



## Local Government: Results of the 2007-08 Audits



VICTORIA

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Victorian  
Auditor-General

# Local Government: Results of the 2007–08 Audits

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Victorian Auditor-General's Office  
*Auditing in the Public Interest*

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 2007–08 Audits*.

Yours faithfully



D D R PEARSON  
*Auditor-General*

13 November 2008

# Foreword

As the custodians of public resources, both physical and financial, local governments are accountable for the financial management and stewardship of resources in their communities. The preparation of financial, standard and performance statements are a core responsibility in this regard.

This report comments on how well local governments have fulfilled their accountability obligations for 2007–08. Specifically, we note there has been no tangible improvement in the timeliness and quality of statements prepared.

In increasingly challenging economic times it is important to question and receive answers about the financial sustainability of local councils and regional library corporations. This report looks at trends in the financial results of the sector globally, and at an individual council level.

While I am pleased to report no council has been identified as a high sustainability risk in the current year, I caution councils to monitor their expenditure, given it grew faster than revenue this year. If this were to become the 'norm' it would reduce the financial sustainability of councils.

As councils move into a period of change, following pending council elections, both current and prospective councillors can gain an insight into the sector and benchmark the performance of their council through this report.

Ratepayers and residents should also use this report to improve their understanding of the sector, and their local council.



D D R PEARSON  
*Auditor-General*

13 November 2008

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# 1 Executive summary

## 1.1 Introduction

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

This report provides the results of our annual audit of each council, the entities they control, and each regional library corporation (RLC).

Issues of financial sustainability bear directly on the audit process, as we evaluate annually whether a council is still a going concern. However, we recognise that our annual assessment of financial sustainability 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 those governing and managing councils—councillors and executive management—and to those who hold councils to account for their financial stewardship.

In Part 5 and Appendix D of this report we have included a detailed analysis of financial sustainability. This analysis provides data for each council and RLC, and a sustainability risk rating based on the five key indicators that we commenced reporting in 2003–04.

## 1.2 Results of audits

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Local government entities are required by the LG Act to prepare financial statements, standard statements and performance statements. The financial, standard and performance statements 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.

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

This year, clear audit opinions were issued on the financial statements and the standard statements for all entities in the local government sector. This continues the positive result for 2006–07, when clear opinions were issued for all entities.

Clear audit opinions were issued on the performance statements of 78 councils this year, compared to 79 councils last year. The performance statement for **Buloke Shire Council** was qualified because the annual budget did not set targets to enable actual performance to be judged.

## 1.3 Quality of reporting

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

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustments are, therefore, two direct measures of accuracy.

### 1.3.1 Quality of financial statements

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

In 2007–08, the number of adjustments required indicates that quality control over reporting was not effective in most councils. Our analysis showed that, on average, three drafts of financial statements were needed prior to audit clearance.

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

### 1.3.2 Quality of performance statements

While the data reported by councils was found to be accurate there remains considerable scope to improve the quality of supporting narrative.

In this respect it is hoped that our June 2008 better practice guide *Performance Reporting: Turning Principles into Practice* (2007–08:29) will serve as a catalyst for tangible steps to be taken by councils to significantly improve the relevance and appropriateness of performance statements.

### 1.3.3 Current and emerging issues

Local government entities must prepare their financial reports to comply with standards set by the Australian Accounting Standards Board (AASB). It is important that the local government sector stay abreast of emerging accounting issues.

Recently, there has been a move away from sector specific accounting standards to sector neutral, topic based standards. As a result, changes will affect financial reporting in local government entities through the withdrawal of AAS27 Financial Reporting by Local Governments, and the implementation of a new standard AASB 1051 on Land Under Roads.

The new standard on land under roads in particular will require councils to make elections and develop accounting policies that may have a material impact on council financial statements for 2008–09.

## 1.4 Effectiveness of internal control

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

Overall internal control as it relates to financial reporting was sound. Nevertheless, we identified some control weakness common to a number of councils, these include:

- a lack of separation of incompatible duties
- no independent review of changes to key data
- incomplete and unapproved investment policies
- inaccurate reporting in capital works budgets.

These issues are discussed further in Part 4.

## 1.5 Financial sustainability

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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 the five interconnected indicators of financial sustainability shows that there has been an overall improvement in financial sustainability of the local government sector in 2007–08. This year no councils received a high risk rating (three in 2006–07) and the councils rated as medium risk decreased from 18 to 15. Figure 1A summarises the results of our sustainability risk assessment.

**Figure 1A**  
**Summary sustainability risk rating**

Council group	2006–07			2007–08		
	High	Medium	Low	High	Medium	Low
Inner metropolitan	-	4	13	-	2	15
Outer metropolitan	-	3	11	-	2	12
Regional city	-	4	7	-	4	7
Large shire	2	2	11	-	4	11
Small shire	1	5	16	-	3	19
<b>Total</b>	<b>3</b>	<b>18</b>	<b>58</b>	<b>-</b>	<b>15</b>	<b>64</b>

Source: Victorian Auditor-General's Office.

The medium risk ratings provided to 15 councils reflects the challenge the sector faces in addressing the maintenance and upgrade requirements of existing assets, while balancing community requests for new facilities.

While some improvement has been noted, providing sufficient funding to maintain councils assets should continue to be an area for the attention of councils.

## 1.6 Key recommendations

- Councils should improve their end-of-year reporting processes including quality assurance checks of draft statements to identify and correct errors prior to submission for audit (**Recommendation 3.1**).
- Councils prepare an accounting policy that documents whether they elect to recognise land under roads existing at 30 June 2008 (**Recommendation 3.4**).
- Councils should put in place systems and processes to capture and record all land under roads acquired from 1 July 2008 (**Recommendation 3.5**).
- Councils should obtain assurance from their chief executive officer that approved policies and procedures are being adhered to, and that there is adequate segregation of duties within accounts payable and payroll (**Recommendation 4.1**).
- Councils should have a comprehensive investment management policy, which is approved by council and reviewed regularly (**Recommendation 4.2**).
- Councils should receive regular reports regarding the value, risk and return of their investment portfolio (**Recommendation 4.3**).
- Councils should more rigorously review the process and underlying assumptions relative to their capital works budget (**Recommendation 4.6**).

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

*I am pleased that your report has shown an overall improvement in the financial sustainability of councils. I agree with your recommendations which my Department will continue to encourage and support local councils to implement. Additionally, I look forward to continuing to work with the sector and peak bodies on accounting and asset management initiatives.*

## 1.7 General

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The total cost of preparing and printing this report was \$195 000.

# 2 Results of audits

## At a glance

### Background

The local government sector comprises 102 reporting entities—79 councils, 11 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

- **Buloke** and **Central Goldfields Shire** councils did not achieve the statutory timeframe for submitting audited statements by 30 September to the Minister for Local Government.
- The performance statement of **Buloke Shire Council** was qualified for 2007–08 because their annual budget did not set out targets and measures to enable actual performance to be judged.
- No improvement was identified in the time taken to prepare council and RLC financial statements for 2007–08.

## 2.1 Scope

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This part deals with local government entities that have balance dates of 30 June 2008.

The local government sector comprises 102 reporting entities, including councils, regional library corporations and entities controlled by councils such as companies, trusts and joint ventures. Figure 2A shows the numbers of each type of local government entity.

**Figure 2A**  
Local government reporting entities

Type of entity	2006–07	2007–08
Council	79	<b>79</b>
Companies, trust and joint ventures	8	<b>11</b>
Regional library corporation	12	<b>12</b>
<b>Total</b>	99	<b>102</b>

Source: Victorian Auditor-General's Office.

## 2.2 Reporting framework

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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, administers the LG Act.

Under the LG Act, all local government entities must prepare annual financial statements and submit them for audit. Councils and RLCs must also prepare annual standard statements and submit them for audit.

In addition, the councils are required to prepare non-financial performance statements and have them audited. Figure 2B provides an outline of the reporting requirements for all local government entities.

## 2.3 Audit opinions issued

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

**Figure 2B**  
**Local government sector audit accountability statements**

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

Source: Victorian Auditor-General's Office.

### 2.3.1 Financial statements

This year clear audit opinions were issued on the financial statements and the standard statements for all of the entities in the local government sector. This continues the positive result for 2006–07, when clear opinions were also issued on all financial and standard statements.

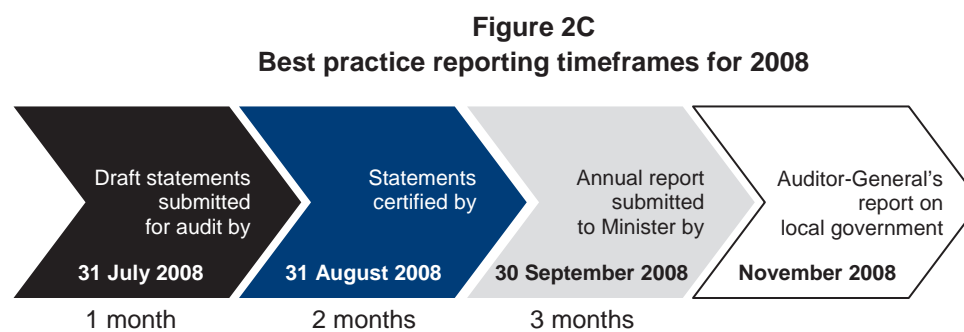
### 2.3.2 Performance statements

The performance statement for **Buloke Shire Council** was qualified for 2007–08. The qualification occurred because their annual budget did not set out targets and measures for the key strategic activities against which the council's performance could be judged. Accordingly, the statement did not meet the requirements of the LG Act, and an adverse audit opinion was provided.

## 2.4 Timeliness

Under the LG Act, entities must submit their annual report to the Minister for Local Government by 30 September each year. The annual report must contain the audited financial and standard statements, as well as the performance statement.

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



Source: Victorian Auditor-General's Office.

### 2.4.1 Councils

The performance of councils in having their audited financial statements completed by 30 September is provided in Figure 2D. Further detail of the reporting dates achieved for each council can be found in Appendix C.

In 2007–08 the two councils that did not have audited financial statements completed by 30 September, were:

- **Buloke Shire Council**—a complete set of statements was not finalised within the reporting timeframes
- **Central Goldfields Shire Council**—asset revaluations were not undertaken in a timely manner and the arising issues were not resolved prior to the reporting deadline.

Neither of these councils received approval from the Minister for Local Government to submit their annual reports after the statutory deadline. Extensions are provided at the minister's discretion. There are no legislative criteria that apply.

This is the second year that **Buloke Shire** has not achieved the 30 September timeframe. The council received an extension from the minister in 2006–07 due to resource constraints.

Last year **Campaspe Shire** and **Cardinia Shire** did not achieve the 30 September legislative timeframe, however both councils improved in 2007–08 certifying their financial statements on 19 September and 22 September respectively.



**Figure 2D**  
Timeliness of councils' audited financial statements

Number of months after the end of financial year audited statements were finalised	2006–07		2007–08	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	2	3	3	4
2–3 months	74	96	74	97
3–4 months	3	100	2	100
<b>Total</b>	<b>79</b>	<b>–</b>	<b>79</b>	<b>–</b>

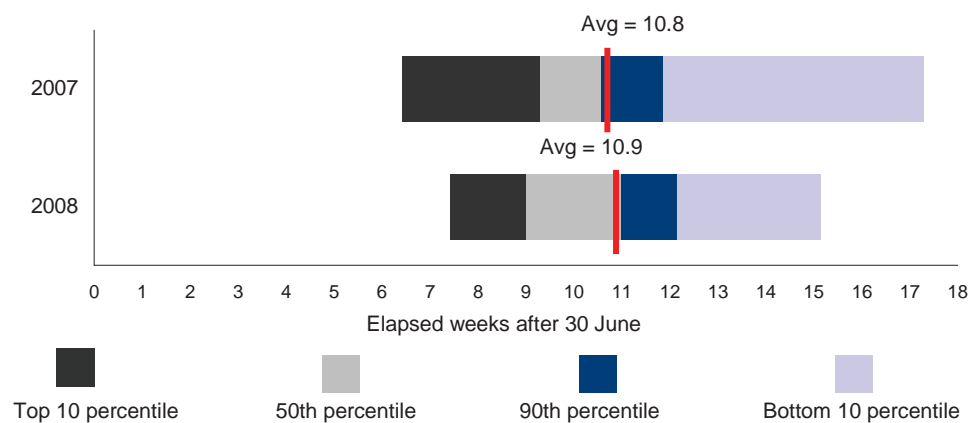
Source: Victorian Auditor-General's Office.

### Comparative analysis of timeliness

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

Figure 2E shows, in percentile bands, the time taken after 30 June for councils to certify their financial statements. It shows, on average, councils made no improvement in the time taken to certify their financial statements. Across the group, most councils took longer to certify their 2007–08 financial statements compared to 2006–07. The one area of improvement was that all council financial statements were completed 15 weeks after year end, three weeks earlier than in 2006–07.

**Figure 2E**  
Time taken for councils to certify their financial statements



Source: Victorian Auditor-General's Office.

**Whitehorse City Council** certified its financial statements earliest; seven weeks after the end of the financial year on 21 August 2008.

Only three councils (4 per cent) were able to achieve certification of their financial statements within two months of the end of the financial year, the same percentage as last year. Consequently the ability of 74 councils (94 per cent) to meet the annual report timetable was placed at risk.

## 2.4.2 Regional library corporations

Figure 2F shows how RLCs performed in having their audited financial statements completed by 30 September. Further detail of the timelines for each RLC is provided in Appendix C. It shows no improvement in timelines with only one RLC finalising their financial statements within 2 months.

**Figure 2F**  
**Timeliness of RLCs audited financial statement completion**

Number of months after the end of financial year audited statements were finalised	2006–07		2007–08	
	Number	Per cent (cumulative)	Number	Per cent (cumulative)
Less than 2 months	1	8	1	8
2–3 months	11	100	11	100
<b>Total</b>	<b>12</b>	<b>–</b>	<b>12</b>	<b>–</b>

Source: Victorian Auditor-General's Office.

# 3 Quality of reporting

## At a glance

### Background

The time taken to finalise financial reports is directly affected by the quality of the first draft statements provided for audit. Ideally, councils should prepare only one draft set of statements, with no audit adjustments required prior to finalising the financial report.

In our audit of the council performance statements, areas identified for improvement include providing context in the statement and the quality of variance explanations.

The Australian Accounting Standards Board has made changes concerning standards that affect land under roads. The new requirements have implications for the financial reporting undertaken by all councils.

### Key findings

- The quality control processes around production of financial statements in councils are poor. This year councils produced an average of three drafts of their financial statements, with each draft requiring two audit requested adjustments.
- Performance statements warrant attention to improve their relevance and appropriateness.

### Key recommendations

- Councils should improve their end-of-year reporting processes including quality assurance checks of draft statements to identify and correct errors prior to submission for audit (**Recommendation 3.1**).
- Councils should prepare an accounting policy that documents whether they elect to recognise land under roads existing at 30 June 2008 (**Recommendation 3.4**).
- Councils should put in place systems and processes to capture and record all land under roads acquired from 1 July 2008 (**Recommendation 3.5**).

## 3.1 Quality of reporting

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

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

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

### 3.1.1 Quality of financial statements

Our analysis of the process to prepare financial statements by councils showed that, on average, three drafts of financial statements were needed prior to audit clearance. In addition, an average of two adjustments was made between each draft, with some councils requiring up to 20 adjustments on some drafts.

The number of adjustments required by audit is disappointing. It indicates poor quality control processes within councils.

If councils are to improve the timeliness and accuracy of their financial statements, they need to implement rigorous processes and systems to produce financial reports. Councils need to conduct their own assessment of the completeness, accuracy and quality of the statements prior to the external audit commencing.

### **Recommendations**

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- 3.1 Councils should improve their end-of-year reporting processes including quality assurance checks of draft statements to identify and correct errors prior to submission for audit.
- 3.2 Quality assurance processes should include an analytical review of draft figures by referencing:
  - the adopted budget
  - internal reporting conducted during the financial year
  - historical and comparative figures to identify movements and trends
  - expected outcomes based on operations and transactions over the previous 12 months.

### 3.1.2 Quality of performance statements

All councils prepare an annual budget setting out the financial projections and parameters for the coming year. The *Local Government Act 1989* (the LG Act) requires the budget to include the key strategic activities the councils will undertake, and performance measures and targets for each key strategic activity. A performance statement is prepared at the end of the financial year to acquit actual performance against these measures and targets.

To be useful, the results reported in the performance statements need appropriate context. This includes explanatory notes that assist in interpreting the reported results, and should include:

- an outline of the performance target
- trends in performance over time
- comparative performance from other similar councils.

It is also appropriate to provide notes to support and explain the statements including:

- an outline of the basis on which the statement was prepared
- definitions and descriptions for each of the performance indicators
- details on the source of data used to prepare the statement
- explanations for any significant material variances between target measures and the actual results.

These matters were identified in our June 2008 report *Performance Reporting in Local Government (2007–08:27)* and better practice guide *Performance Reporting: Turning Principles into Practice (2007–08:29)*. Performance statements to 2006-07 were reviewed in preparing this report. It is hoped that the better practice guide will serve as a catalyst for councils to improve the relevance and appropriateness of performance statements.

#### **Recommendation**

- 3.3 Councils should assess and aim to improve the quality of annual performance statements. Approaches to achieving this should be approved by council and include timeframes, targets and indicators.

## 3.2 Emerging reporting issues

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

Recent changes to AASB standards that affect financial reporting by local government entities are:

- AAS 27 Financial Reporting by Local Governments
- AASB 1051 Land Under Roads.

### 3.2.1 AAS 27 Financial Reporting by Local Governments

This standard had been in place since 1996 and dealt with some of the unique issues faced by the local government sector. Recently the AASB has been implementing changes to mirror accounting standards at an international level. There has also been a move away from sector specific to topic specific accounting standards in Australia, and from 1 July 2008 this standard has been withdrawn.

### 3.2.2 AASB 1051 Land Under Roads

This new standard has been issued to address recognition of land under roads. This land was previously exempt from recognition under AAS 27. The key components of this standard are outlined in Figure 3A.

**Figure 3A**  
**AASB 1051 Land Under Roads**

The key components of AASB 1051 are:

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

Source: Australian Accounting Standards Board.

Councils need to elect whether they will recognise land under roads acquired prior to 1 July 2008. Issues to consider when deciding this are outlined in Figure 3B.

Councils must recognise all new land under roads acquired after 1 July 2008. Therefore, all councils should implement processes to identify this land and ensure that their asset register is complete and accurate.

#### Valuation methodology

To be able to recognise these assets, councils need to put a value on the land under roads.

Given the current area of land under roads controlled by councils, recognition as an asset will have a material impact on the financial statements of councils. Therefore, it is important that the methodology adopted generates valid information.

The methodology used when valuing land under roads has been widely debated for many years. Currently there remains a divergence of views on whether a common methodology can be established that would provide a reliable asset figure for financial reporting.

**Figure 3B**  
**Considerations of recognising land under roads**

Land under roads which exist at 30 June 2008	
Elect to recognise	Elect NOT to recognise
✓ The standard allows recognition at deemed cost. Therefore, councils do not need to revalue land under roads in the future and can carry this land at cost in perpetuity.	✓ Reduced work preparing the 2008–09 financial statements.
✓ Asset records will be complete.	✗ Asset records will not be complete. Councils will need to ensure that their asset recording systems can adequately identify and record land under roads received only post 1 July 2008.
✗ Councils with considerable amounts of land under roads will need to allow time and resources to identify and attribute values to the existing land parcels.	✗ If a council decides to subsequently bring to account land under roads existing at 30 June 2008, the option to recognise it at deemed cost will no longer exist.

Source: Victorian Auditor-General's Office.

## Recommendations

- 3.4 Councils should approve an accounting policy that documents whether they elect to recognise land under roads existing at 30 June 2008.
- 3.5 Councils should put in place systems and processes to capture and record all land under roads acquired after 1 July 2008.

# 4 Effectiveness of internal control

## At a glance

### Background

Internal control encompasses the systems, policies and behaviours established by councils and regional library corporations to reliably and cost effectively meet their business objectives.

When undertaking our financial audit we conduct an assessment of the effectiveness of internal controls, established by management, over the reliability of financial reporting. While it is not our responsibility to form an opinion on internal controls we nevertheless raise with management any control weaknesses or breakdowns we identify.

### Key findings

- This year we identified control weaknesses common to a number of councils.
- The effectiveness of control over investment management was reduced in councils because policies were not completed or approved, and because investment reports did not contain relevant comprehensive information.
- Only 46 councils (58 per cent) achieved within 25 per cent of their capital works budget for 2007–08.

### Key recommendations

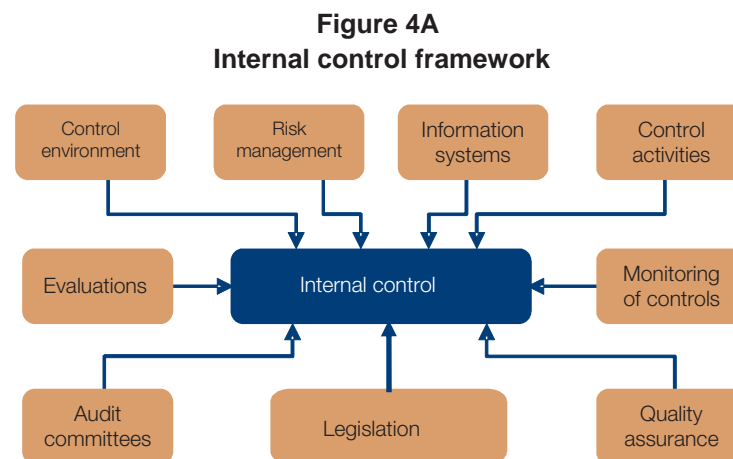
Councils should:

- obtain assurance from their chief executive officer that approved policies and procedures are being adhered to, and that there is adequate segregation of duties within accounts payable and payroll (**Recommendation 4.1**).
- have an effective investment management policy, which is approved by council and reviewed regularly (**Recommendation 4.2**).
- receive regular reports regarding value, risk and return on their investment portfolio (**Recommendation 4.3**).
- more rigorously review the process and underlying assumptions relative to their capital works budget (**Recommendation 4.6**).



## 4.1 Introduction

Internal control refers to the systems, processes and procedures that are established by councils and regional library corporations (RLCs) to reliably and cost effectively meet their business objectives. Figure 4A identifies the major components of internal control.



Source: Victorian Auditor-General's Office.

## 4.2 Common control weaknesses

This year, we identified two main areas of control weakness. These weaknesses were common to a number of councils and related to the lack of:

- approved policies for key elements of control
- separation of duties.

### 4.2.1 Documented and approved policies

Councils should have approved policies on all the core areas of governance within the entity. A lack of documented policies increases the risk of:

- inappropriate employee behaviour
- incorrect expenditure of council money
- lack of council guidance on key issues.

We noted this year that a large number of councils did not have approved policies governing information technology security, credit card usage, maintenance and security of employee files, or the acceptance of gifts.

## 4.2.2 Segregation of duties

Appropriate segregation of duties for internal control purposes requires that those who initiate and approve transactions are not involved in their recording, or in custody of the assets to which they relate. Ideally, councils will have sufficient resources to avoid assignment of conflicting duties to staff.

A typical process that would require duties to be segregated would be separating the cash receipting and banking functions 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, so that all revenue is recorded and all cash receipted is banked.

We noted that again this year, several councils were unable to maintain satisfactory separation of incompatible duties in the accounts payable and payroll areas.

## 4.2.3 Conclusion

The internal control weaknesses identified here are particularly critical to managing fraud risk. A lack of segregation of duties within core functions, or a lack of clear guidance through approved policies and procedures, increases exposure to fraud by providing opportunity, without reliable checks to detect such activities.

### **Recommendation**

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- 4.1 Councils should obtain assurance from their chief executive officer that approved policies and procedures are being adhered to, and that there is adequate segregation of duties within accounts payable and payroll.

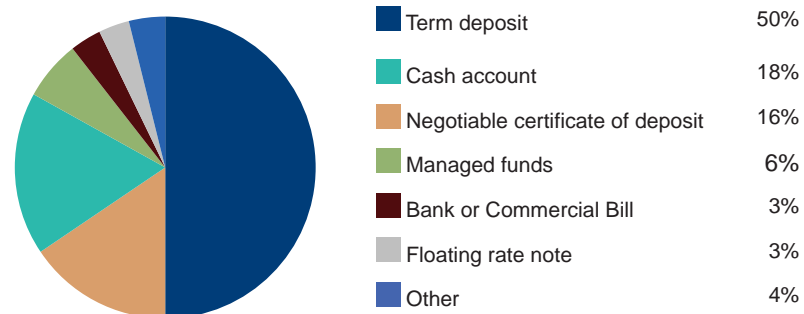
## 4.3 Managing investments

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This year as part of our cyclical approach to reviewing significant aspects of financial management at councils, we carried out a review on investment management. The local government sector had \$1.5 billion in investments at 31 March 2008, with 71 per cent of this invested by inner and outer metropolitan councils.

Figure 4B shows that investments held by councils are generally low risk with 50 per cent held in term deposits and 18 per cent in cash accounts.

**Figure 4B**  
2007–08 local government investments



Source: Victorian Auditor-General's Office.

The conservative approach to investing reflected in Figure 4B has resulted in only small losses being recorded by councils due to recent market uncertainty. As at 30 June 2008, we identified only five councils where the market value of investments held had decreased. The total value lost by the five councils was \$1.7 million. This represents a write down within the range 1.3 per cent to 3.6 per cent of total financial assets for the individual councils, though only 0.1 per cent of the total investments of the sector.

### 4.3.1 Legislation

The approach to investments taken by councils is driven by the *Local Government Act 1989* (LG Act), which prescribes what a council can invest in. The LG Act restricts investments to:

- Commonwealth Government securities
- securities guaranteed by the Victorian Government
- deposits with authorised deposit-taking institutions
- deposits with financial institutions guaranteed by the Government of Victoria
- eligible money market dealers within the meaning of the *Corporations Act 2001*
- those approved by the Minister for Local Government in consultation with the Treasurer, currently including : certificates of deposit, bills of exchange, deposits with Treasury Corporation of Victoria, managed investment schemes, fixed interest securities of an Australian authorised deposit taking institution, shares listed on the Australian Stock Exchange and fixed interest securities of the Australian states and territories.

### 4.3.2 Investment management policy

Responsibility for managing investments rests with the council. Controls should exist to balance risk so that the best return is achieved while also protecting council assets.

An effective means of establishing control is for councils to adopt an investment management policy that:

- documents the acceptable level of risk
- sets the parameters for making investment decisions and for reacting to changes in market conditions
- prescribes the frequency and type of information to be reported to the council.

Best practice guidelines on investment policies have been published in Western Australia<sup>1</sup> and Queensland<sup>2</sup>. These guidelines have been used when assessing investment management practices in Victorian councils.

The key elements of an investment policy as identified when using these best practice guidance is outlined in Figure 4C.

During this year's review, we found that only 41 of the 79 Victorian councils (52 per cent) had an investment policy in place, with an additional 13 councils in the process of drafting a policy. These 41 councils collectively controlled investments valued at \$1.2 billion (81 per cent), leaving \$275 million (19 per cent) invested by councils with no investment policy.

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<sup>1</sup> Department of Local Government and Regional Development 2008, *Investment Policy—Local Government Operational Guidelines*, No. 19, Government of Western Australia.

<sup>2</sup> Queensland Treasury 2007, *Investment Policy Guidelines*, Queensland Government.

**Figure 4C**  
**Key elements of an investment policy**

<p><b>Investment objectives of council</b></p> <ul style="list-style-type: none"><li>• What is the expected outcome of the investment?</li><li>• Why is the money invested?</li></ul> <p><b>Level of risk aversion of council</b></p> <ul style="list-style-type: none"><li>• What is the risk appetite of council?</li><li>• What minimum Standards &amp; Poor (S&amp;P) rating does the council require for its investments?</li></ul> <p><b>Legislative requirements</b></p> <ul style="list-style-type: none"><li>• Does it comply with the <i>Local Government Act 1989</i>?</li></ul> <p><b>Any restriction from using the investment portfolio as leverage</b></p> <ul style="list-style-type: none"><li>• For example, a restriction on using the portfolio as a means to obtain borrowings.</li></ul> <p><b>Limits on speculative investing</b></p> <ul style="list-style-type: none"><li>• For example, a restriction that the portfolio is not to be used to bet on investment movements.</li></ul> <p><b>Valuation method and frequency</b></p> <ul style="list-style-type: none"><li>• Is market value the most appropriate valuation methodology?</li><li>• Should investments be revalued monthly or annually?</li><li>• What is this information for, and who should the report be presented to?</li></ul> <p><b>Criteria or situations triggering liquidation of investments</b></p> <ul style="list-style-type: none"><li>• For example, if the S&amp;P rating of an institution falls below what is specified as acceptable, should the investment be liquidated?</li></ul> <p><b>Documented process for selecting and managing an external investment manager</b></p> <ul style="list-style-type: none"><li>• Why is the external entity required?</li><li>• Details of the selection process to be utilised.</li><li>• How will the external entity be managed?</li><li>• What reporting levels will be required from the entity?</li><li>• Under what circumstances would the entity be disposed?</li></ul>
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Source: Victorian Auditor-General's Office.

None of the investment policies reviewed contained all of the key elements listed in Figure 4C. However, the majority of council policies did contain the following:

- investment objectives
- level of risk aversion
- legislative requirements affecting investments.

Investment policies should be strengthened by including:

- explicit restrictions on investments for speculation
- events that trigger the liquidation of an investment.

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## Recommendation

4.2 Councils should have a comprehensive investment management policy, which is approved by council and reviewed regularly.

### 4.3.3 Reporting to council

It is the responsibility of council to ensure that investments comply with their policy as well as the LG Act.

To enable this, councils need appropriate, clear and regular reports about their investment portfolio. Regular reports on investments enable councils to:

- review the portfolio
- decide changes to the portfolio
- be comfortable that all investments comply with the investment policy and Victorian legislation.

Only 34 Victorian councils (43 per cent) received reports on their investment portfolio. The quality of reporting to councils varied, with only 19 councils (24 per cent) receiving a detailed list of the investments held; and only 15 councils (19 per cent) receiving an explanation on the performance of investments.

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## Recommendation

4.3 Councils should receive regular reports regarding the value, risk and return of their investment portfolio.

### 4.3.4 Using external entities

Councils can involve external entities in their investment management process in a number of ways as:

- fund managers
- product providers
- investment advisors
- investment valuers.

Appointing an external entity to take a role in investment management does not diminish a council's responsibilities for the management or performance of investments. Councils should ensure that decisions made by external entities comply with the requirements of the LG Act.

It is appropriate therefore, that investment policies detail the process to select and manage external entities involved in the management of the investment portfolio.

Our review showed 22 councils (28 per cent) used external entities as part of the investment management process. In most cases the entity was employed as an investment adviser. Of the councils using an external entity, 18 (82 per cent) had an approved investment policy in place; but only two of these policies included a section on selecting and managing an external investment advisor.

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### **Recommendation**

4.4 Council investment policies need to specifically define the role, function and controls that apply to external entities in the investment management process.

#### **4.3.5 Investments and benchmarking**

Benchmarking of investment rates allows councils to make informed decisions by using comparisons of different institutions and products. Benchmarking information also lets a council better assess their returns.

For a matured investment, benchmarking helps a council to improve assessment of returns from investments.

Our review identified 41 councils (52 per cent) using benchmarking to analyse investment performance. The majority of these councils were conducting benchmarking analysis on a regular basis with reviews ranging from daily to quarterly. Among these councils, though, there was little consistency in when benchmarking was undertaken or the source of information used. However, the councils that did undertake formal benchmarking had compared investments to key rate indicators.

There were 17 councils (22 per cent) benchmarking on an ad hoc basis, for example, when money was available to be invested or a current investment had matured.

In all cases, the information was used to assist in the internal decision-making processes when monitoring investment outcomes. However, this information was seldom used to report back to council on the performance of the investment.

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### **Recommendation**

4.5 Councils should benchmark investment rates to ensure that they are achieving appropriate returns with the public funds invested.

## 4.4 Budgeting for capital works

Budgeting for capital works was also selected for cyclical review as another significant aspect of financial management of councils.

The LG Act requires financial planning and budgeting at two levels:

- four-year council plan—including a resource plan that reflects the financial impact of the strategic direction the council has articulated in the council plan
- annually prepared budget—including four standard statements: income, balance sheet, cashflow and capital works.

The council budget forms the basis on which rates are levied. The budget is also used to monitor actual outcomes against financial plans.

### 4.4.1 Achievement against plan

Each council prepares a standard statement of capital works at the end of the financial year to acquit the actual capital works delivered against the approved budget.

Collectively local governments spent \$1.3 billion on capital works in 2007–08, which was 81 per cent of the \$1.6 billion planned in capital budgets.

Figure 4D shows in percentage bands how much of the budgeted capital works programs were actually delivered, based on analysis of the 2007–08 standard statements of capital works of all councils.

**Figure 4D**  
**2007–08 delivery of budgeted capital works**

Capital works delivered (%)	Number of councils
0–25	1
25–50	4
50–75	22
75–100	36
100–125	10
>125	6
<b>Total</b>	<b>79</b>

Source: Victorian Auditor-General's Office.

Figure 4D shows that only 46 councils (58 per cent) achieved within 25 per cent of their capital works budget for 2007–08.



That 27 councils (34 per cent) delivered less than 75 per cent of their capital works budget, shows a tendency for councils to over commit and under deliver to the community. Some of the barriers faced in delivering the capital works plan that warrant attention include:

- timelines for engineering or architect planning; tendering for construction; and the length of time to undertake the work (which all together can exceed 12-months)
- high demand for construction contractors and engineers in some geographical areas.

To address these barriers, the capital works budget should more rigorously manage the staging of large projects so that the annual budget more reliably reflects the anticipated annual costs. Budgets should also be realistic about the outcomes that can be achieved in one financial year.

Conversely, 16 councils delivered more than the approved plan, with six councils (8 per cent) delivering an additional 25 per cent or more over the planned expenditure.

Spending more than budgeted on capital works can indicate that more was delivered to the community than planned. Nevertheless, councils need to provide the community with an appropriate opportunity to discuss and provide input to the selection and prioritising of capital works. Spending more than budgeted can also indicate cost overruns, with actual expenditure exceeding the level approved in the budget. This should be explained.

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## Recommendation

### 4.6 Councils should:

- more rigorously review the process and underlying assumptions relative to their capital works budget
  - take a long-term view of planning for capital works by phasing large projects when budgeting.
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# 5 Financial sustainability

## At a glance

### Background

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

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

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

### Key findings

- The financial sustainability analysis shows improvement for councils in 2007–08, with none of the councils receiving a high risk rating and a reduction from 18 to 15 of the councils rated as medium risk.
- The medium risk ratings provided to councils reflect the challenge the sector faces in addressing the maintenance and upgrade requirements of existing assets, while balancing community requests for new facilities.
- Regional library corporations (RLCs) operate with little discretionary revenue. As a consequence, some RLCs continue to report underlying deficits and most do not spend enough to maintain collections at their current level.

## 5.1 Introduction

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Local government in Victoria combines the individual characteristics and operations of 79 councils. These councils are a very diverse group from Casey City Council, population 229 080 and annual expenditure of approximately \$150 million; to very small councils like the Borough of Queenscliffe, population 3 175 and annual expenditure of approximately \$7 million. Consistent with these diverse characteristics, the financial performance of individual councils also varies substantially.

Here we present analysis of a series of financial sustainability ratios. These ratios provide a set of interrelated indicators for local governments to use to assess their own financial performance and position. The indicators are a way to analyse past results and forecast to identify trends.

Appendix D contains data for every council on each indicator covering the period 2004 to 2011.

Before we analyse individual councils, the following paragraphs are an overview of the key financial movements and ratios for the sector as a whole. They are useful benchmarks when assessing the performance of individual councils later in the part.

## 5.2 Financial performance

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

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

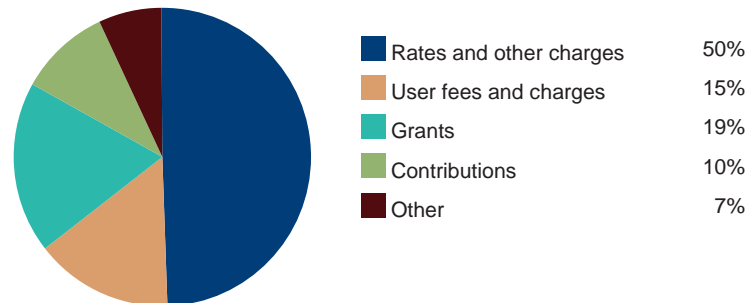
The ability of local governments to achieve this objective depends largely on their funding and expenditure policies. This is reflected in the composition and rate of change of their operating revenues and expenses.

### 5.2.1 Operating revenue

In 2007–08, the local government sector collected \$6 billion in operating revenues, an increase of 5 per cent on the prior year (\$5.7 billion in 2006–07). Using the consumer price index of 4.5 per cent as a benchmark, the increase in revenue for the sector is consistent with general price movements.

The most significant increase in revenue this year was from rates and charges, which grew by \$200 million, or 9 per cent, to \$2.9 billion (\$2.7 billion in 2006–07). There was also a 6 per cent increase in grants and user fees and charges received by the local government sector. The composition of operating revenue for the local government sector is provided in Figure 5A and has largely remained unchanged from prior years.

**Figure 5A**  
2007–08 revenue composition



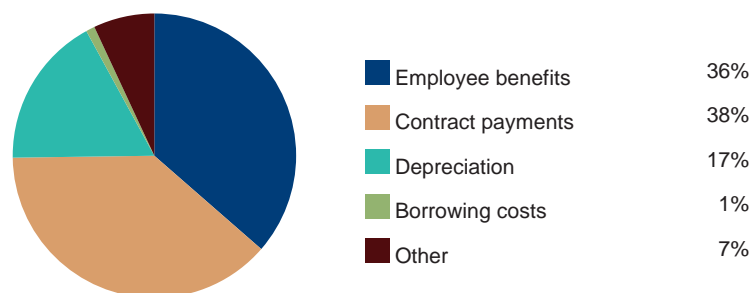
Source: Victorian Auditor-General's Office.

### 5.2.2 Operating expenditure

In 2007–08, total operating expenditure in the local government sector was \$5.16 billion, a growth of 6 per cent or \$316 million. The main areas of growth were:

- **employee benefits, by \$135 million (eight per cent)**—double the 4 per cent labour price index movement for public sector employees. The growth in employee benefits is also larger than revenue growth of five per cent
- **contract payments, by \$165 million (nine per cent)**
- **depreciation, by \$56 million (seven per cent)**—conservative against a 15 per cent increase in the total assets of the sector for the same period. The increase in assets is largely due to revaluation and it is expected that depreciation will continue to increase in coming years.

**Figure 5B**  
2007–08 expenditure composition

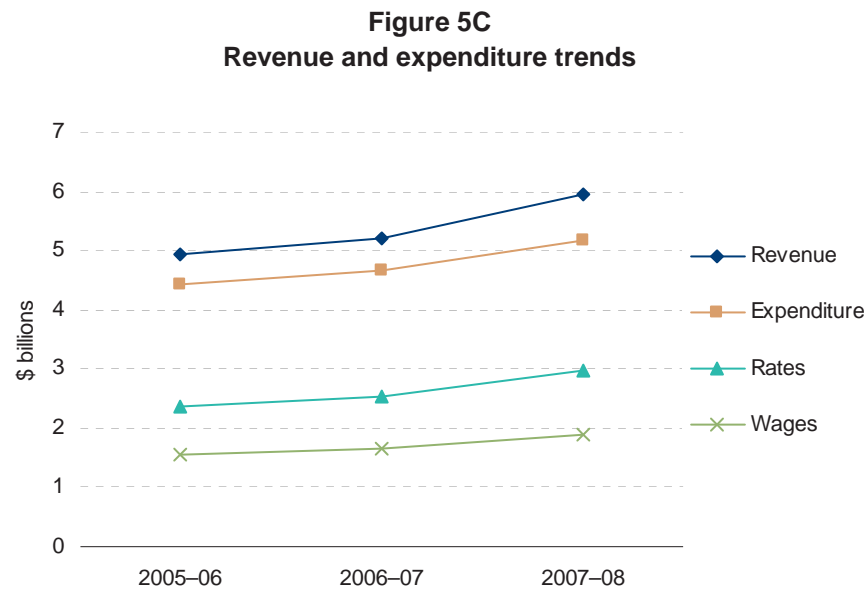


Source: Victorian Auditor-General's Office.

### 5.2.3 Trends in operating results

The increase in operating revenue of 5 per cent was off-set by a 6 per cent growth in operating expenditure. The impact of these movements decreased the aggregated, underlying surplus reported for the year.

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



Source: Victorian Auditor-General's Office.

## 5.3 Financial position

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

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

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

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

### 5.3.1 Assets

In 2007–08, the total assets of local government entities grew in value by 13 per cent, or \$7.2 billion, to \$54.8 billion. This increase occurred in property, plant and equipment assets and reflects the large asset bases all councils manage.

The challenge for councils is to make strategic decisions, understanding their full cost implications, about the operation and service levels of these assets. If operating costs continue to grow faster than revenue, then councils will find it increasingly difficult to generate the funds necessary for asset maintenance and renewal.

### 5.3.2 Liabilities

Current liabilities are primarily in employee leave provisions. These grew by 4 per cent or \$72 million. The total non-current liabilities for the sector remained unchanged from the 2006–07 level, indicating there were no significant additional net borrowings.

## 5.4 Indicators of financial sustainability

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A generally accepted definition of financial sustainability 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 to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.

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

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

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

There is no single indicator sufficient to measure sustainability. However, of most significance is the operating result, 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 (liquidity and investment gap).

The analysis of financial sustainability in this report takes into account all of the indicators, but places the most weight on the operating result and the investment gap, because of the relatively large infrastructure asset base of local governments.

Figure 5D describes the sustainability indicators we use in this report. These indicators have been applied to the published financial information of councils for the period from 2004 to 2011 using prospective data obtained from the councils. The results are in Appendix D.

**Figure 5D**  
**Financial sustainability indicators**

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

Source: Victorian Auditor-General's Office.

We have analysed the indicators for the sector as a whole in the following section to provide benchmarks for the sector. This is followed 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 by individual councils.

## 5.5 Financial sustainability trends

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

### 5.5.1 Underlying result

The overall underlying result for the sector in 2007–08 was 4.2 per cent. The lowest result was –7.92 per cent and the highest result 16.66 per cent. The trend indicates that the sector as a whole is reporting lower surpluses than the prior year. There were 13 councils that reported negative underlying results, compared with 12 in 2006–07.

This year's result requires close attention by all councils to avoid future expenditure constantly exceeding revenue.

**Figure 5E**  
Underlying result trends



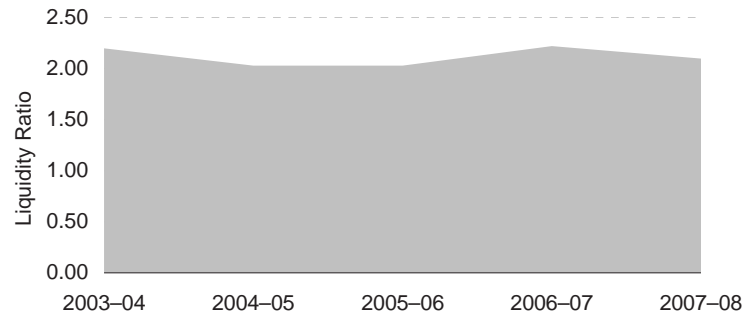
Source: Victorian Auditor-General's Office.

### 5.5.2 Liquidity

The overall liquidity ratio for the sector in 2007–08 was 2.14, which is a strong result. The highest liquidity ratio reported was 4.64 and the lowest was 1.03. This is the first year that all councils had a liquidity ratio greater than one. However, overall liquidity indicators show a marginal decline from 2006–07.



**Figure 5F**  
**Liquidity trends**

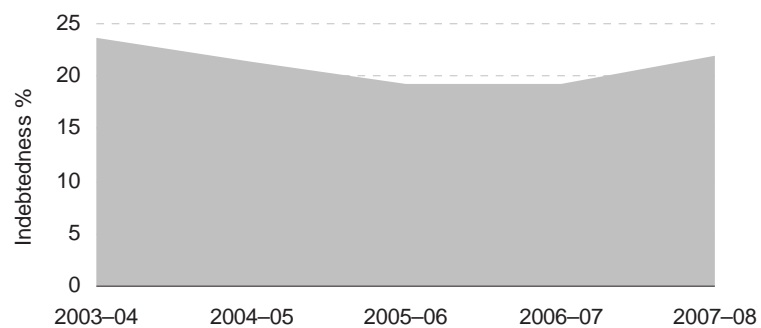


Source: Victorian Auditor-General's Office.

### 5.5.3 Indebtedness

The indebtedness ratio for 2007-08 was 22.3 per cent of own-sourced revenues, which is higher than the ratio for 2006-07 (19 per cent). The results varied significantly between councils, with the highest relative debt ratio being 95.97 per cent, and the lowest at 1.18 per cent (112.6 per cent and 0.8 per cent respectively in 2006-07).

**Figure 5G**  
**Indebtedness trends**

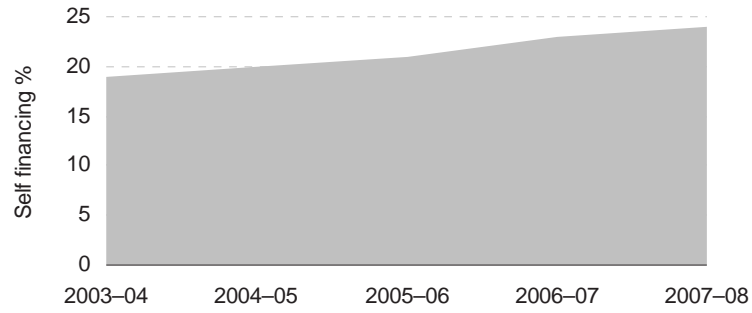


Source: Victorian Auditor-General's Office.

### 5.5.4 Self-financing

The self-financing indicator for the sector overall for 2007-08 was 24 per cent; with the lowest result recorded being negative 0.22 per cent and the highest being 41.42 per cent (7.9 per cent and 40.7 per cent respectively in 2006-07). The trend indicates growth in the cash being generated from operating activities.

**Figure 5H**  
**Self-financing trends**

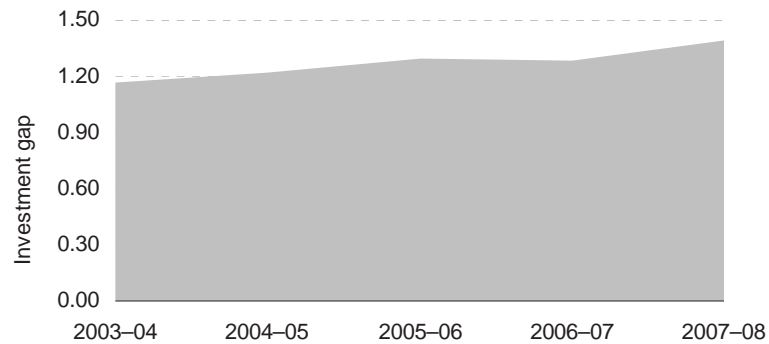


Source: Victorian Auditor-General's Office.

### 5.5.5 Investment gap

This year, the investment gap ratio for the overall sector was 1.39. This result is a slight improvement on the 2006-07 result of 1.29. In 2007-08, the highest ratio was 2.69, but the lowest ratio was 0.63, which is an improvement on the 0.40 reported in 2006-07. The results for the sector over the past five financial years indicate that spending on infrastructure is increasing when compared with the level of depreciation. This is a positive sign.

**Figure 5I**  
**Investment gap trends**



Source: Victorian Auditor-General's Office.

### 5.5.6 Conclusion

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

The reduction in overall underlying result for the sector is consistent with operating expenditure increasing more than operating revenue for 2007–08. Together with decreasing liquidity and increasing indebtedness, the long-term financial sustainability of councils may be at risk if these trends are sustained.

Bridging the investment gap continues to be a focus for all councils with the 2007–08 results for this ratio indicating increased spending on assets. However, council’s ability to maintain spending on infrastructure will be affected in the long term if underlying surpluses continue to decline.

## 5.6 Financial sustainability assessment

The financial health of each council has been assessed using the risk criteria outlined in Figure 5J.

**Figure 5J**  
Risk assessment criteria for financial sustainability indicators

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

Source: Victorian Auditor-General's Office.

The overall sustainability risk rating for each council has been calculated using the ratings determined for each indicator. The criteria used to rate sustainability risk are outlined in Figure 5K. This highlights those councils that are at a relatively high risk of becoming unsustainable.

**Figure 5K**  
**Financial sustainability risk rating criteria**

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

Source: Victorian Auditor-General's Office.

### 5.6.2 Inner metropolitan councils

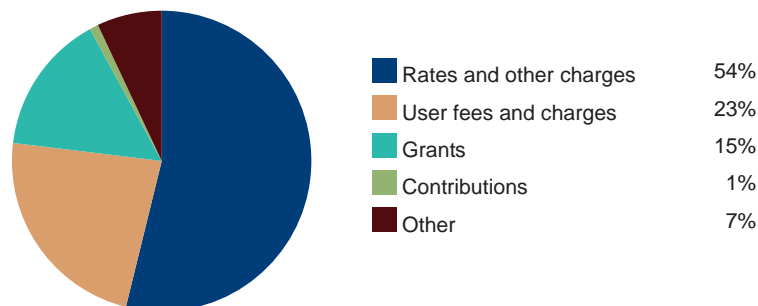
The 17 inner metropolitan councils are predominately urban in character:

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

In 2007–08, inner metropolitan councils collectively received \$2.1 billion in revenue and paid \$1.9 billion in expenses (\$2.1 billion and \$1.8 billion respectively in 2006-07). Figure 5L provides an analysis of the composition of the revenue.

Inner metropolitan councils have significant capacity to raise revenue through a combination of rates and user fees and charges, accounting for 77 per cent of total revenue in 2007–08.

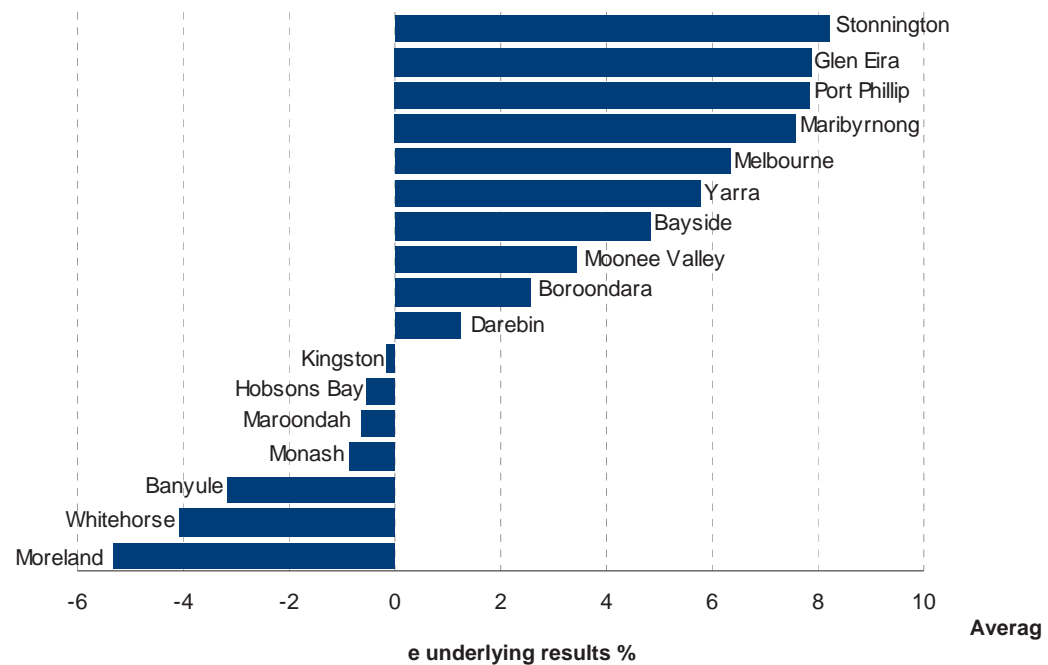
**Figure 5L**  
**Inner metropolitan councils, revenue composition, 2007–08**



Source: Victorian Auditor-General's Office.

The results of this analysis for the group show that 41 per cent or seven (eight in 2006–07) of the 17 councils reported underlying deficits on average for the five-year period, as outlined in Figure 5M. The portion of councils with underlying deficits is now higher in the inner metropolitan group than any other group. This is surprising given the level of discretionary revenue received is higher than in any other group of councils.

**Figure 5M**  
**Five year average underlying results, inner metropolitan councils**



Source: Victorian Auditor-General's Office.

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

The results of the analysis of the sustainability risk indicators for each council in the group are provided in Figure 5N.

The sustainability assessment for the inner metropolitan group has improved: two councils are reported as medium sustainability risks in 2007–08, compared to four in 2006–07.

On a positive note, **Banyule** and **Maroondah** improved their overall sustainability rating by spending more on assets compared to depreciation, which improved their investment gap ratio to greater than one.

**Kingston** and **Moreland** continue to be assessed as a medium sustainability risk with investment gap ratios less than one when averaged over the past five years. The detailed results, as reported in Appendix D, show a trend of improved spending from 2006–07 to 2007–08 and **Moreland** plans to increase spending again in 2008–09.

**Figure 5N**  
**Results for inner metropolitan councils at 30 June 2008**

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment
Banyule	-3.16	3.44	1.48	13.57	1.02	●
Bayside	4.83	1.51	24.59	21.80	1.13	●
Boroondara	2.57	1.75	8.89	24.02	1.25	●
Darebin	1.25	1.39	6.69	16.68	1.12	●
Glen Eira	7.88	1.52	1.44	28.08	1.78	●
Hobsons Bay	-0.54	1.03	4.44	24.78	1.42	●
Kingston	-0.15	1.60	13.28	19.02	0.59	●
Maribyrnong	7.59	1.72	25.25	21.83	1.49	●
Maroondah	-0.62	2.54	4.43	20.66	1.12	●
Melbourne	6.35	2.83	3.64	18.09	1.84	●
Monash	-0.85	1.66	26.99	17.42	1.18	●
Moonee Valley	3.45	1.41	19.04	15.55	1.43	●
Moreland	-5.32	1.52	12.26	21.61	0.86	●
Port Phillip	7.85	2.22	3.54	25.83	1.86	●
Stonnington	8.21	2.42	5.84	27.84	1.42	●
Whitehorse	-4.07	2.67	4.04	23.28	1.10	●
Yarra	5.77	1.37	3.82	20.52	1.13	●

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

Source: Victorian Auditor General's Office.

**RESPONSE provided by Maroondah City Council**

Council has continued to identify the need for capital renewal expenditure through the collection of a 2.5 per cent infrastructure levy to meet current and future demands and this has resulted in this very pleasing improvement in the viability index.

**RESPONSE provided by Moreland City Council**

*Of the five indicators used for 2008, Moreland has scored well in four and has fallen short by 0.01 per cent in the investment gap. Over the past five years Moreland identified the need to achieve a more sustainable approach to its investment in infrastructure and has increased the investment ratio from 0.72 per cent in 2004 to 0.99 per cent in 2008, an improvement of 38 per cent. In addition its underlying result has moved to a positive of 1.13 per cent for 2008 from a deficit of 9.20 per cent in 2004. This has been achieved while maintaining the liquidity and indebtedness results within the targets recommended in the Auditor General's report. As per the 2008–09 budget and the five year strategic resource plan, Moreland will have achieved a satisfactory rating in all indicators by 2009.*

**RESPONSE provided by City of Kingston**

*The result is generally consistent with the known trend regarding Kingston's long term financial strategy particularly in respect of our levels of investment in infrastructure renewal. Our long term financial strategy sees the investment gap ratio averaging approximately 1.4 from 2007–08 to 2012–13 and the gap eliminated by approximately 2016–17.*

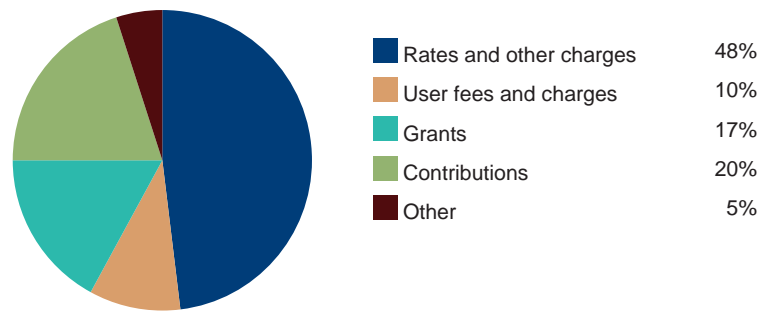
### 5.6.3 Outer metropolitan councils

The 14 outer metropolitan councils are:

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

Outer metropolitan councils received a total of \$1.8 billion in revenue in 2007–08 and paid \$1.4 billion in expenses for the same period (\$1.7 billion and \$1.3 billion respectively in 2006–07). Figure 5O provides an analysis of the type of revenue.

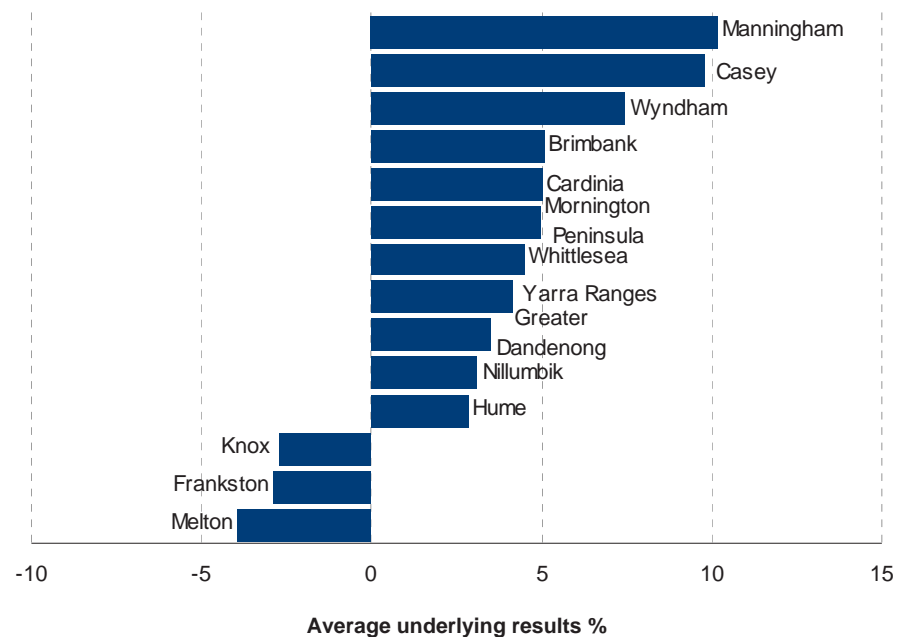
**Figure 50**  
Outer metropolitan councils, revenue composition, 2007–08



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 expected, given these councils are on the urban fringe and include many new housing estates that give rise to cash and assets being contributed by developers.

**Figure 5P**  
Five-year average underlying results, outer metropolitan councils



Source: Victorian Auditor-General's Office.

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



The assets of outer metropolitan councils totalled \$14.8 billion for 2007–08, compared with total liabilities of \$580 million (\$13.1 billion and \$541 million respectively in 2006–07). The level of liabilities in this group is growing and is now higher than the total liabilities of inner metropolitan councils (\$578 million), against a much lower asset base and smaller revenue figures.

The sustainability of outer metropolitan councils improved marginally in 2007–08, as shown in Figure 5Q.

**Figure 5Q**  
**Results for outer metropolitan councils at 30 June 2008**

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap ratio	Sustainability assessment
Brimbank	5.10	2.07	21.18	34.02	1.20	●
Cardinia	5.01	1.24	95.97	22.85	2.38	●
Casey	9.79	2.86	20.61	28.67	1.84	●
Frankston	-2.89	1.60	10.70	24.60	0.91	●
Greater Dandenong	3.48	1.22	14.24	23.26	1.25	●
Hume	2.83	1.96	32.12	31.80	1.27	●
Knox	-2.73	1.78	7.90	18.48	1.11	●
Manningham	10.16	2.05	11.34	29.15	1.74	●
Melton	-3.95	1.89	36.78	17.94	1.23	●
Mornington Peninsula	4.98	1.45	40.23	13.97	1.16	●
Nilfumbik	3.10	2.26	35.06	17.12	1.47	●
Whittlesea	4.49	4.16	17.95	20.04	1.02	●
Wyndham	7.42	2.88	7.71	32.89	1.35	●
Yarra Ranges	4.17	3.26	10.60	18.77	1.00	●

*Note:* The underlying result and investment gap indicators are an average of the results from the past five financial years.

*Source:* Victorian Auditor-General's Office.

**Melton** was rated as a medium risk in 2006–07, however, an improved investment gap indicator has improved their overall rating to low risk this year.

**Yarra Ranges** has retained its rating of medium risk. This is based on infrastructure spending in comparison to depreciation being equal to one. However, positive underlying results, a strong liquidity position and low indebtedness mean that **Yarra Ranges** should be able to develop and implement strategies to address its low spending on infrastructure in the short term. Forecasts for more spending over the next two financial years may bridge this gap.

The investment gap average for **Frankston** has decreased in 2007–08. However, the results over the last four years show a steady increase. The council needs to continue this trend if it is to address the sustainability risks from long-term underspending on infrastructure.

The indebtedness rating of **Cardinia** is high at 95.97 and remains a risk for the council. Strong results for underlying result and self-financing indicate the council should have the ability to service the debt.

### 5.6.4 Regional city councils

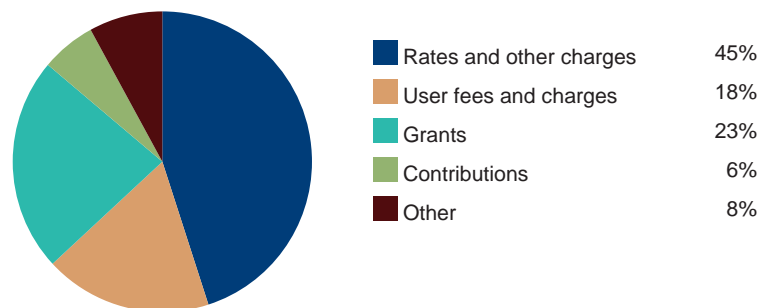
The regional city councils that are partly urban and partly regional in character are:

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

In 2007–08, the 11 regional city councils received a total revenue of \$923 million and had expenses totalling \$826 million (\$795 million and \$701 million respectively in 2006–07). Figure 5R provides a breakdown of the revenue streams.

This revenue provides 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 thus providing a further primary source of revenue.

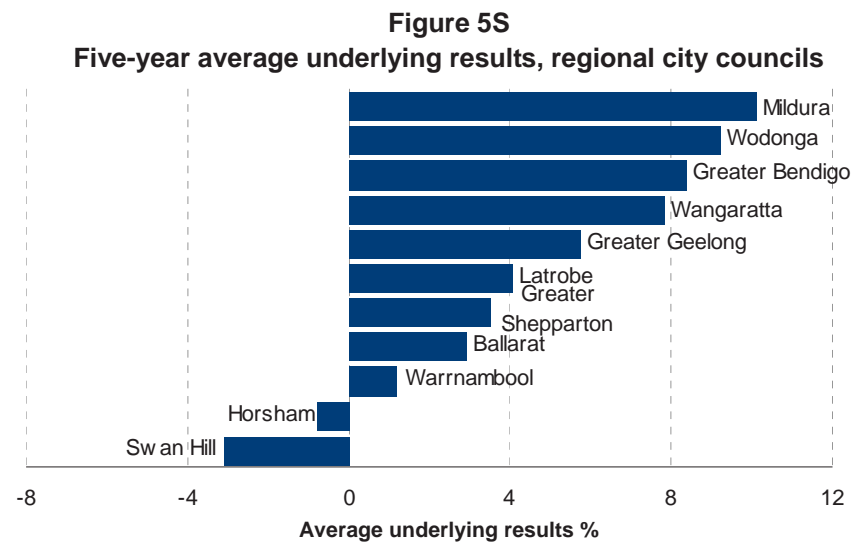
**Figure 5R**  
**Regional city councils, revenue composition, 2007–08**



Source: Victorian Auditor-General's Office.

The balance sheet position of regional cities is strong with significant assets at a total of \$6.7 billion in 2007–08 in comparison with a small level of liabilities totalling \$313 million (\$6.43 billion and \$312 million respectively in 2006–07).

Figure 5S shows the results of the operating performance for the group. We found that two out of the 11 regional city councils reported underlying deficits on average for the past five-years. This is an improvement on 2006–07 when four regional cities reported underlying deficits.



Source: Victorian Auditor-General's Office.

There has been no change in the overall sustainability ratings for the regional city councils, as shown by the results for each council in Figure 5T. **Ballarat**, **Swan Hill** and **Warrnambool** continue to receive medium risk assessments based on investment gap ratios being equal to, or less than, one. All three councils are budgeting to increase spending on capital works to more than depreciation levels in each of the next three financial years.

The high level of indebtedness coupled with a negative self-financing result for **Wodonga** remains a concern. In particular, its indebtedness indicator increased from 86.8 to 88.33 over the last year. At the same time the self-financing indicator decreased from 7.9 to a negative 0.22 indicating a reduced capacity to service **Wodonga's** debt.

Forecast ratios for **Wodonga** show a significant decrease in indebtedness in 2008–09, however, this is contingent on the successful sale of council's industrial development known as LOGIC. As at 30 June 2008, the council valuation for this site was \$24.86 million compared to total interest bearing liabilities of \$32 million. The sale of LOGIC at its current carrying value will not extinguish all of council's debt.

***RESPONSE provided by Warrnambool City Council***

*The investment gap ratio reflects the past rather than the future. The investment gap ratio for Warrnambool City Council for the next four years averages 1.8 reflecting council's commitment to capital reinvestment outlined in the Strategic Resource Plan. The current result is largely derived from negative ratios in 2003–04 and 2004–05. The annual investment gap ratio has been positive since 2006–07 and remains positive into the future.*

**Figure 5T**  
**Results for regional city councils at 30 June 2008**

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap ratio	Sustainability assessment
Ballarat	2.92	1.99	17.43	29.59	1.00	●
Greater Bendigo	8.39	1.81	11.39	25.41	1.53	●
Greater Geelong	5.77	1.36	12.89	19.15	1.47	●
Greater Shepparton	3.52	2.05	2.68	17.33	1.07	●
Horsham	-0.78	3.01	24.32	27.51	1.16	●
Latrobe	4.06	2.11	29.99	28.01	1.24	●
Mildura	10.10	2.27	45.71	30.11	1.65	●
Swan Hill	-3.11	2.66	36.42	15.51	0.91	●
Wangaratta	7.85	2.13	49.21	31.76	1.43	●
Warrnambool	1.23	1.97	21.42	21.63	0.97	●
Wodonga	9.22	4.64	88.33	-0.22	2.64	●

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

Source: Victorian Auditor-General's Office.

### 5.6.5 Large shire councils

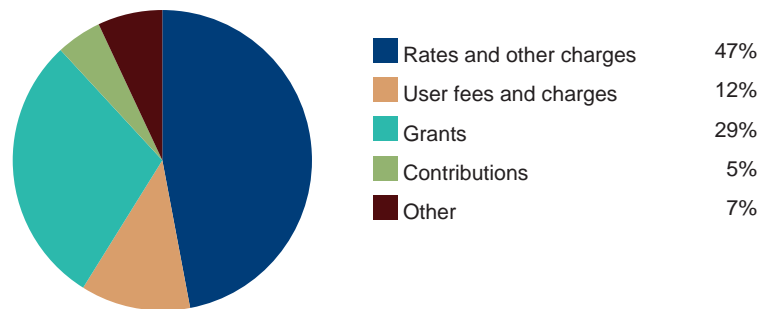
Shire councils are predominately rural in character, Victoria's 15 large shire councils are:

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

Large shire councils received a total of \$656 million in revenue and paid \$597 million in expenses for 2007–08 (\$604 million and \$555 million respectively in 2006–07). Figure 5U provides a breakdown of the revenue.

In our last report, **Colac Otway** and **Moorabool** received high risk sustainability assessments due to large underlying deficits. Both councils have shown improvement in 2007–08.

**Figure 5U**  
**Large shire councils, revenue composition, 2007–08**



Source: Victorian Auditor-General's Office.

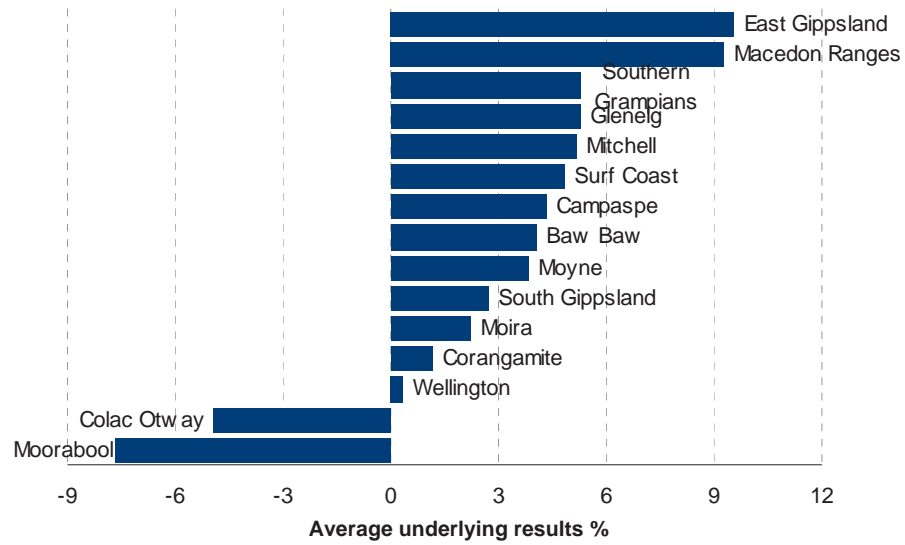
The financial sustainability results for large shire councils are reported in Figures 5V and 5W.

In 2007–08 **Colac Otway** achieved an underlying surplus that continues its trend of improvement in this area. **Colac Otway** needs to focus on addressing its investment gap, which did improve in 2007–08, but remains at medium risk when averaged over the past five-years. Budget forecasts for the next three financial years indicate council plans to continue the trend of improved financial performance.

**Moorabool** reported underlying deficits for each of the past five-years. Underlying deficits cannot be sustained in the long term. Budget forecasts show underlying deficits will remain an issue for the council for the next two financial years before a positive result will be seen. It will be critical for the council to deliver against these plans to address its current financial sustainability issues.

The sustainability rating for **East Gippsland** has decreased from low to medium risk. Low spending levels between 2005 and 2007 mean the investment gap is less than one when averaged over the past five years. However, the councils spending on assets has increased steadily over the past four years, reaching greater than one in 2008. Further increases in asset spending are planned over the coming three years.

**Figure 5V**  
Five year average underlying results, large shire councils



Source: Victorian Auditor-General's Office.

**Figure 5W**  
Results for large shire councils at 30 June 2008

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap	Sustainability assessment
Baw Baw	4.04	1.25	31.67	21.58	2.05	●
Campaspe	4.33	3.10	26.38	27.22	1.19	●
Colac Otway	-4.94	2.26	24.11	25.76	1.00	●
Corangamite	1.17	1.63	18.42	36.05	1.06	●
East Gippsland	9.54	2.83	17.40	34.18	0.96	●
Glenelg	5.27	2.89	30.24	28.66	1.27	●
Macedon Ranges	9.30	1.56	27.59	26.00	1.51	●
Mitchell	5.17	1.36	20.36	26.92	1.59	●
Moira	2.20	1.82	66.24	18.75	1.22	●
Moorabool	-7.68	1.59	28.37	18.38	1.00	●
Moyne	3.85	2.23	7.06	26.45	1.15	●
South Gippsland	2.70	1.60	16.38	19.98	1.21	●
Southern Grampians	5.30	2.60	35.37	32.78	1.55	●
Surf Coast	4.81	2.37	21.80	29.47	0.96	●
Wellington	0.32	1.64	30.88	39.54	1.03	●

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

Source: Victorian Auditor-General's Office.

**RESPONSE provided by East Gippsland Shire Council**

The East Gippsland Shire Council recognises that its infrastructure gap ratio has fallen below one when averaged over the last five years. This result is due to an abnormally low capital spend in 2004-05. From 2005-06 onwards, council investment in capital has matched depreciation rates with a budgeted investment gap ratio of 2.36 for 2008-09. The East Gippsland Shire's Long Term Financial Plan budgets for a ratio significantly more than one in each of the next four years.

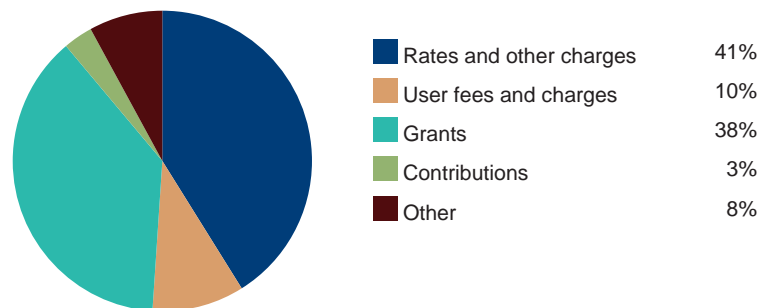
**5.6.6 Small shire councils**

The 22 small shire councils in Victoria are:

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

In 2007-08, the total revenue of small shire councils was \$424 million and they had expenses totalling \$409 million (\$414 million and \$390 million respectively in 2006-07). Figure 5X provides a breakdown of the revenue.

**Figure 5X  
Small shire councils, revenue composition, 2007-08**



Source: Victorian Auditor-General's Office.

Figure 5X shows that small shire councils have less flexibility to raise revenue over which they can make autonomous spending decisions as they rely heavily on government grants. These councils have little control over the level of government grants they receive each year, and any sustained decrease to the grants received would impact directly on their sustainability.

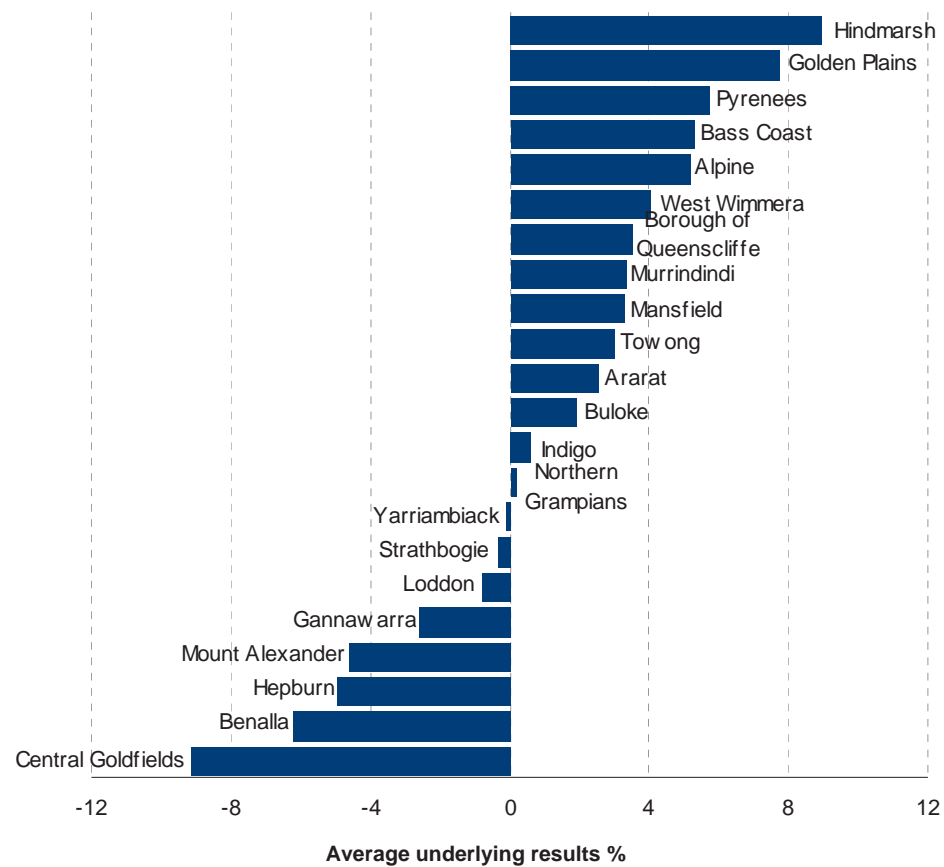
In addition to this, small shires are constrained in their ability to increase rate revenues because of:

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

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

Figure 5Y shows the five year average of the underlying result for small shire councils—eight (12 in 2006–07) of the 22 small shire councils reported average underlying deficits since 2003–04.

**Figure 5Y**  
**Five year average underlying results, small shire councils**



Source: Victorian Auditor-General's Office.



The results of the sustainability risk indicators are set out in Figure 5Z.

An improvement in the investment gap has reduced the number of small shire councils assessed as medium risk from five last year, to three in the current year.

The sustainability rating for **Central Goldfields** improved from high to low risk during 2007–08. However, it has repeated underlying deficits averaging -9.2 per cent over the last five years. **Central Goldfields** continues to have financial sustainability challenges with three of its indicators assessed as medium risk, and indebtedness assessed as a high risk. Forecast trends as shown in Appendix D indicate an improving financial position for the council, however it is important that the council delivers against these plans.

**Hepburn, Mount Alexander** and **Yarriambiack** made small improvements to their investment gap but more needs to be done to address the risk caused by all three councils continuing the underspend of the past five years.

***RESPONSE provided by Mount Alexander Shire Council***

*Council is working towards increasing asset improvement expenditure as set out in the 20 year Long Term Financial Strategy. Delays in funding from other levels of government for 2007–08 projects have resulted in several significant capital projects being brought forward to the current year and this has reduced the improvement level expected for the investment gap for the 2007–08 financial year.*

**Figure 5Z**  
**Results for small shire councils at 30 June 2008**

	Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Investment gap ratio	Sustainability assessment
Alpine	5.21	2.83	2.87	17.41	1.27	●
Ararat	2.53	2.77	13.80	27.60	1.02	●
Bass Coast	5.29	1.88	13.66	23.55	1.46	●
Benalla	-6.23	1.65	49.24	17.54	1.10	●
Borough of Queenscliffe	3.50	2.80	31.04	10.97	1.53	●
Buloke	1.91	1.68	8.38	27.15	1.02	●
Central Goldfields	-9.16	2.48	76.53	18.59	1.05	●
Gannawarra	-2.59	1.85	36.10	25.40	1.25	●
Golden Plains	7.74	3.32	13.84	23.94	1.77	●
Hepburn	-4.95	1.11	23.68	27.88	0.88	●
Hindmarsh	8.98	2.71	1.91	31.88	1.24	●
Indigo	0.60	1.81	19.42	24.88	1.02	●
Loddon	-0.77	3.38	33.28	30.91	1.12	●
Mansfield	3.29	1.67	28.56	19.73	1.34	●
Mount Alexander	-4.59	2.88	22.90	23.43	0.78	●
Murrindindi	3.36	1.41	39.86	29.04	1.36	●
Northern Grampians	0.22	1.51	12.80	20.03	1.09	●
Pyrenees	5.76	2.41	14.72	41.42	1.23	●
Strathbogie	-0.30	2.05	35.12	17.54	1.09	●
Towong	2.98	2.48	2.30	35.39	1.27	●
West Wimmera	4.06	2.13	1.18	29.33	1.14	●
Yarriambiack	-0.10	2.07	7.65	27.26	0.99	●

Source: Auditor-General's Office.

### 5.6.7 Conclusion

The financial sustainability analysis shows improvement for councils in 2007–08. This year none of the councils received a high risk rating and there was a reduction in the number of local governments rated as medium risk from 18 to 15.

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

A consistently low investment gap ratio at some councils could mean the condition of assets is deteriorating.

While the results for individual councils has improved, the sector needs to be cautious. If the trend of operating expenditure growing faster than operating revenue continues, councils will see reduced operating surpluses impacting their ability to service debt and undertake infrastructure investment.

Figure 5AA provides a summary of the results of our sustainability risk assessments.

**Figure 5AA**  
Financial sustainability risk summary

Council group	2006–07			2007–08		
	High	Medium	Low	High	Medium	Low
Inner metropolitan	-	4	13	-	2	15
Outer metropolitan	-	3	11	-	2	12
Regional city	-	4	7	-	4	7
Large shire	2	2	11	-	4	11
Small shire	1	5	16	-	3	19
<b>Total</b>	<b>3</b>	<b>18</b>	<b>58</b>	<b>-</b>	<b>15</b>	<b>64</b>

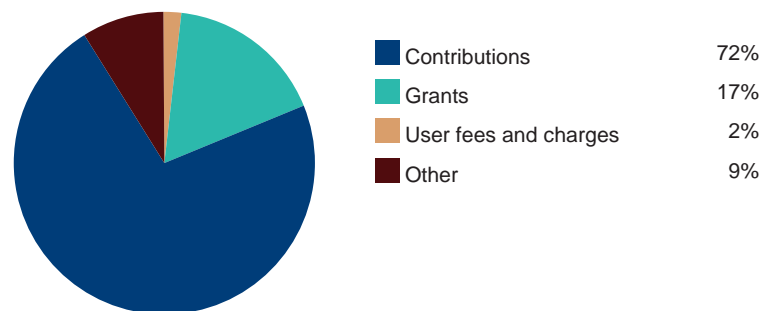
Source: Victorian Auditor General's Office.

## 5.7 Regional library corporations

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

Figure 5AB shows the sources of revenue for RLCs.

**Figure 5AB**  
RLCs, revenue composition, 2007–08



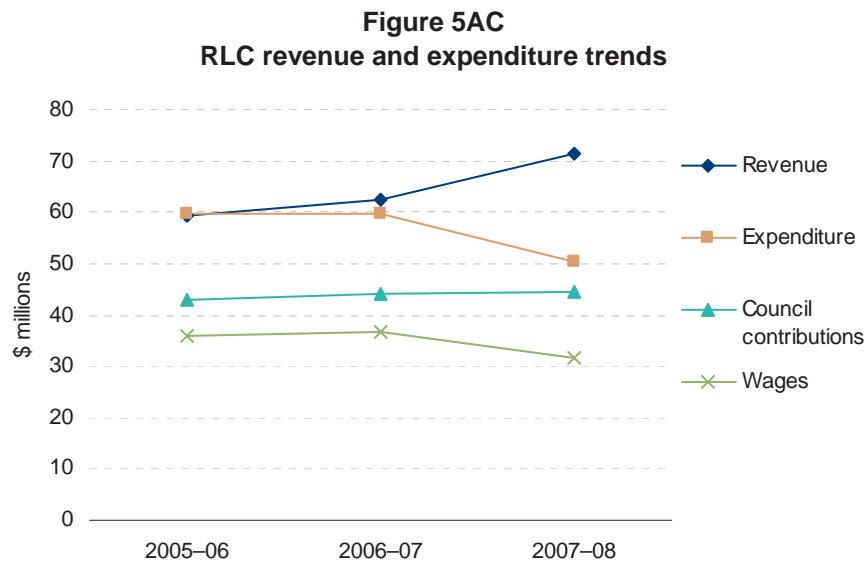
Source: Victorian Auditor-General's Office.

This year 72 per cent of RLC funding came from council contributions (62 per cent in 2006–07) and 17 per cent from government grants (29 per cent in 2006–07), as shown in Figure 5AB. The low proportion of user fees and charges means RLCs have little or no flexibility in terms of their financial capacity and must focus on containing their financial requirements within their existing capacity.

### 5.7.2 Financial performance

In 2007–08 the total operating revenue for RLCs grew more than their costs. The trends over the last three years in revenue, expenditure, council contributions and wages expenditure reported by the RLCs is shown in Figure 5AC.

Figure 5AC indicates that the RLC sector’s financial performance is improving, by the increased gap between expenditure and revenue. However, the financial performance of individual RLCs indicates that many have pressing liquidity issues.



Source: Victorian Auditor-General's Office.




### 5.7.3 Financial sustainability

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

The sustainability risk ratings have been calculated from the results of each indicator using the criteria outlined in Figure 5AD.

The 2007–08 results for the financial sustainability indicators of each RLC, and their subsequent risk rating, are provided in Figure 5AE.

**Figure 5AD**  
**Financial sustainability risk rating criteria**













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

Source: Victorian Auditor-General's Office.

**Wimmera RLC** has reported a large underlying deficit for 2007–08. This follows their underlying deficit of negative nine in 2006–07. An underlying deficit is not sustainable in the long-term and indicates that **Wimmera RLC**, in conjunction with the owner councils, need to look at strategies to control expenditure or increase revenue contributions to ensure their long-term sustainability.

**Yarra Plenty RLC** was operating with a negative working capital during 2007–08 and may need to rely on the financial support of its owners if it cannot meet short-term commitments.

**Figure 5AE**  
**Results for RLCs at 30 June 2008**

	Underlying Result (%)	Liquidity	Investment gap	Sustainability assessment
Casey - Cardinia	6.66	2.38	0.96	
Central Highlands	2.23	11.03	0.50	
Corangamite	3.39	1.15	0.76	
Eastern	0.63	1.43	1.05	
Geelong	9.10	1.19	1.36	
Goulburn Valley	-1.43	1.06	0.61	
High Country	17.95	2.16	1.44	
North Central Goldfields	19.95	3.32	1.55	
West Gippsland	-9.81	1.33	0.77	
Whitehorse Manningham	-1.24	1.20	0.88	
Wimmera	-18.63	1.77	0.65	
Yarra Plenty	-4.09	0.85	0.91	

Source: Victorian Auditor-General's Office.

In eight of the 12 RLCs, the level of spending on capital decreased in comparison to the level of depreciation. This is a decrease from last year when six RLCs recorded investment gaps of less than one. Therefore, it is an increasing risk that library collections are not being adequately maintained.

***RESPONSE provided by Yarra Plenty Regional Library***

*Yarra Plenty Regional Library Service has the full financial support of its three member councils as part of the library's regional agreement; which reduces any viability risk to nil.*

#### 5.7.4 Conclusion

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

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# Appendix A.

## Acronyms and glossary

### A.1 Acronyms

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AASB	Australian Accounting Standards Board
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

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### 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 CPAs. 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

The current ratio is calculated by dividing current assets by current liabilities.

### 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 entity

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

### Infrastructure

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

### Library collection

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

### *Local Government Act 1989 (No. 11/1989)*

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

### Masterfile

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

### Operating costs

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

### Operating result

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

### Resources

Labour, materials and other inputs used to produce outputs.

### Revaluation

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

### Revenue

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

### Risk

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.

### 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.

Source: Victorian Auditor-General's Office

# Appendix C.

## Completed audits

Completed audits with 30 June 2008 balance dates

Inner metropolitan councils

Outer metropolitan councils

Regional city councils

Large shire councils

Small shire councils

Regional library corporations

Associated companies

Summary of completed audits with 30 June 2008 balance dates

## Completed audits with 30 June 2008 balance dates

Entity	Financial statements			Timeliness of audited financial statement completion			
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months
Banyule	8 Sep 2008	✓	15 Sep 2008		●		
Bayside	23 Sep 2008	✓	26 Sep 2008		●		
Boroondara	1 Sep 2008	✓	5 Sep 2008		●		
Darebin	4 Sep 2008	✓	25 Sep 2008		●		
Glen Eira	18 Sep 2008	✓	22 Sep 2008		●		
Hobsons Bay	9 Sep 2008	✓	23 Sep 2008		●		
Kingston	10 Sep 2008	✓	17 Sep 2008		●		
Maribyrnong	9 Sep 2008	✓	10 Sep 2008		●		
Maroondah	11 Sep 2008	✓	17 Sep 2008		●		
Melbourne	26 Aug 2008	✓	27 Aug 2008	●			
Monash	22 Sep 2008	✓	25 Sep 2008		●		
Moonee Valley	2 Sep 2008	✓	25 Sep 2008		●		
Moreland	10 Sep 2008	✓	16 Sep 2008		●		
Port Phillip	18 Sep 2008	✓	23 Sep 2008		●		
Stonnington	8 Sep 2008	✓	9 Sep 2008		●		
Whitehorse	21 Aug 2008	✓	22 Aug 2008	●			
Yarra	25 Sep 2008	✓	26 Sep 2008		●		

Outer metropolitan councils

Entity	Financial statements			Timeliness of audited financial statement completion			
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months
Brimbank	23 Sep 2008	✓	25 Sep 2008		●		
Cardinia	22 Sep 2008	✓	25 Sep 2008		●		
Casey	17 Sep 2008	✓	25 Sep 2008		●		
Frankston	15 Sep 2008	✓	17 Sep 2008		●		
Greater Dandenong	22 Sep 2008	✓	23 Sep 2008		●		
Hume	12 Sep 2008	✓	19 Sep 2008		●		
Knox	16 Sep 2008	✓	22 Sep 2008		●		
Manningham	19 Sep 2008	✓	26 Sep 2008		●		
Melton	2 Sep 2008	✓	5 Sep 2008		●		
Mornington Peninsula	22 Sep 2008	✓	26 Sep 2008		●		
Nillumbik	17 Sep 2008	✓	19 Sep 2008		●		
Whittlesea	16 Sep 2008	✓	19 Sep 2008		●		
Wyndham	1 Sep 2008	✓	3 Sep 2008		●		
Yarra Ranges	25 Aug 2008	✓	29 Aug 2008	●			

Regional city councils		Financial statements			Timeliness of audited financial statement completion				
		Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months	
Ballarat	10 Sep 2008	✓	18 Sep 2008	●					
Greater Bendigo	4 Sep 2008	✓	9 Sep 2008	●					
Greater Geelong	26 Aug 2008	✓	5 Sep 2008	●					
Greater Shepparton	16 Sep 2008	✓	19 Sep 2008	●					
Horsham	18 Sep 2008	✓	19 Sep 2008	●					
Latrobe	15 Sep 2008	✓	17 Sep 2008	●					
Mildura	24 Sep 2008	✓	25 Sep 2008	●					
Swan Hill	15 Sep 2008	✓	23 Sep 2008	●					
Wangaratta	26 Sep 2008	✓	26 Sep 2008	●					
Warrnambool	9 Sep 2008	✓	12 Sep 2008	●					
Wodonga	15 Sep 2008	✓	25 Sep 2008	●					

Large shire councils	Financial statements			Timeliness of audited financial statement completion			
	Entity	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months
Baw Baw	10 Sep 2008	✓	23 Sep 2008	●			
Campaspe	19 Sep 2008	✓	23 Sep 2008	●			
Colac-Otway	29 Aug 2008	✓	3 Sep 2008	●			
Corangamite	16 Sep 2008	✓	23 Sep 2008	●			
East Gippsland	18 Sep 2008	✓	22 Sep 2008	●			
Glenelg	11 Sep 2008	✓	23 Sep 2008	●			
Macedon Ranges	24 Sep 2008	✓	25 Sep 2008	●			
Mitchell	17 Sep 2008	✓	23 Sep 2008	●			
Moira	16 Sep 2008	✓	26 Sep 2008	●			
Moorabool	8 Sep 2008	✓	12 Sep 2008	●			
South Gippsland	8 Sep 2008	✓	12 Sep 2008	●			
Southern Grampians	17 Sep 2008	✓	19 Sep 2008	●			
Surf Coast	12 Sep 2008	✓	16 Sep 2008	●			
Wellington	9 Sep 2008	✓	12 Sep 2008	●			



Small shire councils		Financial statements			Timeliness of audited financial statement completion				
		Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months	
Alpine	16 Sep 2008	✓	18 Sep 2008	●					
Ararat	16 Sep 2008	✓	17 Sep 2008	●					
Bass Coast	17 Sep 2008	✓	24 Sep 2008	●					
Benalla	8 Sep 2008	✓	19 Sep 2008	●					
Buloke	6 Oct 2008	✓	10 Oct 2008	●					
Central Goldfields	14 Oct 2008	✓	16 Oct 2008	●					
Gannawarra	22 Sep 2008	✓	26 Sep 2008	●					
Golden Plains	11 Sep 2008	✓	16 Sep 2008	●					
Hepburn	26 Sep 2008	✓	29 Sep 2008	●					
Hindmarsh	23 Sep 2008	✓	26 Sep 2008	●					
Indigo	23 Sep 2008	✓	25 Sep 2008	●					
Loddon	3 Sep 2008	✓	10 Sep 2008	●					
Mansfield	16 Sep 2008	✓	23 Sep 2008	●					
Mount Alexander	24 Sep 2008	✓	25 Sep 2008	●					
Moyne	15 Sep 2008	✓	19 Sep 2008	●					
Murrindindi	3 Sep 2008	✓	9 Sep 2008	●					
Northern Grampians	11 Sep 2008	✓	12 Sep 2008	●					
Pyrenees	5 Sep 2008	✓	9 Sep 2008	●					
Queenscliffe	17 Sep 2008	✓	26 Sep 2008	●					
Strathbogie	16 Sep 2008	✓	19 Sep 2008	●					

Entity	Financial statements			Timeliness of audited financial statement completion				
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months	
Towong	22 Sep 2008	✓	23 Sep 2008		●			
West Wimmera	16 Sep 2008	✓	17 Sep 2008		●			
Yarriambiack	24 Sep 2008	✓	25 Sep 2008		●			

Regional library corporations	Financial statements			Timeliness of audited financial statement completion			
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months
Casey-Cardinia	11 Sep 2008	✓	17 Sep 2008		●		
Central Highlands	25 Sep 2008	✓	29 Sep 2008		●		
Corangamite	2 Sep 2008	✓	12 Sep 2008		●		
Eastern	19 Sep 2008	✓	25 Sep 2008		●		
Geelong	21 Aug 2008	✓	30 Aug 2008	●			
Goulburn Valley	26 Sep 2008	✓	30 Sep 2008		●		
High Country	22 Sep 2008	✓	25 Sep 2008		●		
North Central Goldfields	22 Aug 2008	✓	5 Sep 2008		●		
West Gippsland	3 Sep 2008	✓	12 Sep 2008		●		
Whitehorse-Manningham	27 Aug 2008	✓	2 Sep 2008		●		
Wimmera	25 Sep 2008	✓	26 Sep 2008		●		
Yarra Plenty	23 Sep 2008	✓	25 Sep 2008		●		

Associated companies	Financial statements			Timeliness of audited financial statement completion			
	Signed	Clear opinion issued	Auditor-General's report signed	< 2 months	2-3 months	3-4 months	Over 4 months
City Wide Service Solutions Pty Ltd	4 Aug 2008	✓	4 Aug 2008	●			
Clayton Landfill Joint Venture	18 Sept 2008	✓	20 Oct 2008			●	
RFK Pty Ltd / Community Chef	24 Sep 2008	✓	14 Oct 2008			●	
Melbourne Wholesale Fish Market Pty Ltd	15 Aug 2008	✓	20 Aug 2008	●			
Prahran Market Pty Ltd	21 Aug 2008	✓	11 Sep 2008		●		
Queen Victoria Market Pty Ltd	15 Aug 2008	✓	20 Aug 2008	●			
Regent Management Company Pty Ltd	26 Sep 2008	✓	30 Sep 2008		●		
Regional Kitchen Pty Ltd	24 Sep 2008	✓	14 Oct 2008			●	
Streetsahead Cleaning Services	25 Aug 2008	✓	11 Sep 2008		●		
Sustainable Melbourne Trust Fund	26 Sep 2008	✓	29 Sep 2008		●		
Wimmera Development Association	25 Sep 2008	✓	26 Sep 2008		●		

## Summary of completed audits with 30 June 2008 balance dates

	Timeliness of audited financial statement completion			
	< 2 months	2–3 months	3–4 months	Over 4 months
<b>2007–08 Total number of agencies = 102</b>	7	90	5	0
<b>Per cent (cumulative)</b>	7	95	100	100
2006–07 Total number of agencies = 98	7	89	2	0
Per cent (cumulative)	7	98	100	100

# Appendix D.

## Audit tables

## Underlying results

### Underlying results (%) – Inner metropolitan councils

Inner metropolitan councils	2004										Forecast	
	2004	2005	2006	2007	2008	Mean	Actual trend	2009	2010	2011	Future trend	
Banyule City Council	-8.70	-4.31	-6.37	0.03	3.54	-3.16	↑	1.09	-2.18	-2.42	↓	
Bayside City Council	14.70	2.58	-1.52	2.00	6.40	4.83	↑	1.64	1.96	2.08	↑	
Boroondara City Council	-0.60	-0.50	1.57	4.80	7.56	2.57	↑	6.33	9.71	9.55	↑	
Darebin City Council	2.33	-0.02	0.17	0.49	3.28	1.25	↑	1.41	2.35	3.04	↑	
Glen Eira City Council	8.60	10.87	4.69	5.20	10.06	7.88	↑	5.37	3.11	4.30	↓	
Hobsons Bay City Council	-15.90	-0.57	1.12	5.60	7.04	-0.54	↑	7.19	6.15	7.15	→	
Kingston City Council	-1.90	-3.40	-3.64	3.90	4.29	-0.15	↑	1.94	0.62	-0.69	↓	
Maribymong City Council	7.90	10.09	12.14	3.00	4.81	7.59	↓	13.92	11.58	9.88	↓	
Maroondah City Council	-3.30	-3.60	-0.51	1.10	3.19	-0.62	↑	-0.86	-1.35	-0.26	↑	
Melbourne City Council	6.62	4.64	8.56	-0.62	12.54	6.35	↑	3.89	4.00	5.00	↑	
Monash City Council	-4.80	0.66	-1.73	2.60	-1.00	-0.85	→	1.11	-2.96	-3.10	↓	
Moonee Valley City Council	-2.40	4.47	4.69	3.90	6.57	3.45	↑	2.74	6.07	2.04	↓	
Moreland City Council	-9.20	-8.67	-6.95	-2.90	1.13	-5.32	↑	0.00	0.52	1.58	↑	
Port Phillip City Council	5.30	0.64	4.42	16.00	12.91	7.85	↑	8.95	10.26	9.66	↑	
Stonnington City Council	1.10	9.03	7.27	9.79	13.87	8.21	↑	7.53	6.59	5.27	↓	
Whitehorse City Council	-7.80	-1.80	-7.16	-4.34	0.75	-4.07	↑	-1.05	0.22	1.49	↑	
Yarra City Council	8.33	-0.10	8.13	6.14	6.34	5.77	→	6.30	5.10	5.14	↓	
<b>Average underlying result (%)</b>	<b>0.02</b>	<b>1.18</b>	<b>1.46</b>	<b>3.34</b>	<b>6.07</b>	<b>2.41</b>	<b>↑</b>	<b>3.97</b>	<b>3.63</b>	<b>3.51</b>	<b>↓</b>	

## Underlying results (%) – Outer metropolitan councils

Outer metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	2008	Mean	2009	2010	2011	Future trend	
Brimbank City Council	3.25	4.09	3.23	4.51	10.41	5.10	5.10	6.16	6.70	6.52	↑	
Cardinia Shire Council	10.70	1.87	6.63	8.47	-2.61	5.01	5.01	4.23	5.54	6.56	↑	
Casey City Council	8.29	10.33	1.86	17.80	10.67	9.79	9.79	12.94	14.49	14.92	↑	
Frankston City Council	-0.39	1.25	-5.71	-2.50	-7.09	-2.89	-2.89	-1.37	-0.87	-0.05	↑	
Greater Dandenong City Council	4.61	-4.09	8.45	3.84	4.61	3.48	3.48	6.59	9.01	9.73	↑	
Hume City Council	-3.18	-15.30	7.15	10.26	15.24	2.83	2.83	14.39	11.14	11.38	↓	
Knox City Council	-18.41	-5.18	1.93	2.47	5.53	-2.73	-2.73	3.20	6.33	6.46	↑	
Manningham City Council	2.92	7.44	8.90	14.90	16.66	10.16	10.16	17.38	17.38	17.72	↑	
Melton Shire Council	-36.30	1.11	-2.28	7.78	9.93	-3.95	-3.95	-1.65	1.18	5.34	↑	
Mornington Peninsula Shire Council	4.73	18.97	-1.68	1.70	1.19	4.98	4.98	0.98	1.00	0.97	↓	
Nilumbik Shire Council	5.25	-8.21	-1.59	10.70	9.34	3.10	3.10	20.79	2.53	7.45	↓	
Whittlesea City Council	6.23	6.12	5.86	2.33	1.90	4.49	4.49	2.60	6.36	2.95	↑	
Wyndham City Council	4.98	10.65	4.63	8.33	8.49	7.42	7.42	14.21	12.81	10.78	↓	
Yarra Ranges Shire Council	-1.65	5.56	-2.89	14.60	5.21	4.17	4.17	4.09	7.17	-0.21	↓	
<b>Average underlying result (%)</b>	<b>-0.63</b>	<b>2.45</b>	<b>1.3</b>	<b>10.32</b>	<b>6.39</b>	<b>3.64</b>	<b>3.64</b>	<b>7.47</b>	<b>7.20</b>	<b>7.18</b>	<b>↓</b>	



### Underlying results (%) – Regional city councils

Regional city councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Ballarat City Council	3.96	-1.58	-7.08	10.30	8.98	2.92	9.43	8.82	9.26	↘		
Greater Bendigo City Council	10.12	6.66	4.90	11.40	8.89	8.39	11.01	11.97	13.30	↗		
Greater Geelong City Council	9.23	2.11	5.34	5.10	7.05	5.77	4.68	8.31	5.67	↗		
Greater Shepparton City Council (a)	1.01	3.86	6.14	6.10	0.50	3.52	2.13	3.90	N/A	↗		
Horsham Rural City Council (b)	-12.13	-22.34	10.03	12.50	8.02	-0.78	N/A	N/A	N/A	↗		
Latrobe City Council	-2.57	4.94	5.40	6.36	6.16	4.06	4.14	3.61	3.70	↘		
Mildura Rural City Council	5.43	8.60	11.42	12.40	12.63	10.10	4.86	5.61	7.04	↗		
Swan Hill Rural City Council	-13.68	0.82	0.30	-1.27	-1.73	-3.11	-1.22	-0.99	-0.76	↗		
Wangaratta Rural City Council	5.73	7.57	10.53	9.36	6.06	7.85	15.49	1.77	1.15	↘		
Warrnambool City Council	1.79	-7.49	-4.74	6.20	10.37	1.23	5.11	5.88	15.23	↗		
Wodonga Rural City Council	20.33	8.94	10.21	10.39	-3.76	9.22	13.50	31.97	4.60	↘		
<b>Average underlying result (%)</b>	<b>-1.49</b>	<b>-3.90</b>	<b>3.73</b>	<b>5.77</b>	<b>5.74</b>	<b>4.47</b>	<b>6.91</b>	<b>8.08</b>	<b>6.58</b>	<b>↘</b>		

(a) The forecast information provided by Greater Shepparton City Council does not include data for 2011.

(b) The forecast information provided by Horsham Rural City Council does not include data for 2009-11.

## Underlying results (%) – Large shire councils

Large shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Baw Baw Shire Council	8.78	2.14	4.92	3.24	1.10	4.04	3.38	4.05	9.69	↑		
Campaspe Shire Council	1.16	-4.70	10.49	8.94	5.75	4.33	1.67	-0.45	-0.39	↓		
Colac Otway Shire Council	-8.79	-16.66	5.02	-5.03	0.77	-4.94	0.66	2.83	3.75	↑		
Corangamite Shire Council	2.09	-3.89	1.80	-3.87	9.73	1.17	-1.81	-1.89	-1.87	↑		
East Gippsland Shire Council	6.00	-0.40	13.95	16.77	11.40	9.54	29.70	18.65	19.08	↓		
Glenelg Shire Council	4.40	-7.40	8.48	13.10	7.75	5.27	6.98	2.89	3.02	↓		
Macedon Ranges Shire Council	7.27	4.25	6.24	19.40	9.33	9.30	17.17	8.28	8.64	↓		
Mitchell Shire Council	-1.96	5.22	9.75	5.60	7.26	5.17	1.52	10.01	10.99	↑		
Moira Shire Council	1.54	4.68	4.99	1.95	-2.15	2.20	9.43	2.88	2.74	↓		
Moorabool Shire Council	-9.81	-3.75	-8.67	-11.11	-5.07	-7.68	-3.21	-3.23	0.34	↑		
Moyne Shire Council	0.34	-0.32	5.07	8.10	6.07	3.85	3.84	0.40	1.27	↓		
South Gippsland Shire Council	-6.64	3.53	8.28	4.51	3.83	2.70	3.13	5.65	4.99	↑		
Southern Grampians Shire Council (c)	9.36	0.78	7.28	6.25	2.81	5.30	N/A	N/A	N/A	→		
Surf Coast Shire Council	10.39	0.63	1.22	10.61	1.20	4.81	6.45	-2.33	0.24	↓		
Wellington Shire Council	-3.58	-6.39	-4.00	5.94	9.64	0.32	8.99	15.95	12.72	↑		
<b>Average underlying result (%)</b>	<b>1.33</b>	<b>2.53</b>	<b>5.05</b>	<b>6.47</b>	<b>4.63</b>	<b>3.03</b>	<b>6.28</b>	<b>4.55</b>	<b>5.37</b>	<b>↓</b>		

(c) The forecast information provided by Southern Grampians Shire Council does not include data for 2009-11.

## Underlying results (%) – Small shire councils

Small shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Alpine Shire Council	10.29	3.43	9.79	0.68	1.87	5.21	0.78	2.13	3.44	↑		
Ararat Rural City Council	-9.60	-5.33	-0.56	15.70	12.42	2.53	1.88	3.01	3.68	↑		
Bass Coast Shire Council	-4.68	8.17	7.19	8.17	7.61	5.29	3.23	4.61	7.52	↑		
Benalla Rural City Council	-20.24	-12.96	6.08	-6.80	2.78	-6.23	0.01	1.36	2.17	↑		
Borough of Queenscliffe	-3.92	7.86	4.92	7.98	0.64	3.50	14.94	25.20	17.05	↑		
Buloke Shire Council (d)	6.52	0.68	5.45	3.92	-7.04	1.91	-2.40	-1.43	N/A	→		
Central Goldfields Shire Council	-11.88	-12.54	-9.10	-4.34	-7.92	-9.16	-4.82	-2.95	-0.52	↑		
Gannawarra Shire Council	-0.91	-11.56	-1.70	0.60	0.60	-2.59	2.90	2.29	-0.58	↑		
Golden Plains Shire Council	15.27	-8.56	5.87	22.10	4.03	7.74	2.89	1.72	7.20	↑		
Hepburn Shire Council	-6.41	-8.61	-6.96	-0.87	-1.90	-4.95	-4.87	-3.54	-3.32	↑		
Hindmarsh Shire Council	0.66	3.48	15.95	13.70	11.09	8.98	2.63	2.13	1.23	↑		
Indigo Shire Council	-4.05	-5.96	1.37	5.67	5.95	0.60	10.06	8.36	8.77	↑		
Loddon Shire Council	1.10	-11.98	4.63	1.60	0.81	-0.77	-16.30	-15.60	-12.38	↑		
Mansfield Shire Council	3.28	4.62	5.43	0.74	2.39	3.29	7.14	1.32	-0.23	↑		
Mount Alexander Shire Council (e)	-7.90	0.94	-4.63	-4.30	-7.04	-4.59	N/A	N/A	N/A	→		
Murrindindi Shire Council	2.41	3.36	4.22	3.90	2.93	3.36	2.11	2.36	5.02	↑		
Northern Grampians Shire Council	-1.20	-6.10	4.82	4.50	-0.92	0.22	1.06	1.64	3.49	↑		
Pyrenees Shire Council	-8.79	-8.55	9.47	24.50	12.17	5.76	8.61	7.25	5.91	↑		
Strathbogie Shire Council (e)	0.11	-7.72	5.53	1.07	-0.49	-0.30	N/A	N/A	N/A	→		
Towong Shire Council	3.88	-7.36	2.16	10.80	5.41	2.98	-1.03	-1.06	-1.05	→		
West Wimmera Shire Council	2.22	-2.24	8.37	6.03	5.94	4.06	0.90	-0.38	-0.94	↑		
Yarriambiack Shire Council	0.99	-7.88	3.84	3.45	-0.89	-0.10	-6.51	-5.07	-4.46	↑		
<b>Average underlying result (%)</b>	<b>-0.15</b>	<b>-3.38</b>	<b>3.83</b>	<b>5.91</b>	<b>2.29</b>	<b>1.22</b>	<b>1.16</b>	<b>1.67</b>	<b>2.21</b>	<b>↑</b>		

(d) The forecast information provided by Buloke Shire Council does not include data for 2011.

(e) The forecast information provided by Mount Alexander Shire Council and Strathbogie Shire Council does not include data for 2009-11.

## Liquidity results

### Liquidity results – Inner metropolitan councils

Inner metropolitan councils	2004										Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010	2011	Future trend						
Banyule City Council	2.99	3.68	3.23	3.25	3.44	3.32	3.32	2.94	2.19	1.99	↘				
Bayside City Council	1.90	2.02	1.31	1.27	1.51	1.60	1.60	1.09	1.10	1.13	↗				
Boroondara City Council	1.97	1.58	1.22	1.62	1.75	1.63	1.63	1.17	1.18	1.20	↗				
Darebin City Council	1.51	1.11	1.02	1.14	1.39	1.23	1.23	0.81	0.82	0.83	↗				
Glen Eira City Council	2.07	2.48	2.08	1.77	1.52	1.98	1.98	1.34	1.06	0.80	↘				
Hobsons Bay City Council	2.10	1.55	1.33	1.21	1.03	1.44	1.44	1.22	1.28	1.43	↗				
Kingston City Council	1.01	1.19	1.40	1.47	1.60	1.33	1.33	1.47	1.54	1.74	↗				
Maribyrnong City Council	1.86	1.83	1.72	1.65	1.72	1.76	1.76	1.50	1.50	1.38	↘				
Maroondah City Council	1.86	2.15	2.27	2.98	2.54	2.36	2.36	2.21	2.18	2.14	↘				
Melbourne City Council	4.64	4.01	2.83	5.34	2.83	3.93	3.93	1.76	1.87	2.02	↗				
Monash City Council	2.03	2.15	2.15	2.01	1.66	2.00	2.00	2.08	2.06	2.12	↗				
Moonee Valley City Council	1.83	2.11	1.80	1.48	1.41	1.73	1.73	1.37	1.54	1.67	↗				
Moreland City Council	2.61	1.48	1.57	1.64	1.52	1.76	1.76	1.27	1.25	1.24	↗				
Port Phillip City Council	2.72	2.74	3.23	2.66	2.22	2.71	2.71	2.45	2.21	2.20	↘				
Stonnington City Council	1.94	2.16	2.00	2.16	2.42	2.14	2.14	2.11	2.04	1.93	↘				
Whitehorse City Council	3.80	3.82	2.54	2.26	2.67	3.02	3.02	2.54	2.64	2.62	↗				
Yarra City Council	1.34	1.24	1.25	1.34	1.37	1.31	1.31	1.48	1.17	1.26	↘				
<b>Average liquidity</b>	<b>2.25</b>	<b>2.19</b>	<b>1.94</b>	<b>2.07</b>	<b>1.92</b>	<b>2.07</b>	<b>2.07</b>	<b>1.70</b>	<b>1.63</b>	<b>1.63</b>	↗				

## Liquidity results – Outer metropolitan councils

Outer metropolitan councils	2004										Mean	Actual trend	Forecast	
	2004	2005	2006	2007	2008	2009	2010	2011	Future trend					
Brimbank City Council	1.62	1.78	2.48	2.23	2.07	2.04	1.01	1.04	1.06	→	→			
Cardinia Shire Council	2.15	1.73	1.73	1.60	1.24	1.69	1.54	1.45	1.46	→	→			
Casey City Council	3.96	3.70	3.42	3.54	2.86	3.50	3.59	4.34	5.44	→	→			
Frankston City Council	1.90	1.80	1.61	1.59	1.60	1.70	1.27	1.19	1.16	→	→			
Greater Dandenong City Council	1.73	0.65	0.64	1.11	1.22	1.07	1.05	0.94	0.78	→	→			
Hume City Council	1.43	1.25	1.02	1.37	1.96	1.41	1.17	1.11	1.10	→	→			
Knox City Council	1.68	1.73	1.60	1.66	1.78	1.69	1.41	1.41	1.42	→	→			
Manningham City Council	1.24	1.13	1.55	1.82	2.05	1.56	1.91	1.96	2.11	→	→			
Melton Shire Council	3.16	3.82	3.34	2.92	1.89	3.03	2.37	2.29	2.60	→	→			
Mornington Peninsula Shire Council	1.53	1.35	1.37	1.43	1.45	1.43	1.38	1.38	1.37	→	→			
Nilumbik Shire Council	2.80	2.09	2.14	2.46	2.26	2.35	2.35	2.32	2.45	→	→			
Whittlesea City Council	4.22	3.46	4.49	4.06	4.16	4.08	4.59	4.74	4.12	→	→			
Wyndham City Council	3.56	2.75	2.89	2.80	2.88	2.98	2.92	2.80	2.69	→	→			
Yarra Ranges Shire Council	2.19	2.03	2.37	2.99	3.26	2.57	2.19	1.96	2.06	→	→			
<b>Average liquidity</b>	<b>2.37</b>	<b>2.09</b>	<b>2.19</b>	<b>2.26</b>	<b>2.19</b>	<b>2.22</b>	<b>2.05</b>	<b>2.07</b>	<b>2.13</b>	<b>→</b>	<b>→</b>			

## Liquidity results – Regional city councils

Regional city councils	2004							Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010			2011	Future trend	
Ballarat City Council	1.80	2.12	1.70	2.10	1.99	1.72	1.94	→	1.59	1.60	↓	
Greater Bendigo City Council	1.40	1.29	1.35	1.58	1.81	1.40	1.49	↑	1.27	1.19	↓	
Greater Geelong City Council	1.41	0.68	1.04	1.13	1.36	0.88	1.12	↑	1.07	1.01	↑	
Greater Shepparton City Council (f)	2.08	1.88	2.06	2.01	2.05	2.01	2.02	→	2.06	N/A	→	
Horsham Rural City Council (g)	4.18	2.49	2.07	2.27	3.01	N/A	2.80	↑	N/A	N/A	→	
Latrobe City Council	1.92	1.85	2.06	1.73	2.11	1.11	1.93	↑	1.11	1.04	↓	
Mildura Rural City Council	2.12	2.62	1.90	2.27	2.27	2.53	2.24	→	2.66	2.91	↑	
Swan Hill Rural City Council	1.75	2.26	2.23	2.86	2.66	2.30	2.35	↑	2.19	2.05	↓	
Wangaratta Rural City Council	2.15	2.14	1.84	1.92	2.13	1.50	2.04	↑	1.43	1.45	↓	
Warrambool City Council	1.56	1.52	1.34	1.92	1.97	1.38	1.66	↑	1.09	1.09	↓	
Wodonga Rural City Council	4.37	3.93	4.29	4.52	4.64	1.73	4.35	↑	4.77	4.32	↑	
<b>Average liquidity</b>	<b>2.25</b>	<b>2.07</b>	<b>1.99</b>	<b>2.21</b>	<b>2.36</b>	<b>1.66</b>	<b>2.18</b>	<b>↑</b>	<b>1.92</b>	<b>1.85</b>	<b>↑</b>	

(f) The forecast information provided by Greater Shepparton City Council does not include data for 2011.

(g) The forecast information provided by Horsham Rural City Council does not include data for 2009-11.

### Liquidity results – Large shire councils

Large shire councils	2004										Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010	2011	Future trend						
Baw Baw Shire Council	2.03	2.18	1.88	1.60	1.25	1.07	1.10	1.43	1.07	1.10	1.43	↓	↑		
Campaspe Shire Council	3.08	3.56	2.38	2.79	3.10	3.21	3.23	3.81	3.21	3.23	3.81	↑	↑		
Colac Otway Shire Council	2.01	2.08	2.43	2.67	2.26	1.88	1.32	1.49	1.88	1.32	1.49	↓	↓		
Corangamite Shire Council	2.36	1.73	1.96	1.44	1.63	1.42	1.40	1.39	1.42	1.40	1.39	↓	↓		
East Gippsland Shire Council	1.58	2.51	2.49	2.68	2.83	2.09	2.69	3.20	2.09	2.69	3.20	↑	↑		
Glenelg Shire Council	1.94	2.44	2.99	3.00	2.89	2.29	2.14	1.94	2.29	2.14	1.94	↓	↓		
Macedon Ranges Shire Council	1.82	1.60	1.65	1.69	1.56	1.64	1.87	2.14	1.64	1.87	2.14	↑	↑		
Mitchell Shire Council	1.67	1.34	1.35	1.31	1.36	0.97	1.42	1.55	0.97	1.42	1.55	↑	↑		
Moira Shire Council	2.01	2.27	2.03	2.05	1.82	1.20	1.22	1.37	1.20	1.22	1.37	↓	↓		
Moorabool Shire Council	1.47	1.45	1.69	1.06	1.59	1.06	1.09	1.12	1.06	1.09	1.12	↑	↑		
Moyne Shire Council	2.73	2.47	2.47	2.88	2.23	1.29	1.24	1.23	1.29	1.24	1.23	↓	↓		
South Gippsland Shire Council	2.00	1.65	2.15	1.27	1.60	1.66	1.74	1.73	1.66	1.74	1.73	↓	↓		
Southern Grampians Shire Council (h)	4.34	1.72	1.74	2.39	2.60	N/A	N/A	N/A	N/A	N/A	N/A	↑	↑		
Surf Coast Shire Council	1.67	2.13	1.88	2.30	2.37	1.64	1.50	2.35	1.64	1.50	2.35	↑	↑		
Wellington Shire Council	1.78	1.92	2.00	2.49	1.64	1.57	1.46	1.58	1.57	1.46	1.58	↓	↓		
<b>Average liquidity</b>	<b>2.17</b>	<b>2.07</b>	<b>2.07</b>	<b>2.11</b>	<b>2.05</b>	<b>1.64</b>	<b>1.67</b>	<b>1.88</b>	<b>1.64</b>	<b>1.67</b>	<b>1.88</b>	↔	↑		

(h) The forecast information provided by Southern Grampians Shire Council does not include data for 2009-11.

## Liquidity results – Small shire councils

Small shire councils	2004							Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010			2011	Future trend	
Alpine Shire Council	2.70	2.43	2.43	2.56	2.83	2.59	2.59	1.48	1.56	1.59	↑	
Ararat Rural City Council	1.99	1.92	1.81	1.59	2.77	2.02	2.02	2.14	2.13	2.13	→	
Bass Coast Shire Council	1.56	1.68	1.35	1.81	1.88	1.66	1.66	1.34	1.35	1.37	↑	
Benalla Rural City Council	1.09	1.28	1.52	1.49	1.65	1.41	1.41	1.23	1.23	1.22	→	
Borough of Queenscliffe	2.13	2.45	2.71	3.77	2.80	2.77	2.77	2.55	1.44	2.08	↓	
Buloke Shire Council (j)	2.39	2.04	1.09	0.74	1.68	1.59	1.59	1.03	0.97	N/A	→	
Central Goldfields Shire Council	2.42	1.82	2.36	1.53	2.48	2.12	2.12	1.09	1.21	1.50	↑	
Gannawarra Shire Council	2.24	1.61	1.96	1.94	1.85	1.92	1.92	1.74	1.66	1.65	↓	
Golden Plains Shire Council	2.77	2.16	2.94	3.47	3.32	2.93	2.93	5.56	5.29	4.91	↓	
Hepburn Shire Council	1.44	1.62	1.45	1.54	1.11	1.43	1.43	1.08	1.08	1.08	→	
Hindmarsh Shire Council	1.78	1.68	2.34	3.50	2.71	2.40	2.40	2.03	1.88	1.88	→	
Indigo Shire Council	1.28	1.27	1.30	1.49	1.81	1.43	1.43	1.50	1.62	1.88	↑	
Loddon Shire Council	2.88	2.43	2.74	3.52	3.38	2.99	2.99	1.93	1.79	1.82	↓	
Mansfield Shire Council	1.69	1.18	1.43	1.49	1.67	1.49	1.49	1.20	1.23	1.31	↑	
Mount Alexander Shire Council	1.52	2.06	2.38	2.86	2.88	2.34	2.34	1.51	2.01	1.83	↑	
Murrindindi Shire Council	1.72	1.48	1.56	1.37	1.41	1.51	1.51	1.02	1.10	1.30	↑	
Northern Grampians Shire Council	1.60	1.54	1.61	1.82	1.51	1.62	1.62	1.54	1.54	1.58	↑	
Pyrenees Shire Council	2.01	1.91	1.91	2.93	2.41	2.23	2.23	1.25	1.43	1.67	↑	
Strathbogie Shire Council (j)	2.27	2.48	2.07	1.33	2.05	2.04	2.04	N/A	N/A	N/A	→	
Towong Shire Council	1.97	1.50	2.06	2.78	2.48	2.16	2.16	0.70	0.65	0.65	→	
West Wimmera Shire Council	1.99	2.53	1.95	1.81	2.13	2.08	2.08	1.56	1.66	1.89	↑	
Yarriambiack Shire Council	2.02	2.04	2.71	2.13	2.07	2.19	2.19	1.59	1.54	1.56	→	
<b>Average liquidity</b>	<b>1.98</b>	<b>1.87</b>	<b>1.99</b>	<b>2.16</b>	<b>2.22</b>	<b>2.04</b>	<b>2.04</b>	<b>1.67</b>	<b>1.64</b>	<b>1.75</b>	<b>↑</b>	

(i) The forecast information provided by Buloke Shire Council does not include data for 2011.

(j) The forecast information provided by Strathbogie Shire Council does not include data for 2009-11



## Indebtedness results

### Indebtedness results (%) – Inner metropolitan councils

Inner metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	Actual trend	2009	2010	2011	Future trend	
Banyule City Council	9.00	12.20	1.80	1.70	1.48	5.24	→	22.84	33.37	30.37	→	
Bayside City Council	27.60	30.60	26.10	26.60	24.59	27.10	→	24.69	23.64	22.65	→	
Boroondara City Council	17.90	15.40	14.60	12.00	8.89	13.76	→	10.67	11.44	9.22	→	
Darebin City Council	12.40	11.90	5.10	6.00	6.69	8.42	↔	5.14	4.25	3.41	→	
Glen Eira City Council	5.00	5.50	1.70	1.60	1.44	3.05	→	1.46	15.92	28.28	↔	
Hobsons Bay City Council	19.90	11.40	7.90	5.90	4.44	9.91	→	3.74	3.26	2.77	→	
Kingston City Council	27.90	20.60	17.60	16.30	13.28	19.14	→	10.25	7.60	7.00	→	
Maribyrnong City Council	62.90	45.90	40.30	31.80	25.25	41.23	→	20.42	14.82	8.90	→	
Maroondah City Council	9.10	7.00	5.40	5.00	4.43	6.19	→	4.22	4.00	3.76	→	
Melbourne City Council	3.64	4.26	1.25	8.41	3.64	4.24	↔	1.25	1.27	1.27	→	
Monash City Council	26.00	21.60	22.70	24.50	26.99	24.36	↔	26.84	26.69	27.04	↔	
Moonee Valley City Council	18.60	20.20	19.90	24.30	19.04	20.41	→	28.74	30.25	26.23	→	
Moreland City Council	13.60	2.60	2.80	13.50	12.26	8.95	↔	14.05	12.92	11.83	→	
Port Phillip City Council	13.60	10.30	9.80	4.20	3.54	8.29	→	3.00	2.45	1.91	→	
Stonnington City Council	14.90	14.50	7.50	7.40	5.84	10.03	→	8.86	14.66	12.92	↔	
Whitehorse City Council	8.56	7.70	1.11	1.06	4.04	4.49	↔	3.69	3.31	2.97	→	
Yarra City Council	23.60	16.70	11.20	6.00	3.82	12.26	→	2.12	1.23	0.77	→	
<b>Average indebtedness (%)</b>	<b>18.48</b>	<b>15.20</b>	<b>11.58</b>	<b>11.55</b>	<b>10.11</b>	<b>13.36</b>	→	<b>11.29</b>	<b>12.42</b>	<b>11.84</b>	↔	

## Indebtedness results (%) – Outer metropolitan councils

Outer metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Brimbank City Council	43.80	33.80	30.10	29.00	21.18	31.58	17.78	16.12	11.65	↓		
Cardinia Shire Council	96.80	118.10	101.20	97.80	95.97	101.97	88.21	82.84	71.58	↓		
Casey City Council	16.00	12.70	18.10	15.10	20.61	16.50	7.17	6.17	6.02	↓		
Frankston City Council	12.30	3.10	5.40	5.00	10.70	7.30	12.37	22.21	35.70	↑		
Greater Dandenong City Council	16.80	21.70	25.20	22.10	14.24	20.01	19.23	15.96	13.04	↓		
Hume City Council	33.60	25.80	20.60	37.20	32.12	29.86	27.20	22.77	18.61	↓		
Knox City Council	18.62	14.71	9.20	8.37	7.90	11.76	7.62	7.17	6.77	↓		
Manningham City Council	10.00	10.20	13.30	13.30	11.34	11.63	11.76	11.27	11.18	↓		
Melton Shire Council	35.90	29.90	34.70	37.80	36.78	35.02	46.05	42.41	38.47	↓		
Mornington Peninsula Shire Council	37.40	32.70	48.20	44.00	40.23	40.51	37.80	36.41	34.19	↓		
Nilumbik Shire Council	17.30	19.00	22.60	23.70	35.06	23.53	35.02	38.34	29.25	↓		
Whittlesea City Council	32.50	27.00	23.30	21.00	17.95	24.35	28.72	36.37	34.69	↑		
Wyndham City Council	31.95	12.60	11.05	8.69	7.71	14.40	23.05	18.27	16.21	↓		
Yarra Ranges Shire Council	26.80	16.60	16.40	12.40	10.60	16.56	8.02	10.88	10.46	↑		
<b>Average indebtedness (%)</b>	<b>30.73</b>	<b>26.99</b>	<b>27.84</b>	<b>26.91</b>	<b>25.89</b>	<b>27.50</b>	<b>26.43</b>	<b>26.23</b>	<b>24.13</b>	↓		

### Indebtedness results (%) – Regional city councils

Regional city councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Ballarat City Council	26.80	21.50	24.60	19.80	17.43	22.03	19.47	17.01	14.87	↓		
Greater Bendigo City Council	22.40	18.90	14.80	9.60	11.39	15.42	19.49	20.69	21.49	↑		
Greater Geelong City Council	15.10	13.40	14.30	12.70	12.89	13.68	20.93	21.87	21.67	↑		
Greater Shepparton City Council (k)	8.00	4.50	2.90	2.60	2.68	4.14	2.01	1.86	N/A	→		
Horsham Rural City Council (l)	37.40	34.50	37.40	28.60	24.32	32.44	N/A	N/A	N/A	→		
Latrobe City Council	35.60	32.50	33.90	30.30	29.99	32.46	38.56	31.69	26.32	↓		
Mildura Rural City Council	45.00	52.70	44.10	45.90	45.71	46.68	43.77	43.44	42.74	↓		
Swan Hill Rural City Council	44.40	49.00	49.50	40.30	36.42	43.92	37.09	34.88	31.05	↓		
Wangaratta Rural City Council	52.00	51.80	46.70	38.20	49.21	47.58	37.19	36.86	31.94	↓		
Warrambool City Council	29.80	28.20	22.90	23.30	21.42	25.12	22.84	23.02	18.16	↓		
Wodonga Rural City Council	54.40	62.50	81.80	86.80	88.33	74.77	4.71	3.63	5.54	↑		
<b>Average indebtedness (%)</b>	<b>33.74</b>	<b>33.67</b>	<b>33.92</b>	<b>30.85</b>	<b>30.89</b>	<b>32.57</b>	<b>24.61</b>	<b>23.49</b>	<b>23.75</b>	↓		

(k) The forecast information provided by Greater Shepparton City Council does not include data for 2011.

(l) The forecast information provided by Horsham Rural City Council does not include data for 2009-11.

## Indebtedness results (%) – Large shire councils

Large shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Baw Baw Shire Council	54.80	56.60	50.00	39.70	31.67	46.55	39.23	41.00	30.58	↓		
Campaspe Shire Council	24.80	27.60	19.90	26.60	26.38	25.06	32.37	28.47	26.23	↓		
Colac Otway Shire Council	33.60	39.30	34.20	31.30	24.11	32.50	21.40	17.96	15.94	↓		
Corangamite Shire Council	24.70	19.10	17.80	16.90	18.42	19.38	18.09	16.86	15.32	↓		
East Gippsland Shire Council	42.70	42.20	28.70	22.30	17.40	30.66	16.24	30.01	24.46	↑		
Glenelg Shire Council	29.50	42.50	41.10	34.80	30.24	35.63	30.22	26.44	22.81	↓		
Macedon Ranges Shire Council	35.70	46.00	37.90	30.40	27.59	35.52	34.85	29.20	23.17	↓		
Mitchell Shire Council	32.50	25.70	30.10	24.20	20.36	26.57	22.77	27.09	27.73	↑		
Moira Shire Council	37.80	55.60	45.80	55.20	66.24	52.13	52.19	51.77	53.75	↑		
Moorabool Shire Council	33.80	27.72	25.67	26.65	28.37	28.44	37.45	46.52	41.68	↑		
Moyne Shire Council	20.40	10.40	7.60	3.20	7.06	9.73	11.68	11.14	9.82	↓		
South Gippsland Shire Council	77.00	64.70	48.80	25.20	16.38	46.42	12.06	8.40	4.86	↓		
Southern Grampians Shire Council (m)	32.00	40.35	39.50	34.60	35.37	36.36	N/A	N/A	N/A	→		
Surf Coast Shire Council	37.90	38.40	32.70	25.40	21.80	31.24	17.24	34.34	48.81	↑		
Wellington Shire Council	54.30	39.80	30.40	37.20	30.88	38.52	32.12	31.62	31.71	↓		
<b>Average indebtedness (%)</b>	<b>38.10</b>	<b>38.39</b>	<b>33.21</b>	<b>28.89</b>	<b>26.82</b>	<b>32.98</b>	<b>26.99</b>	<b>28.63</b>	<b>26.92</b>	<b>→</b>		

(m) The forecast information provided by Southern Grampians Shire Council does not include data for 2009-11.

## Indebtedness results (%) – Small shire councils

Small shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Alpine Shire Council	20.00	19.60	17.60	16.10	2.87	15.23	1.20	1.27	1.34	↗		
Ararat Rural City Council	23.20	10.60	6.60	4.30	13.80	11.70	13.44	12.48	11.66	↘		
Bass Coast Shire Council	31.10	15.10	13.70	12.00	13.66	17.11	14.97	14.63	14.25	↘		
Benalla Rural City Council	40.40	57.10	56.70	59.60	49.24	52.61	56.53	53.16	49.68	↘		
Borough of Queenscliffe	28.80	22.00	14.70	26.80	31.04	24.67	25.49	27.67	22.14	↘		
Buloke Shire Council (n)	26.50	17.10	13.50	10.40	8.38	15.18	10.12	8.56	N/A	↘		
Central Goldfields Shire Council	40.30	48.00	56.70	112.60	76.53	66.83	44.23	41.00	37.74	↘		
Gannawarra Shire Council	17.60	37.90	45.40	41.90	36.10	35.78	32.91	29.01	24.98	↘		
Golden Plains Shire Council	12.70	9.70	23.70	17.20	13.84	15.43	23.36	20.66	15.92	↘		
Hepburn Shire Council	23.70	24.80	21.20	18.20	23.68	22.32	23.98	41.18	45.30	↗		
Hindmarsh Shire Council	33.40	18.60	12.80	8.00	1.91	14.94	5.71	4.88	4.08	↘		
Indigo Shire Council	19.30	18.70	28.30	25.50	19.42	22.24	20.42	17.94	16.29	↘		
Loddon Shire Council	9.00	30.10	47.40	44.20	33.28	32.80	41.91	38.72	35.76	↘		
Mansfield Shire Council	38.50	30.10	31.10	32.80	28.56	32.21	38.81	35.05	31.63	↘		
Mount Alexander Shire Council (o)	32.90	29.20	25.00	24.10	22.90	26.82	N/A	N/A	N/A	↘		
Murrindindi Shire Council	39.90	42.90	45.10	40.90	39.86	41.73	31.63	29.29	27.58	↘		
Northern Grampians Shire Council	35.50	28.10	18.50	19.50	12.80	22.88	13.42	9.34	6.11	↘		
Pyrenees Shire Council	33.60	21.80	22.70	20.20	14.72	22.60	11.23	7.76	4.51	↘		
Strathbogie Shire Council (o)	68.60	67.00	51.20	42.50	35.12	52.88	N/A	N/A	N/A	↘		
Towong Shire Council	11.00	13.20	5.20	3.60	2.30	7.06	7.09	8.07	8.07	↘		
West Wimmera Shire Council	8.10	13.20	2.10	0.80	1.18	5.08	12.11	10.78	9.66	↘		
Yarriambiack Shire Council	22.70	11.50	7.60	7.80	7.65	11.45	5.02	3.86	3.48	↘		
<b>Average indebtedness (%)</b>	<b>28.04</b>	<b>26.65</b>	<b>25.76</b>	<b>26.77</b>	<b>22.22</b>	<b>25.89</b>	<b>21.68</b>	<b>20.77</b>	<b>19.48</b>	↘		

(n) The forecast information provided by Buloke Shire Council does not include data for 2011.

(o) The forecast information provided by Mount Alexander Shire Council and Strathbogie Shire Council does not include data for 2009-11.

## Self-financing results

### Self-financing results (%) – Inner metropolitan councils

Inner metropolitan councils	2004	2005	2006	2007	2008	Mean	Actual trend	Forecast			
								2009	2010	2011	Future trend
Banyule City Council	6.48	15.24	3.12	14.41	13.57	10.56	↑	11.81	8.22	8.29	↓
Bayside City Council	36.00	17.04	12.95	18.60	21.80	21.28	↑	15.84	15.62	15.29	↓
Boroondara City Council	8.20	21.26	19.92	23.00	24.02	19.28	↑	26.53	27.63	26.07	↓
Darebin City Council	19.46	16.31	15.07	16.80	16.68	16.86	→	17.98	18.77	19.36	↑
Glen Eira City Council	32.28	22.91	20.48	23.10	28.08	25.37	↑	23.56	21.19	21.67	↓
Hobsons Bay City Council	29.40	21.09	16.67	23.60	24.78	23.11	↑	22.51	21.62	21.88	↑
Kingston City Council	37.40	10.24	11.03	8.08	19.02	17.15	↑	13.98	15.13	14.66	↑
Maribyrnong City Council	30.80	22.09	95.36	28.10	21.83	39.64	↓	27.69	21.87	21.95	↓
Maroondah City Council	24.80	20.94	14.49	14.70	20.66	19.12	↑	15.74	14.90	16.31	↑
Melbourne City Council	18.73	18.01	17.60	19.02	18.09	18.29	→	15.36	18.77	18.91	↑
Monash City Council	22.51	14.19	14.93	16.90	17.42	17.19	↑	18.53	14.20	14.72	↓
Moonee Valley City Council	11.78	19.67	20.14	25.80	15.55	18.59	↓	18.14	20.94	17.67	↓
Moreland City Council	10.90	-9.42	13.51	18.07	21.61	10.93	↑	18.29	16.76	18.10	↑
Port Phillip City Council	18.00	13.78	23.60	28.60	25.83	21.96	→	19.22	20.12	19.33	↓
Stonnington City Council	16.65	25.29	25.60	25.80	27.84	24.24	↑	20.28	20.82	20.94	↑
Whitehorse City Council	14.11	19.67	18.80	19.33	23.28	19.04	↑	13.44	16.66	18.00	↑
Yarra City Council	16.72	17.90	26.61	21.61	20.52	20.67	↓	22.31	21.42	19.71	↓
<b>Average self-financing (%)</b>	<b>20.84</b>	<b>16.83</b>	<b>21.76</b>	<b>20.30</b>	<b>21.21</b>	<b>20.19</b>	→	<b>18.90</b>	<b>18.51</b>	<b>18.40</b>	↓

### Self-financing results (%) – Outer metropolitan councils

Outer metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Brimbank City Council	24.17	29.50	24.09	28.50	34.02	28.06	24.59	24.58	23.68	↗		
Cardinia Shire Council	23.68	25.86	25.11	32.20	22.85	25.94	17.42	23.37	21.48	↘		
Casey City Council	29.55	27.32	28.44	30.60	28.67	28.92	23.92	30.00	30.52	↔		
Frankston City Council	18.68	11.26	21.36	14.10	24.60	18.00	16.58	17.59	18.42	↘		
Greater Dandenong City Council	20.46	12.70	22.46	21.80	23.26	20.14	29.22	32.70	36.81	↘		
Hume City Council	16.55	17.97	14.49	28.96	31.80	21.95	28.09	24.40	25.94	↘		
Knox City Council	13.17	13.28	14.41	17.26	18.48	15.32	16.18	17.74	18.12	↘		
Manningham City Council	20.17	18.94	24.83	30.30	29.15	24.68	29.06	26.04	28.75	↘		
Melton Shire Council	17.47	15.74	19.62	23.98	17.94	18.95	10.70	14.81	16.96	↘		
Mornington Peninsula Shire Council	15.69	12.27	12.65	18.21	13.97	14.56	15.23	15.03	14.59	↘		
Nilumbik Shire Council	15.04	14.05	16.25	19.10	17.12	16.31	29.80	24.62	20.00	↘		
Whittlesea City Council	13.00	25.74	19.27	15.90	20.04	18.79	19.28	21.74	21.10	↘		
Wyndham City Council	29.52	36.58	25.10	35.65	32.89	31.95	37.60	37.25	35.92	↘		
Yarra Ranges Shire Council	21.34	20.51	15.81	27.90	18.77	20.87	19.22	19.06	13.63	↘		
<b>Average self-financing (%)</b>	<b>19.94</b>	<b>20.12</b>	<b>20.29</b>	<b>23.82</b>	<b>23.83</b>	<b>21.74</b>	<b>22.64</b>	<b>23.49</b>	<b>23.28</b>	↘		

## Self-financing results (%) – Regional city councils

Regional city councils	2004										Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010	2011	2010	2011			Future trend		
Ballarat City Council	24.67	21.29	21.12	24.80	29.59	24.29	30.59	29.86	31.08	29.86	31.08	↑	↑		
Greater Bendigo City Council	27.51	27.33	25.18	24.60	25.41	26.01	32.45	33.51	34.74	32.45	34.74	↑	↑		
Greater Geelong City Council	18.22	14.04	17.69	22.30	19.15	18.28	19.05	17.99	18.08	19.05	18.08	→	↓		
Greater Shepparton City Council (p)	18.96	23.73	25.92	27.87	17.33	22.76	17.20	16.84	N/A	17.20	16.84	→	→		
Horsham Rural City Council (q)	26.97	30.65	42.38	28.96	27.51	31.29	N/A	N/A	N/A	N/A	N/A	→	→		
Latrobe City Council	28.68	19.45	23.76	21.34	28.01	24.25	20.38	20.45	19.86	20.38	20.45	↑	↓		
Mildura Rural City Council	19.39	20.77	28.09	30.21	30.11	25.71	20.89	21.36	22.41	20.89	21.36	→	↑		
Swan Hill Rural City Council	14.89	17.09	17.76	11.13	15.51	15.28	16.58	15.14	15.67	16.58	15.14	→	↓		
Wangaratta Rural City Council	21.38	28.34	31.39	23.34	31.76	27.24	31.46	20.45	20.36	31.46	20.45	↑	↓		
Warrambool City Council	10.59	10.27	16.80	19.46	21.63	15.75	19.76	18.99	27.32	19.76	18.99	↑	↑		
Wodonga Rural City Council	10.16	7.09	-8.87	7.87	-0.22	3.21	7.73	10.55	10.42	7.73	10.55	↑	↑		
<b>Average self-financing (%)</b>	<b>20.13</b>	<b>20.00</b>	<b>19.57</b>	<b>21.79</b>	<b>22.34</b>	<b>21.28</b>	<b>21.61</b>	<b>20.51</b>	<b>22.22</b>	<b>21.61</b>	<b>20.51</b>	<b>↑</b>	<b>↑</b>		

(p) The forecast information provided by Greater Shepparton City Council does not include data for 2011.

(q) The forecast information provided by Horsham Rural City Council does not include data for 2009-11.



## Self-financing results (%) – Large shire councils

Large shire councils	2004										Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010	2011	Future trend						
Baw Baw Shire Council	22.54	22.45	23.40	27.70	21.58	23.53	25.47	26.83	29.27	29.27	↓	↑			
Campaspe Shire Council	21.01	23.99	36.49	23.00	27.22	26.34	27.09	26.04	26.51	26.51	↓	↓			
Colac Otway Shire Council	20.28	28.33	22.49	24.20	25.76	24.21	25.99	28.57	29.31	29.31	↑	↑			
Corangamite Shire Council	23.00	22.71	29.93	25.10	36.05	27.36	29.55	29.21	28.84	28.84	↑	↓			
East Gippsland Shire Council	27.60	25.46	27.96	27.00	34.18	28.44	31.37	38.59	39.24	39.24	↑	↑			
Glenelg Shire Council	26.39	28.64	25.38	34.80	28.66	28.77	26.62	22.21	22.24	22.24	↑	↓			
Macedon Ranges Shire Council	17.51	29.19	23.13	30.20	26.00	25.21	29.81	22.17	22.05	22.05	↑	↓			
Mitchell Shire Council	19.07	25.81	24.65	30.90	26.92	25.47	25.24	28.69	29.85	29.85	↑	↓			
Moira Shire Council	27.51	26.61	32.73	27.90	18.75	26.70	26.44	19.03	20.02	20.02	↓	↓			
Moorabool Shire Council	12.88	16.55	20.48	16.46	18.38	16.95	18.29	19.34	22.12	22.12	↓	↑			
Moyne Shire Council	27.84	34.73	38.64	35.30	26.45	32.59	31.60	31.34	32.34	32.34	↓	↑			
South Gippsland Shire Council	16.69	21.39	19.89	23.00	19.98	20.19	20.47	23.52	23.81	23.81	↑	↑			
Southern Grampians Shire Council (r)	25.35	34.63	24.57	27.25	32.78	28.92	N/A	N/A	N/A	N/A	↑	↑			
Surf Coast Shire Council	20.36	23.57	26.82	22.93	29.47	24.63	26.65	21.49	24.38	24.38	↑	↓			
Wellington Shire Council	34.43	31.06	29.51	34.20	39.54	33.75	29.49	35.92	33.39	33.39	↑	↑			
<b>Average self-financing (%)</b>	<b>22.83</b>	<b>26.34</b>	<b>27.07</b>	<b>27.33</b>	<b>27.45</b>	<b>26.20</b>	<b>26.72</b>	<b>26.64</b>	<b>27.38</b>	<b>27.38</b>	<b>↓</b>	<b>↑</b>			

(r) The forecast information provided by Southern Grampians Shire Council does not include data for 2009-11.

## Self-financing results (%) – Small shire councils

Small shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Alpine Shire Council	22.95	24.78	22.70	15.40	17.41	20.65	24.51	25.08	25.62	↑		
Ararat Rural City Council	27.39	20.79	23.82	27.10	27.60	25.34	17.55	19.45	19.72	↑		
Bass Coast Shire Council	17.64	31.69	27.90	23.58	23.55	24.87	28.79	29.15	30.81	↑		
Benalla Rural City Council	5.82	14.89	19.60	18.64	17.54	15.30	15.66	16.66	17.22	↑		
Borough of Queenscliffe	11.64	17.68	11.27	13.60	10.97	13.03	30.83	32.69	25.44	↓		
Buloke Shire Council (s)	28.84	32.50	30.43	25.80	27.15	28.94	20.13	20.13	N/A	→		
Central Goldfields Shire Council	35.07	31.10	24.66	21.40	18.59	26.16	17.03	16.27	18.26	↑		
Gannawarra Shire Council	25.17	21.31	24.10	29.40	25.40	25.08	25.07	26.30	22.44	↓		
Golden Plains Shire Council	18.16	34.30	25.85	39.60	23.94	28.37	23.09	23.75	29.04	↑		
Hepburn Shire Council	16.90	16.52	20.69	13.60	27.88	19.12	18.40	19.32	19.88	↑		
Hindmarsh Shire Council	23.97	24.61	44.66	33.30	31.88	31.68	26.05	27.13	26.84	↓		
Indigo Shire Council	5.13	10.67	2.90	24.50	24.88	13.62	25.57	23.73	22.69	↑		
Loddon Shire Council	24.75	24.77	33.76	33.10	30.91	29.46	25.60	25.92	27.72	↑		
Mansfield Shire Council	22.19	17.72	24.66	19.20	19.73	20.70	27.39	22.49	21.09	↓		
Mount Alexander Shire Council (t)	10.31	17.63	24.67	18.70	23.43	18.95	N/A	N/A	N/A	→		
Murrindindi Shire Council	19.61	25.62	22.09	25.40	29.04	24.35	22.03	21.31	23.81	↑		
Northern Grampians Shire Council	23.13	15.42	25.60	25.00	20.03	21.84	24.36	24.11	25.14	↑		
Pyrenees Shire Council	20.28	28.22	43.78	40.70	41.42	34.88	41.07	40.73	40.42	↓		
Strathbogie Shire Council (t)	24.94	11.92	22.25	19.10	17.54	19.15	N/A	N/A	N/A	→		
Towong Shire Council	21.27	13.25	17.09	38.61	35.39	25.12	22.23	22.23	22.23	↑		
West Wimmera Shire Council	26.29	31.88	34.13	36.43	29.33	31.61	31.69	30.42	30.04	↓		
Yarriambiack Shire Council	28.39	26.99	33.93	32.89	27.26	29.89	25.59	26.46	26.67	↑		
<b>Average self-financing (%)</b>	<b>20.90</b>	<b>22.47</b>	<b>25.48</b>	<b>25.43</b>	<b>25.04</b>	<b>24.00</b>	<b>24.63</b>	<b>24.67</b>	<b>25.00</b>	<b>↑</b>		

(s) The forecast information provided by Buloke Shire Council does not include data for 2011.

(t) The forecast information provided by Mount Alexander Shire Council and Strathbogie Shire Council does not include data for 2009-11.

## Investment gap results

### Investment gap results – Inner metropolitan councils

Inner metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Banyule City Council	1.15	0.76	0.52	0.93	1.75	1.02	3.90	3.14	1.08	↘		
Bayside City Council	0.94	1.25	1.13	1.18	1.15	1.13	1.32	1.05	1.05	↗		
Boroondara City Council	0.93	1.30	1.66	1.23	1.12	1.25	2.24	1.79	1.65	↘		
Darebin City Council	1.41	1.21	0.92	1.02	1.02	1.12	1.21	1.22	1.27	↗		
Glen Eira City Council	1.64	2.02	1.41	1.75	2.08	1.78	1.76	2.47	2.47	↗		
Hobsons Bay City Council	1.32	1.39	1.31	1.59	1.47	1.42	1.47	1.34	1.30	↘		
Kingston City Council	0.25	0.66	0.49	0.41	1.13	0.59	1.33	0.97	1.00	↗		
Maribyrnong City Council	1.01	1.61	2.64	1.09	1.10	1.49	2.17	1.69	1.70	↗		
Maroondah City Council	0.71	1.09	0.81	1.25	1.75	1.12	1.21	0.99	1.03	↗		
Melbourne City Council	1.23	1.98	2.96	1.55	1.48	1.84	1.56	1.09	1.13	↘		
Monash City Council	0.93	0.97	1.00	1.28	1.71	1.18	1.46	1.16	0.98	↘		
Moonee Valley City Council	1.23	1.41	1.32	1.79	1.38	1.43	1.51	1.53	0.89	↘		
Moreland City Council	0.72	0.81	0.96	0.82	0.99	0.86	1.40	1.07	1.11	↘		
Port Phillip City Council	1.93	1.16	1.47	2.44	2.30	1.86	2.79	2.28	1.97	↘		
Stonnington City Council	1.12	1.28	1.50	1.29	1.91	1.42	1.84	2.16	1.37	↘		
Whitehorse City Council	1.07	0.85	1.21	1.07	1.31	1.10	1.02	1.01	1.11	↗		
Yarra City Council	0.98	1.07	1.22	1.21	1.18	1.13	1.78	1.80	1.41	↘		
<b>Average investment gap</b>	<b>1.09</b>	<b>1.26</b>	<b>1.33</b>	<b>1.29</b>	<b>1.46</b>	<b>1.28</b>	<b>1.76</b>	<b>1.58</b>	<b>1.33</b>	↘		

## Investment gap results – Outer metropolitan councils

Outer metropolitan councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Brimbank City Council	0.82	0.97	0.90	1.58	1.74	1.20	1.44	1.36	1.25	↔		
Cardinia Shire Council	1.75	2.69	2.74	2.20	2.50	2.38	1.60	1.78	1.73	↔		
Casey City Council	1.03	1.26	2.11	2.11	2.69	1.84	1.81	1.61	1.62	↔		
Frankston City Council	0.92	0.88	0.89	0.90	0.97	0.91	1.53	1.57	1.76	↔		
Greater Dandenong City Council	0.88	1.58	1.65	1.19	0.94	1.25	2.15	2.15	2.36	↔		
Hume City Council	0.60	0.76	1.28	2.31	1.41	1.27	2.42	1.97	1.79	↔		
Knox City Council	1.22	0.97	0.97	1.11	1.29	1.11	1.70	1.67	1.79	↔		
Manningham City Council	1.66	1.86	1.79	1.75	1.66	1.74	2.31	2.38	2.19	↔		
Melton Shire Council	0.90	0.77	0.83	1.60	2.04	1.23	1.55	1.39	1.48	↔		
Mornington Peninsula Shire Council	1.49	0.91	1.15	1.13	1.11	1.16	1.17	1.04	1.04	↔		
Nillumbik Shire Council	1.32	1.16	0.90	1.62	2.34	1.47	3.44	2.26	1.55	↔		
Whittlesea City Council	1.53	1.22	0.95	0.75	0.63	1.02	2.29	1.90	1.98	↔		
Wyndham City Council	1.22	1.55	1.34	1.16	1.50	1.35	2.01	1.74	1.62	↔		
Yarra Ranges Shire Council	0.87	1.31	0.87	1.04	0.92	1.00	1.82	1.90	1.03	↔		
<b>Average investment gap ratio</b>	<b>1.16</b>	<b>1.28</b>	<b>1.31</b>	<b>1.46</b>	<b>1.55</b>	<b>1.35</b>	<b>1.94</b>	<b>1.77</b>	<b>1.65</b>	<b>↔</b>		

### Investment gap results – Regional city councils

Regional city councils	2004										Mean	Actual trend	Forecast		
	2004	2005	2006	2007	2008	2009	2010	2011	Future trend						
Ballarat City Council	0.94	1.06	0.97	0.90	1.15	1.00	1.19	1.42	1.35	↑					
Greater Bendigo City Council	1.98	1.59	1.36	1.11	1.62	1.53	2.26	2.27	2.31	↑					
Greater Geelong City Council	1.32	2.05	1.22	1.43	1.35	1.47	2.08	1.65	1.60	→					
Greater Shepparton City Council (u)	0.90	1.18	1.07	1.18	1.02	1.07	1.06	1.20	N/A	→					
Horsham Rural City Council (v)	0.56	0.96	2.10	1.15	1.01	1.16	N/A	N/A	N/A	→					
Latrobe City Council	1.44	1.04	1.16	1.23	1.34	1.24	1.98	1.03	1.18	→					
Mildura Rural City Council	1.35	1.42	1.84	1.82	1.82	1.65	1.50	1.42	1.41	→					
Swan Hill Rural City Council	0.82	0.87	1.27	0.80	0.80	0.91	1.43	1.14	1.08	→					
Wangaratta Rural City Council	1.49	1.19	1.61	1.66	1.19	1.43	2.11	1.32	1.09	→					
Warrambool City Council	0.79	0.64	0.92	1.04	1.48	0.97	2.05	1.94	2.14	↑					
Wodonga Rural City Council	3.00	4.52	2.61	1.23	1.82	2.64	3.69	3.68	2.52	→					
<b>Average investment gap ratio</b>	<b>1.33</b>	<b>1.50</b>	<b>1.47</b>	<b>1.24</b>	<b>1.33</b>	<b>1.37</b>	<b>1.93</b>	<b>1.71</b>	<b>1.63</b>	<b>→</b>					

(u) The forecast information provided by Greater Shepparton City Council does not include data for 2011.

(v) The forecast information provided by Horsham Rural City Council does not include data for 2009-11.

### Investment gap results – Large shire councils

Large shires councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Baw Baw Shire Council	2.21	2.00	2.16	1.74	2.14	2.05	2.04	2.14	1.58	↓		
Campaspe Shire Council	0.89	0.80	1.57	1.48	1.22	1.19	1.36	0.98	0.82	↓		
Colac Otway Shire Council	0.73	0.81	1.13	1.12	1.19	1.00	1.15	1.12	1.13	↔		
Corangamite Shire Council	1.13	0.92	1.05	0.93	1.29	1.06	1.35	1.10	1.09	↓		
East Gippsland Shire Council	1.05	0.69	0.96	0.98	1.14	0.96	2.68	2.38	1.87	↓		
Glennelg Shire Council	0.97	1.26	1.37	1.41	1.36	1.27	1.63	1.24	1.24	↓		
Macedon Ranges Shire Council	1.44	0.22	1.16	2.53	2.21	1.51	2.65	1.60	1.50	↓		
Mitchell Shire Council	1.64	1.47	1.86	1.47	1.50	1.59	1.29	1.87	1.96	↔		
Moira Shire Council	0.85	1.06	1.37	1.38	1.44	1.22	2.03	1.47	1.39	↓		
Moorabool Shire Council	0.87	1.01	0.72	1.36	1.02	1.00	1.25	1.27	1.08	↓		
Moyne Shire Council	1.05	0.87	1.12	1.19	1.52	1.15	1.38	1.08	1.07	↓		
South Gippsland Shire Council	1.26	1.42	1.01	1.26	1.12	1.21	1.16	1.37	1.36	↔		
Southern Grampians Shire Council (w)	1.04	2.10	2.09	1.52	1.00	1.55	N/A	N/A	N/A	↔		
Surf Coast Shire Council	0.78	0.84	1.44	0.75	0.97	0.96	1.50	1.65	1.63	↔		
Wellington Shire Council	0.87	0.56	0.87	1.11	1.74	1.03	1.47	1.80	1.54	↔		
<b>Average investment gap ratio</b>	<b>1.12</b>	<b>1.07</b>	<b>1.33</b>	<b>1.35</b>	<b>1.39</b>	<b>1.25</b>	<b>1.64</b>	<b>1.51</b>	<b>1.38</b>	<b>↔</b>		

(w) The forecast information provided by Southern Grampians Shire Council does not include data for 2009-11.

### Investment gap results – Small shire councils

Small shire councils	Actual trend										Forecast	
	2004	2005	2006	2007	2008	Mean	2009	2010	2011	Future trend		
Alpine Shire Council	1.23	1.36	1.84	0.92	0.99	1.27	1.03	1.14	1.22	↕		
Ararat Rural City Council	0.59	0.71	0.81	1.34	1.63	1.02	1.17	1.28	1.32	↕		
Bass Coast Shire Council	0.92	1.95	1.70	0.95	1.78	1.46	1.88	1.98	2.20	↕		
Benalla Rural City Council	0.83	1.02	1.61	0.90	1.15	1.10	1.01	1.08	1.11	↕		
Borough of Queenscliffe	1.37	0.97	2.50	0.80	2.00	1.53	3.99	6.34	1.79	↕		
Buloke Shire Council (x)	0.98	0.99	1.34	0.92	0.88	1.02	1.03	1.05	N/A	↕		
Central Goldfields Shire Council	0.89	0.82	1.03	1.59	0.92	1.05	1.14	0.91	0.92	↕		
Gannawarra Shire Council	1.06	1.46	1.20	1.06	1.46	1.25	1.25	1.16	1.00	↕		
Golden Plains Shire Council	3.52	0.95	1.20	1.80	1.39	1.77	1.73	1.89	2.09	↕		
Hepburn Shire Council	0.76	0.45	0.71	1.00	1.49	0.88	0.81	1.50	1.14	↕		
Hindmarsh Shire Council	1.02	1.06	1.14	1.17	1.82	1.24	3.07	2.95	2.88	↕		
Indigo Shire Council	1.09	0.73	1.11	1.29	0.89	1.02	1.54	1.38	1.35	↕		
Loddon Shire Council	1.11	1.20	1.30	1.01	0.98	1.12	0.78	0.72	0.74	↕		
Mansfield Shire Council	1.33	2.01	1.20	1.13	1.05	1.34	1.55	0.99	0.87	↕		
Mount Alexander Shire Council (y)	1.34	0.60	0.49	0.59	0.88	0.78	N/A	N/A	N/A	↕		
Murrindindi Shire Council	1.35	1.53	1.32	1.31	1.29	1.36	1.13	1.11	1.12	↕		
Northern Grampians Shire Council	1.11	0.91	1.00	1.21	1.21	1.09	1.17	1.22	1.31	↕		
Pyrenees Shire Council	0.62	1.13	1.05	1.64	1.73	1.23	1.29	1.21	1.13	↕		
Strathbogie Shire Council (y)	1.31	0.66	1.03	1.60	0.87	1.09	N/A	N/A	N/A	↕		
Towong Shire Council	1.55	1.55	0.59	1.16	1.50	1.27	1.04	1.08	1.08	↕		
West Wimmera Shire Council	1.08	0.99	1.16	1.19	1.26	1.14	1.11	0.98	0.87	↕		
Yarriambiack Shire Council	1.07	0.94	0.84	1.20	0.89	0.99	0.93	0.92	0.92	↕		
<b>Average investment gap ratio</b>	<b>1.19</b>	<b>1.09</b>	<b>1.11</b>	<b>1.17</b>	<b>1.27</b>	<b>1.18</b>	<b>1.43</b>	<b>1.54</b>	<b>1.32</b>	↕		

(x) The forecast information provided by Buloke Shire Council does not include data for 2011.

(y) The forecast information provided by Mount Alexander Shire Council and Strathbogie Shire Council does not include data for 2009-11.

# Auditor-General's reports

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## Reports tabled during 2008–09

Report title	Date tabled
Managing Complaints Against Ticket Inspectors (2008-09:1)	July 2008
Records Management Checklist: A Tool to Improve Records Management (2008-09:2)	July 2008
Investing Smarter in Public Sector ICT: Turning Principles into Practice (2008-09:3)	July 2008
Private Practice Arrangements in Health Services (2008-09:4)	October 2008
Working with Children Check (2008-09:5)	October 2008
CASES21 (2008-09:6)	October 2008
School Buildings: Planning, Maintenance and Renewal (2008-09:7)	November 2008
Managing Acute Patient Flows (2008-09:8)	November 2008
Biosecurity Incidents: Planning and Risk Management for Livestock Diseases (2007-08:9)	November 2008
Enforcement of Planning Permits (2008-09:10)	November 2008
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007–08 (2007-08:11)	November 2008

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