Bendigo City Council	1.75	1.98	1.59	1.36	1.11	1.56	↘	2.04	1.50	1.52	↕
Greater Geelong City Council	1.62	1.32	2.05	1.22	1.43	1.53	↕	1.42	1.27	0.82	↘
Greater Shepparton City Council	1.04	0.90	1.18	1.07	1.18	1.07	↕	1.13	0.94	0.94	↘
Horsham Rural City Council (q)	0.49	0.56	0.96	2.10	1.15	1.05	↕	0.75	0.75	N/A	↘
Latrobe City Council	1.17	1.44	1.04	1.16	1.23	1.21	↘	1.87	1.00	1.14	↕
Mildura Rural City Council	1.31	1.35	1.42	1.84	1.82	1.55	↕	1.47	1.50	1.42	↘
Swan Hill Rural City Council	1.17	0.82	0.87	1.27	0.80	0.99	↘	0.56	0.52	0.82	↕
Wangaratta Rural City Council	1.51	1.49	1.19	1.61	1.66	1.49	↘	1.07	1.13	1.31	↕
Warrnambool City Council	1.67	0.79	0.64	0.92	1.04	1.00	↕	1.79	2.30	1.40	↘
Wodonga Rural City Council	1.59	3.00	4.52	2.61	1.23	2.59	↕	4.78	2.08	1.08	↘
Average investment gap ratio	1.28	1.33	1.50	1.47	1.24	1.36	↕	1.66	1.30	1.19	↘

(q) The forecast information provided by Horsham Rural City Council does not include data for 2010.

D.5.D Investment gap ratio – Large shire councils

Large shires councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
	2003	2004	2005	2006	2007	2008		2009	2010		
Baw Baw Shire Council	2.45	2.21	2.00	2.16	1.74	2.11	↓	2.23	1.72	1.49	↑
Campaspe Shire Council	1.02	0.89	0.80	1.57	1.48	1.15	↑	0.95	1.23	0.89	↓
Colac Otway Shire Council	0.64	0.73	0.81	1.13	1.12	0.89	↑	1.16	1.17	1.11	↑
Corangamite Shire Council	1.09	1.13	0.92	1.05	0.93	1.02	↓	1.55	1.47	1.31	↓
East Gippsland Shire Council	2.18	1.05	0.69	0.96	0.98	1.17	↓	1.98	2.26	1.56	↓
Glenelg Shire Council	1.44	0.97	1.26	1.37	1.41	1.29	↑	2.38	1.24	1.31	↑
Macedon Ranges Shire Council	1.33	1.44	0.22	1.16	2.53	1.34	↓	1.65	2.65	1.60	↓
Mitchell Shire Council	1.30	1.64	1.47	1.86	1.47	1.55	↑	1.83	1.69	1.74	↑
Moira Shire Council	1.22	0.85	1.06	1.37	1.38	1.18	↑	1.73	1.17	1.39	↑
Moorabool Shire Council	1.21	0.87	1.01	0.72	1.36	1.03	↓	1.03	1.25	1.27	↑
Moyne Shire Council	1.18	1.05	0.87	1.12	1.19	1.08	↓	0.96	0.96	0.86	↓
South Gippsland Shire Council	1.22	1.26	1.42	1.01	1.26	1.23	→	0.83	0.76	0.76	↑
Southern Grampians Shire Council (r)	1.32	1.04	2.10	2.09	1.52	1.61	→	N/A	N/A	N/A	N/A
Surf Coast Shire Council	0.49	0.78	0.84	1.44	0.75	0.86	↑	1.26	1.08	1.58	↑
Wellington Shire Council	1.26	0.87	0.56	0.87	1.11	0.93	↓	1.78	1.26	1.71	↑
Average investment gap ratio	1.29	1.12	1.07	1.33	1.35	1.22	→	1.45	1.39	1.39	↑

(r) The forecast information provided by Southern Grampians Shire Council is expressed as the data for each financial year and not include as total figures.

D.5.E Investment gap ratio – Small shire councils

Small shire councils	2003	2004	2005	2006	2007	Mean	Actual trend	Forecast			Future trend
								2008	2009	2010	
Ararat Rural City Council	1.05	0.59	0.71	0.81	1.34	0.90	↕	1.26	0.94	1.04	↕
Alpine Shire Council	1.43	1.23	1.36	1.84	0.92	1.36	↕	1.07	1.01	1.11	↕
Bass Coast Shire Council	0.94	0.92	1.95	1.70	0.95	1.29	↕	1.29	1.53	1.56	↕
Benalla Rural City Council	0.79	0.83	1.02	1.61	0.90	1.03	↕	0.78	1.01	1.08	↗
Borough of Queenscliffe	2.00	1.37	0.97	2.50	0.80	1.53	↘	0.67	-0.39	0.40	↕
Buloke Shire Council	0.46	0.98	0.99	1.34	0.92	0.94	↕	0.97	0.97	1.00	↕
Central Goldfields Shire Council	1.29	0.89	0.82	1.03	1.59	1.12	↕	0.15	0.99	1.00	↕
Gannawarra Shire Council	1.10	1.06	1.46	1.20	1.06	1.18	↕	1.10	1.04	1.30	↕
Golden Plains Shire Council (s)	2.30	3.52	0.95	1.20	1.80	1.95	↘	N/A	N/A	N/A	N/A
Hepburn Shire Council	0.87	0.76	0.45	0.71	1.00	0.76	↘	2.19	1.04	1.12	↗
Hindmarsh Shire Council	1.40	1.02	1.06	1.14	1.17	1.16	↘	1.40	1.29	1.27	↘
Indigo Shire Council	1.02	1.09	0.73	1.11	1.29	1.05	↘	1.85	1.33	1.20	↘
Loddon Shire Council	1.20	1.11	1.20	1.30	1.01	1.16	↕	0.95	0.68	0.63	↘
Mansfield Shire Council	1.58	1.33	2.01	1.20	1.13	1.45	↗	1.20	1.55	0.99	↘
Mount Alexander Shire Council	0.66	1.34	0.60	0.49	0.59	0.74	↘	2.19	1.04	1.12	↘
Murrindindi Shire Council	1.35	1.35	1.53	1.32	1.31	1.37	↕	1.16	1.10	1.11	↕
Northern Grampians Shire Council	1.73	1.11	0.91	1.00	1.21	1.19	↘	1.19	1.00	1.09	↕
Pyrenees Shire Council	1.21	0.62	1.13	1.05	1.64	1.13	↕	1.04	1.17	0.57	↘
Strathbogie Shire Council	0.66	1.31	0.66	1.03	1.60	1.05	↕	0.97	1.02	1.04	↕
Towong Shire Council	1.07	1.55	1.55	0.59	1.16	1.18	↘	0.67	0.88	0.92	↕
West Wimmera Shire Council (t)	1.16	1.08	0.99	1.16	1.19	1.12	↘	1.92	1.11	N/A	↕
Yarriambiack Shire Council	0.93	1.07	0.94	-0.84	1.20	0.66	↘	1.07	0.83	0.85	↕
Average investment gap ratio	1.19	1.19	1.09	1.11	1.17	1.15	↘	1.08	0.99	1.02	↕

(s) The forecast information provided by Golden Plains Shire Council is expressed as the data for each financial year and not include as total figures.

(t) The forecast information provided by West Wimmera Shire Council does not include data for 2010.

Auditor-General's reports

Reports tabled during 2007-08

Report title	Date tabled
Program for Students with Disabilities: Program Accountability (2007-08:1)	September 2007
Improving our Schools: Monitoring and Support (2007-08:2)	October 2007
Management of Specific Purpose Funds by Public Health Services (2007-08:3)	October 2007
New Ticketing System Tender (2007-08:4)	October 2007
Public Sector Procurement: Turning Principles into Practice (2007-08:5)	October 2007
Discovering Bendigo Project (2007-08:6)	November 2007
Audits of 2 Major Partnership Victoria Projects (2007-08:7)	November 2007
Parliamentary Appropriations: Output Measures (2007-08:8)	November 2007
Auditor General's Report on the Annual Financial Report of the State of Victoria, 2006-07 (2007-08:9)	November 2007
Funding and Delivery of Two Freeway Upgrade Projects (2007-08:10)	December 2007
Results of Financial Statement Audits for Agencies with 30 June 2007 Balance Dates (2007-08:11)	December 2007

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