

LOCAL GOVERNMENT FINANCIAL SUSTAINABILITY

FOCUS ON SMALL RURAL COUNCILS

ABRIDGED REPORT

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EXECUTIVE SUMMARY

This Report examines the relative financial sustainability of Victorian councils using a statistically based model. Sustainability is defined as a council's capacity to service the required needs of its community, preserve intergenerational equity and cope with contingencies without making radical changes to spending or revenue policies.

Several local government studies acknowledge the influence of environmental (demographic) factors on sustainability but assess it by using financial performance indicators. These indicators do not measure underlying sustainable capacity, but rather the financial results or use made of that capacity. Accordingly, this Report has approached the task by selecting those environmental factors that significantly influence council performance capability, quantifying the degree to which each factor impacts on operating revenues and costs, and applying the results to assess the relative sustainable capacity of each council.

Environmental factors selected for this purpose were net disposable community income (as the principal indicator of council capacity to raise own source revenue); recurrent, reliable government grants; population size; population sparsity, population dispersion (spread into townships and rural areas) and remoteness (distance from major centres). Each of these factors is externally imposed on councils and generally not subject to their control or influence.

Relative sustainability was determined by applying a "sustainability ratio" i.e. dividing the capacity to pay (as derived from net disposable community income) by own source revenue required (comprising nominal operating costs, less recurrent government grants). This ratio, when applied to each council, clearly establishes that environmental factors have a substantial detrimental impact on the sustainable capacity of smaller rural councils.

Three financial indicators were used to assess the financial performance of all councils for the seven year period ending 2011/12; underlying operating result, asset renewal (investment gap) and underlying net cash flow from operations. The results obtained strongly indicated that smaller rural councils were clearly the most financially vulnerable.

A strong relationship exists between the impact of environmental factors on the sustainable capacity of small rural councils and the combined underlying financial deficits incurred by them.

The Local Government Act 1989 requires councils to "...work in partnership with the Governments of Victoria and Australia..." to "...achieve the best outcomes for the local community..." and "...improve the quality of life of the people of the municipal district...". The State Government therefore has a responsibility to ensure that councils have adequate financial resources available to achieve these purposes.

The eighteen small rural councils identified in this Report do not have the capacity to adequately service their communities. The provision of guaranteed long term operating entitlements, as recommended by this Report, is essential to their future sustainability..

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PART 1 BACKGROUND AND METHOD

1.1 COUNCIL RESPONSIBILITIES AND SUSTAINABILITY

According to a definition of sustainability accepted by State and Commonwealth Governments (Victorian Auditor General's Report 2006/07) and relevant provisions of the Local Government Act, a council should:-

- be capable of funding the service needs of its community, including *"the management and maintenance of assets"*;
- be able to cope with contingencies that arise, without making radical changes to spending or revenue raising;
- ensure that spending practices are consistent with rating levels imposed on the community, and its relative capacity to pay them;
- effectively manage risks; and
- avoid financially disadvantaging future generations.

These criteria raise questions about the sustainable capacity of many councils.

1.2 MEASURING SUSTAINABLE CAPACITY AND PERFORMANCE OUTCOMES

Reports about council sustainability have generally recognised the influence of environmental factors (e.g. community income, population size) on performance, and have used financial indicators (e.g. operating result, debt level) to measure it.

Sustainable capacity and financial performance are different benchmarks, requiring different means of assessment.

Environmental factors have a very substantial impact on the ability of a council to service the needs of its community and are essential for measuring sustainable capacity.

Financial indicators on the other hand, are used to assess a council's financial results; past, present and forecast; i.e. for measuring performance outcomes.

One measures the capacity to be sustainable, the other analyses the use made of that capacity.

1.3 METHOD OF APPROACH

This report assesses the financial sustainability of all councils using a statistically based system ("Model") and approaches the task by:-

- ascertaining and applying environmental factors that materially impact on performance capacity;
- reliably quantifying the extent of that impact;
- identifying councils most disadvantaged, and the extent of that disadvantage;
- comparing results produced for sustainable capacity against those provided by financial performance measures; and
- determining appropriate remedial financial assistance for those councils with least sustainable capacity.

Councils have been classified into seven groups for comparative purposes only. Two councils, Melbourne and Queenscliffe are Unclassified. - **Refer Appendix 1**

PART 2. APPLICATION OF ENVIRONMENTAL FACTORS

2.1 THE FACTORS

Revenue:

- capacity of the community to pay rates, charges, fees, fines and other revenue; and
- assistance provided by government in the form of tied and untied recurrent grants.

Costs:

- size of the population;
- population sparsity;
- dispersion of the population into townships and rural areas; and
- remoteness of the municipality from major populations centres.

Factors are external in origin and not subject to council control.
Measurements are based on data for the 2005/06 financial year.

2.3 CAPACITY TO PAY

a. Method of Assessment

Two methods are consistently proposed for assessing capacity of the community to pay property valuations and net disposable community income (NDCI).

According to the Productivity Commission Report 2008 :

"The higher the aggregate income of a community, the higher the ability to pay for local government services, and hence the higher the potential for its local government to raise revenue." (Page 55); and

"All things considered, the Commission considers that the appropriate indicator of fiscal capacity in the context of this study is the aggregate income of its local community. Ultimately, it is the incomes of individuals in local communities that constrain the choices they face between consuming public or private sector goods and services." (Page 55)

This Model selected NDCI as the better indicator of capacity to pay. The ability to meet costs, whether they be for commodities or council services, is directly related to the income levels of individuals and the community collectively. The higher the income level, the greater the fiscal capacity.

b. Income Sources

NDCI comprises personal income and business income after deducting taxes. It includes:-

Personal Income comprising: Individual taxpayers salaries and wages, unincorporated business incomes, partnership/ trust distributions, interest, dividends, eligible termination and superannuation payments; and Commonwealth Pensions and Benefits (includes Aged, Disability Support, Family Allowances, Veterans Affairs). Pensions / benefits applicable to each council were derived by allocating total annual expenditure for each pension / benefit to each council by the ratio of council recipients to total recipients, using Centrelink and ABS data.

Company Income: After tax company income for all industries, together with the numbers of persons employed in each industry, are available at Commonwealth level (ATO). The numbers employed in each industry are also available at State level. The proportion of after tax company income for Victoria was derived by applying the ratio of Victorian employee numbers to Commonwealth employee numbers. This method was used by the Productivity Commission (2008 Report).

After tax company income for Victoria was allocated to each Council using commercial / industrial, and rural property valuations because there is a significantly greater correlation at local government level between company income and valuations of premises from which it is derived, than that which exists between company income and numbers employed.

c. Income Adjustments

The capacity of a council to raise revenue is determined by the level of NDCI available. However adjustments to NDCI are required to more accurately reflect the real capacity of the community to pay rates and charges; fees, fines and other revenue.

These are:-

Recognising the contribution to NDCI by non-resident owners of unoccupied dwellings.

These owners contribute to the NDCI of a council by paying rates and charges and, from time to time, fees, fines and other revenue. To recognise this contribution, individual after tax incomes of these owners are included in NDCI at values equivalent to the average after tax incomes for that municipality.

Determining the value of NDCI available from each class of property for levying rates and charges; and fees, fines and other revenue.

NDCI components are allocated to each council property class as follows:-

- individual after tax income to each property class according to the number of assessments in each class;
- all company non primary production after tax income to the commercial / industrial class;
- all company primary production after tax income to the rural class; and
- all pensions / benefits to the residential class.

NDCI for each council is distributed in this way to recognise the impact of variations in income levels between property classes on capacity to pay.

d. Calculating Capacity To Pay

The NDCI applicable to rates and charges is derived by:-

- multiplying the total NDCI for each property assessment type (residential, commercial / industrial and rural) by the ratio of actual rates and charges raised for each type to total rates and charges levied; and
- adding the results to obtain a weighted disposable income per assessment; then multiplying the weighted NDCI per assessment by the ratio of actual rates and charges revenue to total own source revenue.

NDCI for rates and charges is expressed in terms of “dollars per assessment” rather than per head to reflect the fact that this form of income is derived on a property basis.

Councils receive fees, fines and other revenue from residents, commuting workers, shoppers, tourists and facility users, property rentals, investments, interest, etc. It is difficult to link these income sources to any particular user group. The statistical method used for assessing the capacity to pay these revenues is based on the partial inclusion of all four components of NDCI; i.e. individuals, pensions / benefits, company non-primary production and primary production. Statistical modelling (regression analysis) facilitates an accurate measure of the weighted effect of these components on fees, fines and other revenues.

The result is calculated and applied in “*dollar per head*” terms, to reflect the fact that a high proportion of these revenues is received / charged on that basis.

e. Capacity To Pay Index

Capacity of a community to pay (councils revenue raising capacity) is then obtained by aggregating:-

rates and charges per assessment; and
fees, fines and other revenue per head
to create a Capacity to Pay Index.

Impact of the capacity to pay index on each council classification is shown in the table:

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	CAPACITY TO PAY INDEX MEDIAN	TIMES BASE LEVEL
Inner Metropolitan	16	78,485	2.7
Outer Metropolitan	14	68,059	2.3
Regional Centres	7	68,359	2.3
Large Rural	7	52,844	1.8
Medium Rural	9	45,466	1.6
Small Rural	15	44,435	1.5
Very Small Rural	9	29,140	1.0 (Base Level)

The smaller rural councils have the lowest relative capacity to raise own source revenue. Further analysis shows that these councils have also made the greatest relative use of that capacity to raise both rates and charges; and fees, fines and other revenue.

Capacity to pay has a substantial impact on financial sustainability. It provides the basis from which councils derive own source revenue that, in turn, comprises about 83% of recurrent operating revenue. The differences in fiscal capacity between council classifications are illustrated in graph form – **Refer Appendix 3.**

2.3 RECURRENT GOVERNMENT GRANTS

Recurrent grant assistance comprises untied General Purpose and Local Road grants from the VGC and tied government grants for services such as health, welfare and recreation. These grants constitute about 17% of local government recurrent revenues and are included for assessing financial sustainability because they provide a substantial, reliable and consistent source of municipal revenue.

The typical recurrent grant level per head for a small rural municipality is \$680 while that for a metropolitan municipality is about \$120. This income has a much greater impact on the viability of smaller municipalities, the amount received by many of them exceeding 50% of their own source revenue.

The Grants Commission is required to allocate general purpose grants in accordance with principles contained in Commonwealth legislation, including a provision that 30% of the grant be distributed on a per capita basis. According to the Pricewaterhouse Coopers Report, National Financial Sustainability Study, 2006 (Page138) some councils *...“receive more than might be justified by their horizontal equalization assessment..”,* thereby *“...drawing funding away from relatively disadvantaged councils..”*. This Model acknowledges that the Grants Commission is constrained by these provisions. However, conditions placed by the Commonwealth on the distribution of these funds precludes larger allocations being made to those councils identified in this Report as being in greatest need.

2.4 SELECTION OF COST FACTORS

To determine relative sustainability between councils this Model has focused on quantifying and applying four environmental factors that collectively exert a very substantial impact on service costs; these being population size, sparsity, dispersion and remoteness. This approach involved the development of a regression based statistical model to determine the financial impact of each environmental factor on the actual operating expenses incurred by each council. This was done to establish a representative (nominal) operating cost for each factor for each council. The process facilitates a reliable comparison of sustainable capacity between councils operating in different environments. The methodology has been reviewed and verified by independent expertise.

These four factors in combination explain a very high percentage of the variation in operating costs. The remaining percentage of that variation is accounted for by other less significant environmental factors; and by subjective differences, in particular corporate / managerial policies and practices.

Costs relating to the corporate / management approach are influenced by the range of services offered, standards applied, method of delivery, overall effectiveness and efficiency of operation and attitude to rate increases. Some smaller councils have curtailed services to reduce underlying operating deficits while others have attempted to maintain service levels, thereby increasing them. This explains, in part, differences in performance results achieved by councils with similar environmental characteristics.

2.5 POPULATION NUMBER

Large populations support the achievement of economies of scale, resulting in reduced service costs. The relationship between population number and service costs per head for all councils (using regression analysis) is summarized in the following table:

COUNCIL CLASSIFICATION	MEDIAN COST PER HEAD	%AGE INCREASE
Outer Metropolitan	\$ 776	0% (Base)
Inner metropolitan	\$ 796	2.5%
Regional Centres	\$ 861	9.5%
Large Rural	\$ 962	24.0%
Medium Rural	\$1042	34.3%
Small Rural	\$1188	53.1%
Very Small Rural	\$1390	79.1%

The differences in population / cost per head between council classifications, is illustrated in graph form – **Refer Appendix 4.**

There is a clear relationship between cost per head and size of population. The increase in operating cost per head from large to small municipalities is exponential and accelerates as population falls below 50,000, and becomes far more pronounced below 15,000. This relationship is illustrated in graph form – **Refer Appendix 5.** About 56% of costs is attributable to population size.

2.6 POPULATION SPARSITY

Sparsity has been calculated using population per kilometre of road rather than the population / area ratio because some municipalities contain large uninhabited unserved areas, thereby distorting the sparsity / area calculation. Provision of services over larger distances increases service costs. The impact of sparsity on service costs per head ranges from less than \$10 per head in metropolitan councils to over \$200 per head for remote rural areas. Rural councils, mainly those classified as very small rural, are most adversely affected. The contribution of sparsity to costs is about 17%.

2.7 POPULATION DISPERSION

Dispersion refers to the spread of population into more than one urban centre, thereby potentially increasing the cost of service provision. The VGC “index” for assessing the cost impact of dispersion has been adapted for use in this Model. The index score takes account of the services delivered from the administrative centre of a municipality to each urban centre and its surrounding rural areas. It includes the distances over which they are delivered and the percentage of the population being serviced in each locality. The location of population within municipalities varies markedly with a resultant impact on service costs. In almost all metropolitan municipalities, the population is closely and uniformly distributed – the service centre and population to be serviced being one and the same. In many rural municipalities population is spread between several urban communities and their surrounding rural districts, varying in size and distance from the service centre.

Dispersion costs per head range from nil to more than \$200. Very few metropolitan councils are affected. Most rural councils ranging from large to very small are generally more disadvantaged, with costs per head in some cases exceeding \$150. The contribution of dispersion to costs is about 15%.

2.8 COUNCIL REMOTENESS

The impact of remoteness is measured using an index entitled the State Accessibility Remoteness Index of Australia plus (S.A.R.I.A.) 2006, developed by the National Key Centre for Social Applications of Geographical Information Systems. It is based on road distance from the municipality to major population centres and represents additional costs incurred in accessing goods and services such as health and education. The index has been refined and used in this Model to calculate a service cost per head for remoteness.

While metropolitan councils score nil for remoteness, those councils assessed as being most remote incur an additional operating cost exceeding \$120 per head. Rural councils are most negatively affected, in particular those in the very small rural category. The contribution of remoteness to costs is about 12%.

2.9 TOTAL NOMINAL COSTS BY COUNCIL CLASSIFICATION

The combined impact of population number, density, dispersion and remoteness is provided below.

COUNCIL CLASSIFICATION	MEDIAN	%AGE INCREASE
Inner Metropolitan	\$ 810	0% (Base)
Outer Metropolitan	\$ 811	0%
Regional Centres	\$ 907	12%
Large Rural	\$1183	46%
Medium Rural	\$1280	58%
Small Rural	\$1427	76%
Very Small Rural	\$1822	249%

Small and, in particular, very small rural councils, are the most disadvantaged by these factors. The results presented in the table are illustrated in graph form – **Refer Appendix 6**

The nominal operating costs used in this report to assess sustainability are derived from actual operating expenses. These costs are conservative because councils experiencing most financial difficulty are underfunding required services, thereby incurring lower costs. Consequently the sustainable position of smaller rural councils is likely to be more vulnerable than shown.

2.10 THE SUSTAINABILITY RATIO

The sustainability ratio is the relationship between capacity to pay (C2P) and own source revenue required. It is represented by the formula:

$$SR = \frac{C2P}{OSRR} \quad \text{where:}$$

C2P = the capacity to pay index comprising aggregate net disposable community incomes; and

OSRR = nominal operating cost representing the combined impact of population number, sparsity, dispersion and remoteness; less recurrent government grants.

In effect, this ratio represents a council's relative capacity to raise revenue divided by its relative ability to meet net costs – **Refer Appendix 2.**

Using these ratios (derived from environmental factors) the sustainability of each council has been rated on a comparative scale of 10 to 1; very positive to very negative. For an example of the application of the rating system, **Refer Appendix 7, "Council Sustainability Summary Report"**

A summary of the **sustainability ratings based on environmental factors** for all councils by classification is provided in the table below:

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	VERY POSITIVE	POSITIVE	MODERATE	NEGATIVE	VERY NEGATIVE
Inner Metropolitan	16	10	6	-	-	-
Outer Metropolitan	14	5	7	2	-	-
Regional Centres	7	2	4	1	-	-
Large Rural	7	-	-	2	5	-
Medium Rural	9	-	-	2	7	-
Small Rural	15	-	-	1	5	9
Very Small Rural	9	-	-	-	-	9
TOTALS :	77	17	17	8	17	18

Ratios based on council classifications are presented in graph form – **Refer Appendix 8.** This clearly shows that the combined impact of environmental factors – population size, sparsity, dispersion, remoteness, NDCI and recurrent government grants has a much greater detrimental effect on the sustainability of smaller councils. Twenty-three of the twenty-four small and very small rural councils have negative and very negative sustainability ratings. It is again emphasized that these ratings are based on the impact of inherent factors over which councils exercise virtually no control and which do not reflect differences in managerial performance and corporate direction

PART 3. APPLICATION OF FINANCIAL PERFORMANCE MEASURES

3.1 THE MEASURES

Financial performance must be measured over time to ascertain the extent to which each council is achieving or maintaining a sustainable position. The indicators used are:

- underlying operating result;
- infrastructure renewal and maintenance performance (investment gap);
- adjusted underlying operating result;
- underlying operating cash resources (self financing); and
- debt and liquidity.

The first three measures are regarded as vitally important to determining longer-term sustainable capacity. The remaining measures are provided for support.

These measures were used to evaluate the financial performance of councils over the seven year period from 2005/06 to 2011/12; and are based primarily on the data provided by all councils in the four standard financial statements; i.e. financial performance, financial position, cash flows and capital works.

3.2 UNDERLYING OPERATING RESULT

The underlying operating result is a measure of the capacity of a municipality to finance recurrent services, pay debt interest and meet the cost of asset use (depreciation). Continuing deficits indicate that the asset base is being eroded and that insufficient resources are being allocated to meeting current service demands. The consequence is a “run down” of service levels by deferring today’s costs, thereby creating a financial disadvantage for future generations.

Several highly credentialed bodies involved in local government financial performance assessment use the underlying operating result as the primary indicator. The Institute of Chartered Accountants in Australia, (ICA) in its “Victoria City Council Model Budget 2008/09” advocates “... a greater focus on the underlying operating result as a measure of sustainability”. The Queensland Treasury Corporation in its report entitled “Financial Sustainability in Queensland Local Government” describes its importance by stating that “... operating performance (operating position) is a key indicator used in the private and public sector”. The Local Government Association of South Australia in its “Financial Indicators Information Papers” No’s. 9 and 12 March 2007 :describes it as “.... by far the most important financial indicator for councils.”

There is a difference between the approach taken by the Auditor General, and that recommended by the ICA and used in this Model. This distinction is explained by the ICA as follows: “This(ICA) definition differs from the underlying surplus as determined by the Victorian Auditor General in his report “Local Government Results of the 2006/07 Audits” issued in February 2008 which includes capital contributions in the calculation. In this Guide, capital contributions are excluded from the definition on the basis that the revenue is not tied, is received for capital expenditure and is fluctuating in nature meaning that the operating result can move from underlying deficit to surplus from year to year depending on the level of contributions received.

This Model calculates the underlying operating result by deducting from the operating surplus / deficit shown in the Standard Income Statement: non-recurrent grants, non-recurrent cash contributions (e.g. developer contributions) contributed non-cash assets; asset revaluations and other "once off" adjustments.

The underlying operating result is measured against own source revenue to provide an indicator of relevant performance between municipalities. Own source revenue is used for this purpose because a municipality has the capacity to address its underlying operating deficit by raising revenue from those sources over which it generally has control.

The underlying operating results for the seven year period 2005/06 to 2011/12 are presented according to council categories in the table below:-

COUNCIL CLASSIFICATION	NO. OF COUNCILS	OPERATING RESULTS				
		CF OWN SOURCE REVENUE			NO. IN NEGATIVE	
		MAXIMUM	MINIMUM	AVERAGE	LOW	VERY LOW
Inner Metropolitan	16	9.0%	- 4.5%	1.3%	-	-
Outer Metropolitan	14	11.5%	-10.7%	1.9%	1	-
Regional Centres	7	6.2%	-4.3%	0.2%	-	-
Large Rural	7	5.9%	-7.0%	- 0.5%	1	-
Medium Rural	9	6.5%	- 15.6%	-4.3%	3	1
Small Rural	15	0.4%	-19.2%	-8.6%	9	3
Very Small Rural	9	-5.1%	-22.3%	-12.7%	4	4
TOTAL	77				18	8

Low = -6% to - 12%

Very low = - 12% or greater

The average underlying operating results for small and very small rural councils are very unfavourable compared to those of all other council groups. Twenty of the twenty four smaller rural councils have operating results that very adversely impact on sustainability while only six of all other councils are similarly affected. The small councils are highly reliant on "once off" grants and non guaranteed capital grants to support their financial positions. This measure shows that, in terms of underlying operating performance, these councils are at most risk.

3.3 ASSET RENEWAL AND MAINTENANCE

Asset renewal and maintenance budgeted compared to asset renewal and maintenance required, is an appropriate measure and has been used in this Model. A summary of results obtained by applying this measure is shown in the following table:

COUNCIL CATEGORY	NUMBER OF COUNCILS	RATING				
		VERY STRONG ABOVE 95%	STRONG 90% - 95%	MODERATE 85% - 90%	WEAK 80% - 85%	VERY WEAK BELOW 80%
Inner Metropolitan	16	7	3	5	-	1
Outer Metropolitan	14	8	1	1	1	3
Regional Centres	7	4	-	2	-	1
Large Rural	7	3	1	-	-	3
Medium Rural	9	5	1	-	1	2
Small Rural	15	5	1	1	3	5
Very Small Rural	9	1	1	3	2	2
TOTAL	77	33	8	12	7	17

While this table shows that weak asset renewal and maintenance performance is not restricted to the small rural councils, this Report shows they have the least capacity to address it.

3.4 ADJUSTED UNDERLYING OPERATING RESULT

This is derived by combining the forecast annual shortfall in funding of asset renewal and maintenance (inclusive of Roads To Recovery grants) with the underlying operating result, the outcome being expressed as a percentage of own source revenue. This adjusted result focuses attention on the real underlying financial position facing many small rural councils. A summary of **financial performance ratings based on the adjusted underlying operating result** by council classification is provided in the following table:

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	VERY STRONG	STRONG	MODERATE	VULNER	VERY VULNER
Inner Metropolitan	16	4	4	6	2	-
Outer Metropolitan	14	4	4	2	4	-
Regional Centres	7	1	-	5	1	-
Large Rural	7	1	1	2	2	1
Medium Rural	9	1	1	3	2	2
Small Rural	15	1	-	2	3	9
Very Small Rural	9	-	-	-	3	6
TOTAL	77	12	10	20	17	18

Vulnerable = - 6% to -12%

Very Vulnerable = -12% or Greater

Fifteen of the councils in the small and very small council groups are incurring adjusted underlying operating deficits, (i.e. inclusive of asset renewal and maintenance shortfalls) equal to 12% or more of annual recurrent revenue. This means there is loss in equity equal to recurrent revenue every eight years.

3.5 UNDERLYING NET CASH FLOW FROM OPERATIONS

Underlying net cash flow is cash generated from recurrent operations exclusive of any capital (non recurrent) contributions. This resource is available to finance the normal operating activities of the municipality; to repay loan principal and to invest in required asset renewal.

Relative net cash flow is calculated by expressing underlying cash flow as a percentage of own source revenue. The underlying operating cash flows for the seven year period ending 2011/12 are presented according to council categories in the table below:

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	UNDERLYING OPERATING CASH FLOWS				
		MAXIMUM	MINIMUM	AVGE	NUMBER NEGATIVE	
					LOW	V LOW
Inner Metropolitan	16	9.5%	-6.5%	-0.3%	1	-
Outer Metropolitan	14	8.5%	-16.2%	-1.0%	1	1
Regional Centres	7	0.6%	-11.3%	-4.8%	2	-
Large Rural	7	6.8%	-9.5%	-3.3%	3	-
Medium Rural	9	5.8%	-21.4%	-9.4%	3	3
Small Rural	15	-0.9%	-22.6%	-11.9%	8	5
Very Small Rural	9	-7.9%	-23.7%	-15.1%	3	6
TOTAL	77				21	15

Low = -6% to -12%

Very low = - 12% or greater

The average underlying net cash flow results for medium / small and very small councils are very unfavourable compared to those of all other groups. The results achieved for underlying operating cash flows are comparable to those produced for adjusted underlying operating results.

Questions have arisen about the accuracy of reported depreciation costs and their impact on the reliability of operating results. This area of reporting has improved as a consequence of attention given to it by councils in recent years. However, underlying net cash flow used in this Model provides a very useful alternative measure. In affect, it replaces "depreciation" with "cash required for asset renewal" as a means of determining a council's self financing capacity.

3.6 DEBT AND LIQUIDITY

Debt and liquidity are important measures for determining a council's financial position, but secondary for assessing sustainability. They are symptoms of underlying sustainability problems, rather than the cause of them.

3.7 SUMMARY OF FINANCIAL MEASURE RESULTS

The combined application of financial performance measures; in particular underlying operating results, underlying operational cash flows and asset renewal and maintenance, clearly demonstrates that the smaller rural councils are less financially sustainable. While there is a strong relationship between environmental capacity and financial performance, variations do occur, the reasons for which are given in Part 2.4 of this Report.

PART 4 COMPARISON- ENVIRONMENTAL FACTORS/ FINANCIAL MEASURES

Comparison of the outcomes produced by environmental factors with those provided by financial measures are made using the data contained in the tables below.

SUSTAINABILITY RATINGS - BASED ON ENVIRONMENTAL FACTORS

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	VERY POSITIVE	POSITIVE	MODERATE	NEGATIVE	VERY NEGATIVE
Inner Metropolitan	16	10	6	-	-	-
Outer Metropolitan	14	5	7	2	-	-
Regional Centres	7	2	4	1	-	-
Large Rural	7	-	-	2	5	-
Medium Rural	9	-	-	2	7	-
Small Rural	15	-	-	1	5	9
Very Small Rural	9	-	-	-	-	9
TOTALS :	77	17	17	8	17	18

FINANCIAL PERFORMANCE RATINGS - ADJUSTED UNDERLYING OPERATING RESULTS

COUNCIL CLASSIFICATION	NUMBER OF COUNCILS	VERY STRONG	STRONG	MODERATE	VULNER	VERY VULNER
Inner Metropolitan	16	4	4	6	2	-
Outer Metropolitan	14	4	4	2	4	-
Regional Centres	7	1	-	5	1	-
Large Rural	7	1	1	2	2	1
Medium Rural	9	1	1	3	2	2
Small Rural	15	1	-	2	3	9
Very Small Rural	9	-	-	-	3	6
TOTAL	77	12	10	20	17	18

The data presented in these tables clearly show that there is a close correlation between council classifications, environmental factor impacts and financial performance results.

Twenty three of the twenty four small and very small rural councils are very adversely affected by environmental factors and twenty one of these (88%) are rated as financially vulnerable / very vulnerable.

This clearly demonstrates that the collective impact of environmental factors has a very negative affect on the financial sustainability of the small / very small rural councils, a situation over which they have virtually no control.

PART 5. SUGGESTED ACTION

5.1 SUMMING UP

Part 1 of this Report documents the criteria for assessing the sustainability of councils, these being to provide the required range and standard of services, levy rates at equitable levels based on community capacity to pay; and to preserve intergenerational equity. The eighteen councils identified by this Model are experiencing considerable difficulty in achieving these requirements. The combined annual underlying operating deficits incurred by these councils (2006/07) totals \$34 million. This does not include the additional costs attributable to unfunded works and services.

The PWC Report 2006 (Page 116) states that: *".. the most significant viability drivers appear to be management quality and financial discipline"*. While some councils, irrespective of size, may manage better than others, this comment does not acknowledge the main issue for small rural councils. No amount of managerial expertise will overcome the substantial negative impact on operating capacity imposed by environmental factors over which they have little or no control.

All councils are faced with a variety of impositions on operating capacity, including cost shifting and increasing demands for services. According to the PWC Report 2006 (Page 86) *"...many councils have been proactive in the use of initiatives to minimize costs and boost efficiency.."* Small rural councils have, by necessity over time, pursued these efficiencies and have the least capacity to achieve further gains.

In allocating general purpose grants to councils, the Grants Commission must comply with a principle contained in Commonwealth legislation that requires 30% of available funds to be distributed based on population. Therefore, a substantial portion of these funds cannot be directed to the most disadvantaged councils. This means the needs of small rural councils identified by this Model must be met from an alternative funding source.

The provision of "one off" specific purpose grants to small rural councils does not address their underlying sustainability problem. This form of assistance will not prevent the continuing decline in operating capacity and the consequent reduction in the range and level of required services experienced by these councils.

Councils were created with *"functions"* and *"powers"* to provide *"good government of each municipal district."* *"..It is the role of Councils in exercising those functions and powers.."* to *"..work in partnership with the Governments of Victoria and Australia";* (Section 1) in order to *"..achieve the best outcomes for the local community";* (Section 3C (1)); and to *"....improve the overall quality of life of the people in the municipal district"* (Section 3E (b)).

The State Government has a responsibility to ensure that councils have adequate financial resources to achieve these purposes. Sustainability of these councils is dependant on the provision of guaranteed long term funding assistance.

5.2 OPERATING ENTITLEMENTS

A permanent, adequate, annual operating entitlement will facilitate the provision of services and facilities to a standard required and needed by the communities of these councils.

Entitlements are recommended for the eighteen least sustainable councils identified as having a sustainability rating of either 1 or 2. Entitlements for each council have been calculated in accordance with their sustainability ratios. The ratio of each council is thereby increased to the equivalent of the lowest ratio in level 3.

The total annual underlying operating deficits of \$34m incurred by these eighteen councils provides a guide for determining their combined total operating entitlements.

Each council is requesting the provision of an annual financial operating entitlement, as detailed in the table below, to facilitate the provision of necessary services and the enhancement of sustainable capacity. .

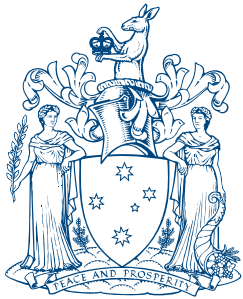
ANNUAL OPERATING ENTITLEMENTS REQUIRED

COUNCIL	25% OSR	
	ANNUAL \$M	PER HEAD \$
Alpine	1.391	107
Ararat	1.260	108
Buloke	1.984	282
Central Goldfields	1.745	137
Gannawarra	1.723	148
Golden Plains	1.157	67
Hepburn	0.446	31
Hindmarsh	1.982	320
Indigo	0.715	46
Loddon	1.731	214
Mansfield	1.269	163
Murrindindi	1.195	84
Northern Grampians	1.417	115
Pyrenees	1.785	264
Strathbogie	2.122	218
Towong	2.036	326
West Wimmera	1.140	249
Yarriambiack	2.192	286
TOTAL ENTITLEMENT	\$27.292	

The total entitlement proposed of \$27.29m is equal to 6.9% of the total Grants Commission allocation for 2006/07 of \$396m; and to approximately 80% of the total underlying annual operating deficits of \$34m incurred by participating councils.

5.3 ONGOING APPLICATION OF SUSTAINABILITY RATIO

The variables used in the Model (e.g. NDCI, population levels) will change over time. These changes will result in variations to entitlements. The Model thereby accommodates changing circumstances by updating environmental factors annually. However, it would be preferable to calculate entitlements on a three or four year "rolling" basis to minimize the impact of any substantial annual variations.



Organisational Sustainability of Small Councils



VICTORIA

Victorian
Auditor-General

Organisational Sustainability of Small Councils

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The Hon. Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Ken Smith 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 the audit *Organisational Sustainability of Small Councils*.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Peter Frost', with a long horizontal stroke extending to the right.

Dr Peter Frost
Acting Auditor-General

12 June 2013

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Audit summary

There are 79 local governments in Victoria. Of these, 21 are classified as small councils with populations of less than 20 000 people. These councils are located in rural areas and administer 89 893 square kilometres, or 40 per cent of Victoria's total area, and serve 217 000 people—4 per cent of the population.

Small councils are heavily dependent on government grants to continue operating. In 2011–12, small councils generated operating revenue of \$701 million, with government grants accounting for \$360 million, or 51 per cent, and rates and charges contributing \$216 million or 31 per cent. In contrast, government grants account for around 22 per cent and rates around 49 per cent of total revenue across all 79 councils.

Organisational sustainability means that councils have the capacity to function efficiently, effectively and economically to meet the current and future needs of their communities to an acceptable standard. Small councils should have a sound understanding of the issues and challenges impacting their sustainability and develop appropriate strategies to mitigate their impact as much as possible. Council operations should be underpinned by effective financial planning and asset management, and effective and efficient service delivery.

The audit assessed whether councils had:

- a sound understanding of the sustainability challenges and issues
- developed appropriate strategies that consider a range of options for addressing sustainability issues and challenges
- evaluated how effective sustainability strategies have been
- been provided with appropriate guidance and support by Local Government Victoria (LGV).

Conclusions

Over the past five years, the reliance of audited councils on government grants has grown substantially. While rates and charges have increased in real terms, this has not been enough to keep pace with councils' increases in costs. Several audited councils are projected to have deteriorating positions against key financial indicators, which places them at a higher risk of short-term and immediate sustainability concerns.

The audited councils generally have a sound understanding of the sustainability challenges they face and have implemented a range of strategies to address these. However, the councils generally cannot demonstrate the effectiveness of strategies and actions and whether these are having a material impact on improving their sustainability.

While four of the audited councils have recently developed long-term financial plans, and all have made some efforts to improve asset management, further work is required in these areas. Councils' existing asset management plans contain out-of-date information, which provides limited assurance that asset management requirements are being appropriately considered. Councils have not undertaken comprehensive service reviews and cannot demonstrate that they are delivering services effectively and efficiently, or that they have exhausted all opportunities to introduce or increase user fees and charges. While improving long-term financial planning, asset management and service delivery may not provide assurance that a council will be sustainable, these actions are still necessary in order to remain viable in the medium to long term.

Common sustainability issues and challenges across the audited councils include:

- having effective financial planning and asset management
- effectively and efficiently delivering services
- recruiting and retaining qualified and skilled staff
- dealing with the impact of population ageing and/or population change—such as high growth or decline
- dealing with the defined benefits superannuation shortfall.

LGV provides a range of general guidance and support, which is applicable to small councils in addressing some sustainability concerns, and it has implemented actions to assist small councils at high-risk of sustainability issues. However, LGV could more proactively target small councils with appropriate support and advice before their situation becomes critical. LGV is developing a performance reporting framework to provide a common suite of sustainability indicators for councils. This may provide an opportunity for LGV to more closely monitor councils' sustainability and respond appropriately to support them on a timely basis.

Findings

Financial trends

Over the past five years, the reliance of audited councils on government grants has more than doubled from \$33.766 million in 2007–08 to \$72.434 million in 2011–12. This equates to an average increase of 25 per cent per year for the audited councils. The increase in grants as a proportion of total revenue averaged 1.9 per cent a year. Over the same period, rates and charges, and user fees and charges increased from \$35.714 million to \$49.083 million and \$7.275 million to \$8.810 million respectively. While rates and charges have increased in real terms, they have decreased as a proportion of total revenue, with councils' reliance on these declining over the same period by 1.4 per cent per annum and 0.3 per cent respectively. Therefore, while councils have increased the amount of own-source revenue they generate through rates and user charges, it has not been enough to keep pace with their increase in costs. Given current Commonwealth and State Budget positions and the economic climate, the audited councils' increasing reliance on grants may be unsustainable.

Buloke and Yarriambiack are projected to have deteriorating positions against key financial indicators related to short-term and immediate sustainability concerns. Strathbogie has some worrying financial indicators, but others are projected to improve. Several longer-term financial sustainability indicators are projected to deteriorate for Golden Plains and one for Towong, although Towong is projected to improve against all other indicators.

Effective financial planning and asset management

Effective long-term financial planning and asset management is crucial to sustainability and these should be appropriately integrated so that asset management needs are adequately considered in financial planning. All audited councils except Yarriambiack have recently developed long-term financial plans, but these vary in quality and are not sufficiently integrated with asset management. While the plans—particularly Strathbogie's—reflect a number of better practice elements, further work is needed by all councils to address deficiencies and effectively plan their finances over the long term to support their sustainability.

Effective and efficient service delivery

Councils deliver a wide range of services to their communities. Even within the context of necessary expenditures, there is scope to decide the services and service levels there should be. The *Local Government Act 1989* sets out the Best Value Principles that should inform council decisions on services. Other than narrow reviews of specific services—such as to identify cost savings—none of the audited councils have undertaken comprehensive reviews of services in accordance with these principles, or reviewed service levels to assess the effectiveness and efficiency of service delivery. The current approaches provide limited assurance that expenditure on service delivery is informed by an adequate understanding of community needs or the effectiveness and efficiency of council services. All councils have committed to maintaining existing service levels.

Recruiting and retaining qualified and skilled staff

Small councils in regional and rural areas face challenges in attracting and retaining appropriately qualified and skilled staff. All audited councils except Yarriambiack identified this as an issue and some have implemented strategies to address these challenges.

Golden Plains has developed a workforce plan, which contains a number of better practice elements, including identifying future workforce needs and strategies to address workforce issues. While there have been no formal evaluations of the plan itself, council advised it has been effective in informing decisions about staff levels, identifying gaps, career planning for existing staff and potential replacement of key staff.

Strathbogie completed an organisational review in 2011, which included voluntary redundancies, the creation of several new positions and the development of a new organisation structure. While the review recommended that Strathbogie develop a workforce plan, council has not yet done so.

Councils also outsource some positions, including statutory roles, such as building surveyors and planning officers. While Yarriambiack advised that staff recruitment was not an issue, it too outsources these statutory positions. Councils advised that these roles can be difficult to fill and that this may be due to their remuneration being uncompetitive, potential applicants not wanting to relocate to regional areas or because councils only require part-time positions.

Outsourcing may address the issue in the short term and maintain ongoing service delivery. However, councils have not assessed whether this is more cost effective than employing staff directly, and sustainable in the long term.

Population ageing and/or population changes

Population ageing and/or population changes—such as high growth or decline—can present challenges to small councils. Population changes affect councils' rating base and change service delivery needs. With the exception of Towong, there are consistent trends facing the audited councils across the 30-year period—2001 to 2031—of either increasing (Golden Plains and Strathbogie) or decreasing populations (Buloke and Yarriambiack). All audited councils except Yarriambiack have developed, or are developing, strategies related to population change. However, these are relatively new or in development.

Defined benefits superannuation shortfall

A sharp increase in employee benefit expenses in 2012 for all audited councils is due to the funding call on the Local Authorities Superannuation Fund Defined Benefits Plan. In 1998, state legislation governing the scheme was repealed and it became a 'regulated fund' under Commonwealth Government legislation, which introduced a requirement for it to be fully funded. Of the audited councils, Yarriambiack, Buloke and Towong's liability is the highest in real terms, and as a proportion of their rates revenue. Councils have adopted a range of different strategies to meet their liability. The impact of this shortfall highlights the vulnerability of small councils to unplanned events and their limited capacity to absorb this expenditure.

Support and guidance

It is important that appropriate support and guidance is provided to small councils to assist in addressing specific sustainability issues and improving the efficiency and effectiveness of council operations. This includes driving the adoption of better practices, improving their capability and providing targeted support or intervention when required.

While LGV does not have strategic priorities targeting the organisational sustainability of small councils, it provides a range of guidance and support broadly related to sustainability that is applicable to them. This includes developing and disseminating better practice guides that cover areas such as asset management, procurement and Best Value service delivery, delivering programs, and developing a performance management framework. However, there are opportunities to make this guidance and support more directly targeted to areas of challenge for small councils and to build their capability and resilience.

LGV conducts monitoring and reporting activities to identify councils at high risk of sustainability issues. It has advised the Minister for Local Government about these councils and implemented actions to address issues when they have become critical. LGV could more proactively target small councils with appropriate support and advice before their situation becomes critical. The development of LGV's local government performance management framework provides an opportunity to more closely monitor councils' sustainability and respond appropriately to support them on a timely basis.

Recommendations

Number	Recommendation	Page
1.	Councils should clearly identify and publicly report their sustainability challenges and associated strategies and actions, including how they will monitor, report and evaluate their effectiveness, using relevant and appropriate performance indicators.	30
2.	Yarriambiack Shire Council should develop a long-term financial plan and all councils should update their existing plans in accordance with better practice.	30
3.	Councils should review service planning and delivery in accordance with Best Value Principles as a priority, including: - assessing overall service delivery levels to determine appropriate levels and provide the rationale for their decision - consulting with their communities on their ability and willingness to pay for desired services in the development of the council plan - developing a plan to regularly review all services over time. The Department of Planning and Community Development should:	30
4.	review and update its asset management guidance	36
5.	consider making the development of a long-term financial plan mandatory and provide support and guidance in the development of these	36
6.	routinely review the guidance and support it provides so that it is aligned with areas of highest need and addresses gaps in councils' capability and capacity	36
7.	expedite implementation of the planned local government performance reporting framework and make sure it includes appropriate sustainability indicators.	36

Submissions and comments received

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

- Buloke Shire Council
- Golden Plains Shire Council
- Strathbogie Shire Council
- Towong Shire Council
- Yarriambiack Shire Council.

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

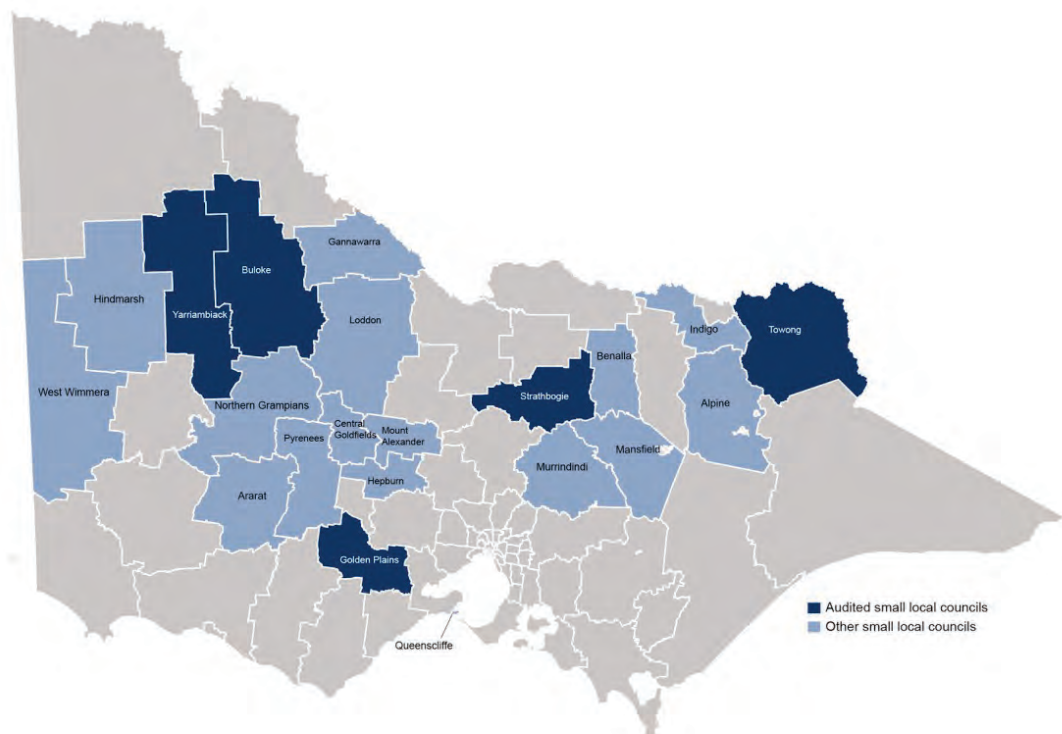
1 Background

1.1 Small councils

There are 79 local governments in Victoria. Of these, 21 are classified as small councils with populations of less than 20 000 people. These councils are located in rural areas and administer 89 893 square kilometres, or 40 per cent of Victoria's total area, and serve 217 000 people—4 per cent of the population.

Figure 1A shows the location of the 21 small councils in Victoria with the five audited councils highlighted.

Figure 1A
Location of 21 small councils



Source: Victorian Auditor-General's Office.

1.1.2 Small council funding

Small councils are heavily dependent on government grants to continue operating. In 2011–12, small councils generated operating revenue of \$701 million, with government grants accounting for \$360 million, or 51 per cent, and rates and charges contributing \$216 million or 31 per cent. In contrast, government grants account for around 22 per cent and rates around 49 per cent of total revenue across all 79 councils.

1.1.3 Organisational sustainability of small councils

Organisational sustainability means that councils have the capacity to function efficiently, effectively and economically to meet the current and future needs of their communities to an acceptable standard. Core attributes of organisational sustainability include:

- sound governance to guide effective delivery of council activities
- effective planning to support current and future council operations
- sound financial management to meet current and future financial commitments
- optimum use of available resources
- use of community engagement to enable prioritisation of services and asset management according to community needs
- effective workforce planning and management.

Small councils face a range of issues and challenges that impact organisational sustainability, some of which may be outside of their control. These include:

- population decline and demographic changes such as ageing populations
- their location within regions including proximity to large regional towns
- recruiting and retaining qualified or skilled staff
- large networks of roads and other infrastructure to maintain
- increasing service delivery costs and servicing large geographic areas
- dealing with major unplanned events, such as the recent defined benefits superannuation shortfall, where the extent of liability was unknown.

1.2 Legislation and better practice

Local Government Act 1989

The *Local Government Act 1989* (the Act) stipulates the primary objective of a council is to endeavour to achieve the best outcomes for the local community, having regard to the long term and cumulative effects of decisions. In seeking to achieve its primary legislative objective, a council must have regard to the following facilitating objectives:

- to promote the social, economic and environmental viability and sustainability of the municipal district
- to ensure that resources are used efficiently and effectively, and services are provided in accordance with the Best Value Principles to best meet the needs of the local community
- to improve the overall quality of life of people in the local community
- to promote appropriate business and employment opportunities

- to ensure that services and facilities provided by the council are accessible and equitable
- to ensure the equitable imposition of rates and charges
- to ensure transparency and accountability in council decision-making.

Under the Act, councils are required to develop planning and accountability reports, and apply sound financial management and Best Value Principles, as shown in Figure 1B.

Figure 1B
Local Government Act 1989 requirements

Planning and accountability reports
(a) <i>Council Plan</i> including the strategic objectives, strategies for at least the next four years and strategic indicators (b) <i>Strategic Resource Plan</i> setting out the required financial and non-financial resources for at least the next four years to achieve the strategic objectives (c) <i>Budget</i> containing a description of the activities and initiatives to be funded and how they will contribute to achieving the strategic objectives (d) <i>Annual Report</i> containing a report of its operations during the financial year, audited standard and financial statements for the financial year.
Sound financial management principles
A council must: (a) manage financial risks faced by the council (b) pursue spending and rating policies consistent with a reasonable degree of stability in the level of the rates burden (c) ensure that decisions are made and actions are taken having regard to their financial effects on future generations (d) ensure full, accurate and timely disclosure of financial information.
Best Value Principles
(a) All services must meet the quality and cost standards (b) All services must be responsive to the needs of its community (c) Each service must be accessible to those whom the service is intended for (d) A council must achieve continuous improvement in the provision of services for its community (e) A council must develop a program of regular consultation with its community (f) A council must report regularly to its community on its achievement in relation to the principles set out above.

Source: Victorian Auditor General's Office based on information from the *Local Government Act 1989*.

Better practice and sector guidance

Better practice guidance material and other support is available to councils from a range of sources. This includes material developed by Local Government Victoria (LGV), the Municipal Association of Victoria (MAV), Victorian Local Governance Association (VLGA), Local Government Professionals (LGPro) and organisations such as the Institute of Public Works Engineering Australia (IPWEA) and the Australian Centre of Excellence for Local Government (ACELG). Key better practice guidance material is set out in Figure 1C.

Figure 1C
Better practice guidance material

Title	Description	Published by
<i>Local Government Planning and Reporting Better Practice Guide</i> (2013)	A guide to assist councils to meet statutory planning and accountability requirements, including guidance in the development of the council plan and reporting performance	LGV
<i>Long-term Financial Planning</i> (2012)	Developed to assist organisations that are involved in service delivery and long-term asset management in preparing a long-term financial plan	IPWEA and ACELG
<i>Asset Management Policy, Strategy and Plan</i> (2004)	Guidelines for developing an asset management policy, strategy and plan	LGV
'STEP' asset management improvement program (since 2003)	A program for councils covering asset management and planning as essential for effective delivery of services	MAV
<i>Victorian Local Government Best Practice Procurement Guidelines</i> 2013	Guidelines for dealing with the procurement cycle (planning, implementation, management and performance evaluation), reporting on procurement and meeting obligations under the Act	LGV
<i>Embedding Community Priorities into Council Planning</i> (2008)	A set of guidelines for involving the community in development of the council plan	LGPro
<i>A guide to achieving a whole of organisation approach to Best Value</i> (2006)	Designed to assist in developing or enhancing formal or informal improvement and planning frameworks to effectively incorporate the Best Value Principles	LGV developed in partnership with LGPro Corporate Planner's Network and the Best Value Commission

Source: Victorian Auditor-General's Office.

1.3 Roles and responsibilities

1.3.1 Local Government Victoria

LGV, a division of the Department of Planning and Community Development (DPCD), supports and advises the Minister for Local Government in administering the Act. The role of LGV also includes overseeing, supporting and encouraging local government and providing advice and support to councils in relation to their roles and responsibilities under the Act. LGV also works in partnership with the local government sector and other parts of government to improve and reform business, governance and funding practices to maximise value and accountability.

1.3.2 Local councils

Councils deliver a wide range of services to their communities including child and family day care services, meals on wheels, waste collection, planning and recreational services. Councils also build and maintain community assets and infrastructure, including roads, footpaths and drains, and enforce various laws. Councils are required by the Act to promote the sustainability of the municipal district and to ensure effective and efficient use of resources. Councils are also expected to provide services in accordance with Best Value Principles to best meet the needs of the local community.

1.3.3 Victoria Grants Commission

The Victoria Grants Commission's primary function is to allocate revenue provided by the Commonwealth Government to municipal councils in Victoria according to the *Local Government (Financial Assistance) Act 1995* and a set of national distribution principles. All funds allocated by the Commonwealth are distributed to councils. The commission is funded by the Victorian Government through DPCD.

1.4 Previous audits

1.4.1 *Local Government: Results of the 2011–12 audits*

VAGO's *Local Government: Results of 2011–12 audits* report presents the results of our financial audits of 103 entities within the local government sector, including Victoria's 79 councils. It provides a detailed analysis of council financial reporting, performance reporting, financial results, financial sustainability and internal controls. It analyses trends in six key financial sustainability indicators (underlying result, liquidity, self-financing, indebtedness, capital replacement and renewal gap), reflecting both short- and long-term sustainability, over a five-year period and includes forecasts over a three-year period.

1.4.2 Related performance audits

Other reports relating to organisational sustainability that VAGO has tabled over the past few years include:

- *Ratings Practices in Local Government* (February 2013)
- *Business Planning for Major Capital Works and Recurrent Services in Local Government* (September 2011)
- *Fees and Charges—cost recovery by local government* (April 2010).

1.5 Audit objective and scope

The objective of this audit was to assess the effectiveness of the planning and management undertaken by small councils to support their long-term organisational sustainability. It also assessed guidance and support provided by LGV and aimed to identify practices that could help drive improvements across the local government sector.

The audit focused on the following five selected councils:

- Buloke Shire Council
- Golden Plains Shire Council
- Strathbogie Shire Council
- Towong Shire Council
- Yarriambiack Shire Council.

It assessed whether they have:

- a sound understanding of the sustainability challenges and issues facing their council
- developed appropriate strategies that consider a range of options for addressing sustainability issues and challenges
- evaluated how effective sustainability strategies have been
- been provided with appropriate guidance and support to address sustainability issues by LGV.

1.6 Method and cost

The audit was conducted in accordance with section 15 of the *Audit Act 1994* and Australian Auditing and Assurance Standards. Pursuant to section 20(3) of the *Audit Act 1994*, any persons named in this report are not the subject of adverse comment or opinion.

The cost of the audit was \$385 000.

1.7 Structure of the report

The report is structured as follows:

- Part 2 examines the financial position of councils
 - Part 3 discusses sustainability issues, challenges and strategies
 - Part 4 examines support, guidance, monitoring and reporting undertaken by LGV.
-

2 Financial sustainability

At a glance

Background

To be financially sustainable, councils need to be able to meet their current and future expenditure requirements. They also need to be able to absorb foreseeable changes and materialising risks, and manage the impact of their changing revenue and expenditure requirements. Assessing trends in key financial indicators provides insight into the risks to small councils' financial sustainability.

Conclusion

In 2011–12, Buloke had high-risk, immediate to shorter-term sustainability concerns, while the remaining four audited councils were classed as having a low risk. However, several councils are projected to have deteriorating positions against key financial indicators, which places them at an increased risk of short-term and immediate sustainability concerns.

Over the past five years, the reliance of the audited councils on government grants has increased substantially. While councils have increased the amount of own-source revenue they generate through rates and user charges, it has not been enough to keep pace with their increased costs. Given current Commonwealth and State Budget positions and the economic climate, the audited councils' increasing reliance on grants may expose them to significant financial risk if the number and value of grants are reduced.

Findings

- On average, government grants have increased significantly as a proportion of total revenue over the past five years across all of the audited councils.
- In 2012, a superannuation defined benefits plan funding shortfall had a significant impact on employee expenses for all of the audited councils.
- Councils have generally not reviewed whether there is scope to introduce or increase user fees and charges.

2.1 Introduction

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

Financial sustainability should be viewed from both short- and long-term perspectives. Short-term indicators relate to the ability of a council to maintain positive operating cash flows in the near future, or the ability to generate an operating surplus in the next financial year. Long-term indicators focus on strategic issues such as the ability to fund significant asset replacement or reduce long-term debt. Councils are unlikely to remain viable without effective expenditure management and revenue maximisation practices to underpin long-term organisational sustainability.

An assessment of trends in key financial indicators, based on councils' projections, provides insight into the risks to small councils' financial sustainability that may warrant attention. Similarly, examining trends in the composition of revenue and expenditure highlights potential issues and risks with particular patterns of revenue and expenditure for high-risk councils.

2.2 Conclusion

Over the past five years, the reliance of audited councils on government grants has increased substantially. While rates and charges have increased in real terms, they have decreased as a proportion of revenue over the same period, and this increase in rates and charges has not been enough to keep pace with councils' increase in costs.

In 2011–12, Buloke had high-risk, immediate to shorter-term sustainability concerns, while the remaining four audited councils were classed as having low risk of financial sustainability concerns. However, several councils are projected to have deteriorating positions against key financial indicators, which places them at an increased risk of short-term and immediate sustainability concerns.

Given current Commonwealth and State Budget positions and the economic climate, the audited councils' increasing reliance on grants may expose them to significant financial risk if the number and value of grants are reduced.

2.3 Councils' financial sustainability

2.3.1 Current and future trends

VAGO's six key financial sustainability indicators, which reflect short-and long-term sustainability over the past five years, provide an insight into the financial sustainability of councils. The indicators are:

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

Appendix A describes the sustainability indicators in more detail, including the risk assessment criteria and the significance of these. The indicators are used to evaluate each council and provide a financial sustainability risk assessment. A high risk of short-term and immediate financial sustainability concerns is indicated by either a high-risk underlying result or liquidity indicator. A medium risk of longer-term financial sustainability concerns is indicated by a high-risk assessment for either of the remaining four indicators—self-financing, indebtedness, capital replacement and renewal gap. A low risk of financial sustainability concerns means there are no high-risk indicators.

VAGO's *Local Government: Results of the 2011–12 Audits* report presents the results of financial audits of Victoria's 79 councils based on the six financial sustainability indicators. Figure 2A shows the results for the audited councils.

Figure 2A
Financial sustainability risk assessment results, 2011–12

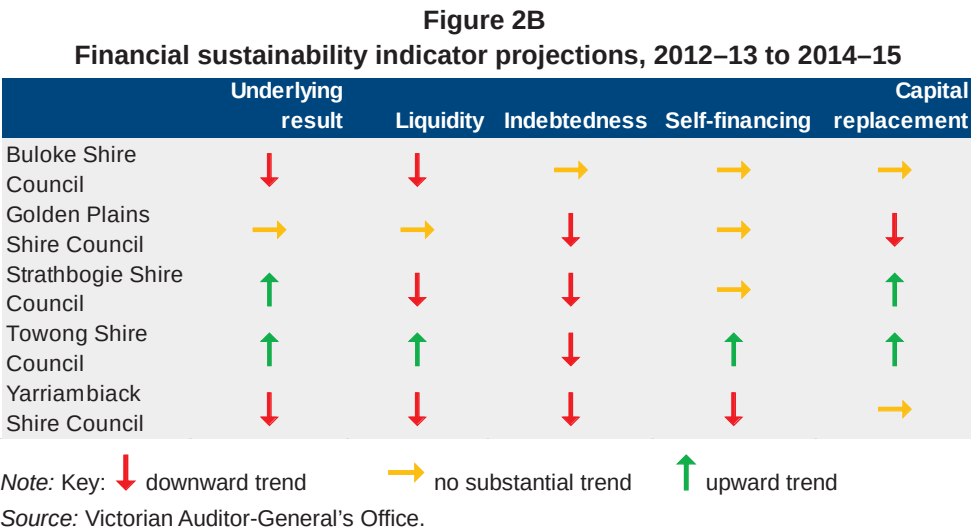
Audited councils	Underlying result (%)	Liquidity (ratio)	Indebtedness (%)	Self-financing (%)	Capital replacement (ratio)	Renewal gap (ratio)	Risk assessment
Buloke Shire Council	-7.85	0.93	12.37	25.23	1.02	0.9	High
Golden Plains Shire Council	12.7	2.38	23.86	26.74	2.41	1.17	Low
Strathbogie Shire Council	4.13	1.76	28.75	26.49	1.28	0.82	Low
Towong Shire Council	4.35	3.01	9.77	32.92	1.24	0.98	Low
Yarriambiack Shire Council	0.17	2.83	9.32	31.62	1.1	0.8	Low

Source: Victorian Auditor-General's Office.

Figure 2A shows that as at 30 June 2012 Buloke had a high risk of short-term and immediate sustainability concerns. This is highlighted by indicators suggesting it has a risk of long-term run-down to cash reserves, inability to fund asset renewals (underlying result) and insufficient current assets to cover current liabilities (liquidity). The remaining four councils in the audit were classed as having a low risk of financial sustainability concerns in 2011–12.

The Minister for Local Government appointed an Inspector of Municipal Administration (the Inspector) to independently assess Buloke’s financial health in response to VAGO’s qualification of its financial accounts in 2010–11—this is discussed further in Part 4.4. A qualification means that the financial report is materially different to the requirements of the relevant reporting framework or accounting standards, and is less reliable and useful as an accountability document.

Figure 2B shows the projected trend for five of the six indicators, based on councils' budget projections, for the period 2012–13 to 2014–15. Projected data is not available for the renewal gap indicator.



Buloke’s underlying result and liquidity is projected to deteriorate over the next three years and it is expected to remain at high risk of short-term and immediate sustainability concerns. Its underlying result improves in 2012–13 due to forecast capital grants from the Natural Disaster Recovery Fund, but it is projected to return to a worse-than-current position by 2015. Other audited councils also show deteriorating results against some indicators over the next three years.

The results suggest Yarriambiack is at risk of potential short-term and immediate financial sustainability concerns due to the deteriorating position of its underlying result and liquidity indicators, while it also has deteriorating indebtedness and self-financing indicators. Similarly, Strathbogie has a deteriorating liquidity indicator, but its underlying result is projected to improve. Its indebtedness indicator is also projected to deteriorate, however, its underlying result and capital replacement indicators are projected to improve.

Golden Plains' capital replacement and indebtedness indicators are projected to deteriorate. Towong's indebtedness indicator is also projected to deteriorate, although its other indicators are projected to improve. The deteriorating indicators for Golden Plains and Towong suggest they are at increased risk of longer-term sustainability concerns if these indicators became high risk.

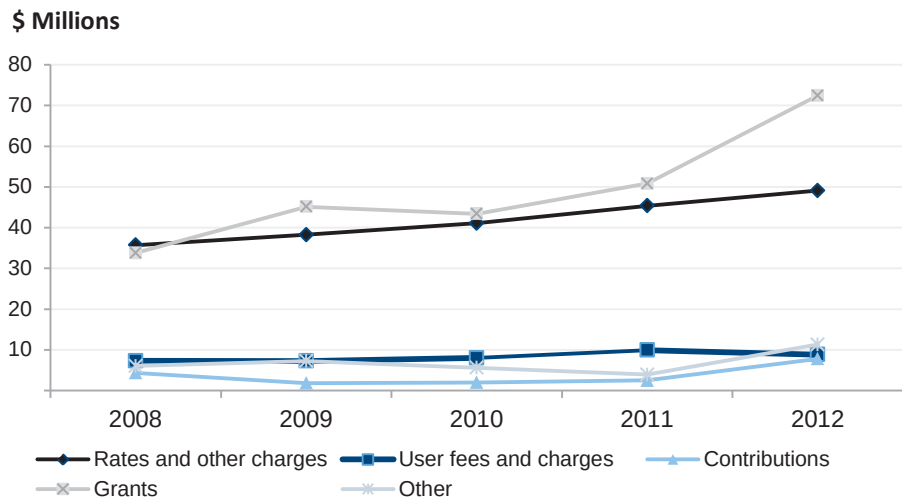
2.3.2 Council revenue

Councils generate revenue directly from rates, user fees and a range of charges—known as own-source revenue—and from other sources such as state and Commonwealth Government grants and developer contributions. The main types of revenue are:

- **Rates and other charges**—property taxes including general rates, the municipal charge, service rates or charges, and special rates or charges.
- **User fees and charges**—fees and charges for compulsory services, such as statutory planning fees, or discretionary services, such as recreation services, child care or applications for planning and building permits.
- **Contributions**—payments or in-kind works, facilities or services provided by developers towards the supply of infrastructure such as roads, storm water run-off management systems, open space and community facilities required to meet the future needs of local residents in new land developments.
- **Grants**—financial assistance grants provided by the Commonwealth or state governments. The Commonwealth Government provides general purpose and local roads grants, and councils may also receive grants following natural disasters or other emergency events. The Department of Planning and Community Development administers a range of state government grant programs available to local governments, such as community facility funding, community works grants, country football and netball facilities grants, fire ready community grants and library infrastructure grants.

Figure 2C shows the revenue raised from key sources for the period 2007–08 to 2011–12.

Figure 2C
Total revenue for the five councils



Source: Victorian Auditor-General's Office.

While Figure 2C shows that the amount of grants and rates and charges have increased, grants are the main source of revenue that is increasing as a proportion of total revenue. Figure 2D shows that on average councils' rates and charges, and user fees and charges have decreased as a proportion of total revenue. This implies an increasing reliance on grants to fund expenditure requirements compared to other revenue sources, which is concerning given the current Commonwealth and State Budget positions and economic climate.

Figure 2D
Revenue sources for the five councils as a percentage of total revenue, 2008 to 2012

	Rates and other charges (%)	User fees and charges (%)	Contributions (%)	Grants (%)	Other (%)
2008	41.0	8.3	5.0	38.7	6.9
2009	38.4	7.3	1.9	45.2	7.3
2010	41.1	8.0	2.0	43.4	5.6
2011	40.3	8.8	2.2	45.2	3.5
2012	32.8	5.9	5.2	48.5	7.6
Average rate of change per year	-1.4	-0.3	0.1	1.9	-0.3

Source: Victorian Auditor-General's Office.

The amount of grants for the audited councils has more than doubled over five years from \$33.766 million in 2007–08 to \$72.434 million in 2011–12. This equates to an average increase of 25 per cent per year. The increase in grants as a proportion of total revenue averaged 1.9 per cent a year. Over the same period, rates and charges and user fees and charges increased from \$35.714 million to \$49.083 million and \$7.275 million to \$8.810 million respectively, but councils' reliance on these has declined over the same period by 1.4 per cent and 0.3 per cent per annum respectively. This means that despite increases in real terms, councils' own-source revenue has decreased proportionally by an average of 1.7 per cent per year.

Therefore, while councils have increased the amount of own-source revenue they generate through rates and user charges, it has not been enough to keep pace with their increase in costs. Despite all five audited councils having committed to maintaining existing service levels, there is limited evidence that they have comprehensively reviewed their services or service levels. Councils have generally not reviewed whether there is scope to introduce, or increase user fees and charges to at least partially address their revenue requirements. Golden Plains advised it conducted a review of user fees and charges during the 2012–13 budget process, and that an outcome of the review was to increase non-statutory fees by 9.5 per cent. However, it was unable to provide documentary evidence of this review to show the analysis and rationale underpinning the decision to increase fees.

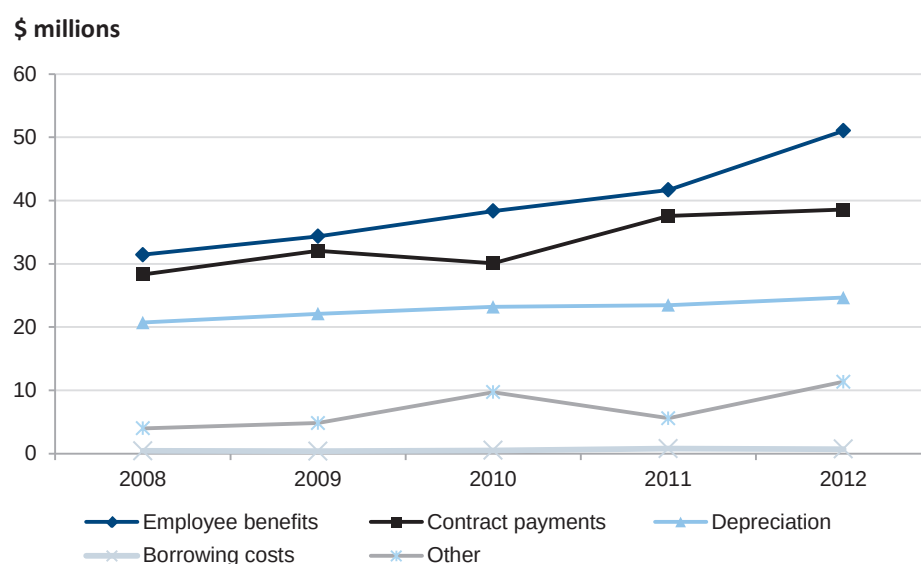
2.3.3 Council expenditure

Councils have a range of operating expenses, including the following key expenses:

- **employee benefits**—includes wages and salaries, leave entitlements, redundancy payments and superannuation contributions
- **contract payments**—includes payments for services delivered by contractors, such as waste collection or parks and gardens maintenance, and council staff positions that are filled by contractors
- **depreciation**—the systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time
- **borrowing costs**—costs such as interest associated with borrowings taken out to fund council expenditure.

Figure 2E shows the trend in key expenses for the period 2007–08 to 2011–12.

Figure 2E
Total expenses for the five councils



Note: 'Other' includes a range of expenses such as travel costs and printing.

Source: Victorian Auditor-General's Office.

Figure 2F shows the councils' key expenses over the period 2007–08 to 2011–12 as a proportion of total expenses.

Figure 2F
Expenses for the five councils as a percentage of total expenditure, 2008 to 2012

	Employee benefits (%)	Contract payments (%)	Depreciation (%)	Borrowing costs (%)	Other (%)
2008	37.0	33.4	24.4	0.5	4.7
2009	36.7	34.2	23.6	0.4	5.1
2010	37.7	29.6	22.8	0.5	9.5
2011	38.2	34.5	21.5	0.7	5.1
2012	40.4	30.5	19.5	0.6	9.0
Average rate of change per year	0.8	-0.5	-1.2	0	0.9

Source: Victorian Auditor-General's Office.

Overall, increasing expenses for the audited councils are largely being driven by higher employee benefits and contract payments. Employee benefits have risen from \$31.429 million in 2008 to \$51.053 million in 2012, which represents an average increase of 0.8 per cent per year as a proportion of total expenses. Advice from LGV to government suggests that local government recurrent expenditure has increased by more than twice the rate of inflation over the past decade, and aggregate expenditure on salaries and wages has increased by almost three times the national average in public sector wages and salaries over the same period.

The sharper increase in employee benefit expenses in 2012 is due to the funding call on the Local Authorities Superannuation Fund Defined Benefits Plan. In 1998, state legislation governing the scheme was repealed and it became a 'regulated fund' under Commonwealth Government legislation, which introduced a requirement for it to be fully funded. Of the audited councils, Buloke, Towong and Yarriambiack's liability is the highest in real terms and as a proportion of their rates revenue. The funding liability will have an impact on councils' liquidity, and may worsen this indicator. Councils have adopted a range of different strategies to meet their liability—these are discussed in section 3.3.6.

Contract payments, such as waste collection services, increased from \$28.293 million in 2008 to \$38.375 million in 2012, but decreased in terms of the proportion of total expenses by an average of 0.5 per cent per year. There was no change in borrowing costs as a proportion of total expenses. Depreciation expenses decreased as a proportion of total expenses, however, this is due to other expenses such as employee benefits increasing by a much greater amount. In real terms depreciation expenses increased fairly uniformly, by an average of 4.5 per cent per year. While there have been some changes with regard to how much key expenses represent in terms of overall expenses—particularly the increase in employee benefits—the mix of different expense categories has remained relatively stable over the past five years.

Given the risks to the audited councils' financial sustainability, it is essential that they effectively plan their long-term financial management and their management of assets. They should also efficiently and effectively deliver services and maximise the revenue they generate from service delivery so that this contributes to meeting their revenue requirements. These elements are discussed further in Part 3.

3 Sustainability issues, challenges and strategies

At a glance

Background

Small councils should have a sound understanding of their sustainability issues and challenges and develop appropriate strategies to address these and mitigate their impact as far as possible. They should also have effective long-term planning and asset management, deliver services effectively and efficiently and position themselves to remain viable in the medium- to long-term.

Conclusion

The audited councils generally have a sound understanding of sustainability issues and challenges and have implemented a range of strategies to address them. However, in some instances actions do not address the core problem. Councils generally cannot demonstrate the effectiveness of strategies or actions and whether these are having a material impact on improving their sustainability. There is scope to improve in financial, asset and service planning and management, and to better link actions to sustainability challenges and outcomes.

Findings

- Audited councils generally face common sustainability issues and challenges.
- All councils except Yarriambiack have recently developed long-term financial plans, but these vary in quality and are not sufficiently integrated with asset management.
- Councils cannot demonstrate that service delivery is efficient and effective.

Recommendations

- Councils should clearly identify and publicly report their sustainability challenges and actions, and how they will monitor, evaluate and report on their effectiveness.
- Yarriambiack Shire Council should develop a long-term financial plan and all councils should update their existing plans in accordance with better practice.
- Councils should review service planning and delivery as a priority.

3.1 Introduction

Small councils face a number of issues and challenges that impact organisational sustainability. They should have a sound understanding of the particular issues and challenges impacting their sustainability and develop appropriate strategies to address these to mitigate their impact as much as possible.

It is important that small councils' operations are underpinned by effective financial planning and asset management, and effective and efficient service delivery. Councils also need to be vigilant in monitoring risks and factors likely to significantly affect sustainability. This may not in itself provide assurance that a council will be sustainable; however, it will position councils better to remain viable in the medium to long term.

3.2 Conclusion

The audited councils generally have a sound understanding of the sustainability issues and challenges they face. However, it is not evident that all of their strategies and actions are effectively addressing the identified issues. While some council strategies are supported by analysis and are well informed, other responses have been reactive and are not underpinned by a strategy that addresses the core problem.

While councils have made some efforts to improve planning for long-term financial sustainability, managing assets, and delivering services effectively and efficiently, further work is required in these areas. Four of the five councils have developed long-term financial plans; however, these vary in quality and are not adequately integrated with asset management plans. Councils generally do not plan or deliver services in accordance with Best Value Principles and cannot demonstrate they are delivering services efficiently and effectively. Consequently, councils cannot demonstrate they are operating as efficiently and effectively as possible.

3.3 Organisational sustainability challenges, issues and planning

Councils should have a sound understanding of the sustainability challenges and issues they face, and develop and implement strategies to address these. Issues and challenges are generally identified in council plans, strategic resource plans, annual reports, annual budgets and rating strategies. There are a number of common sustainability issues and challenges across the audited councils, including:

- having effective financial planning and asset management
- effectively and efficiently delivering services
- recruiting and retaining qualified and skilled staff
- dealing with the impact of population ageing and/or population changes
- dealing with the defined benefits superannuation shortfall.

3.3.1 Long-term financial planning

Effective long-term financial planning is crucial to sustainability and is particularly important for councils that are responsible for managing and generating service from a large stock of long-lived assets relative to their annual income. Councils need to deliver services that meet community needs in a financially sustainable manner, and plan for the needs of current and future generations. In the past, councils have relied on a short-term financial planning horizon, which was essentially limited to the annual budget processes. This approach limits councils' ability to adequately plan for their long-term financial sustainability.

Better practice

A long-term financial plan expresses in financial terms the activities and level of services that a council proposes to undertake or provide over the short, medium and long term to achieve the objectives in its council plan. It should guide future strategies and confirm that the council can remain financially sustainable.

It is not mandatory in Victoria for councils to develop a long-term financial plan and there is no existing statewide guidance to assist councils. However, in January 2012 the Commonwealth Government released a better practice guide (*Institute of Public Works Engineering Australia Practice Note No. 6 – Long-Term Financial Planning – Version 1.0*, January 2012). Based on this guide, a long-term financial plan:

- is a high-level document that can be easily understood by the community, rather than a series of complex spread sheets—although councils may develop these for internal use
- includes a brief narrative overview to help the reader understand the purpose of the plan, the basis of its preparation and the key conclusions that can be drawn from the financial data
- has robust and reliable financial data at a summary level based on accrual accounting financial statements, including projected income and expenditure, balance sheet and cash flow statement—accrual accounting is important for financial sustainability since it measures the performance and position of a council by recognising economic events regardless of when cash transactions occur to give a more accurate picture of the current financial condition
- has a clear financial strategy on which the plan is based, such as a rating strategy and borrowing strategy, for achievement of financial sustainability
- has a small number of key performance indicators for measuring financial sustainability that are relevant and appropriate—a relevant indicator has a logical and consistent relationship with the plan's objectives and an appropriate indicator is one that is underpinned by sufficient information to assess its achievement against objectives, outcomes and outputs—and include targets that are clearly linked to objectives
- has a sensitivity analysis that highlights key factors most likely to materially impact on the achievement of the plan's financial targets, such as anticipating a significantly high level of population growth in its area which may affect operating revenue and expenses

- is integrated with a council's asset management and capital works statement—see Section 3.3.2 Asset management planning
- is reviewed and updated at least annually
- is publicly reported.

Assessment of current plans

Golden Plains developed a long-term financial plan in 2006, while Buloke, Strathbogie and Towong developed their plans in the past two years. Yarriambiack has committed to developing a long-term financial plan in its last three annual budgets, but has not yet done so. While Yarriambiack advised that it prepares 10 years of financial projections as part of the development of its strategic resource plan, these do not contain the key elements of a long-term financial plan. Yarriambiack advised that it plans to engage an external party to develop a long-term financial plan.

Figure 3A summarises our assessment of existing council long-term financial plans against key attributes from the Commonwealth Government better practice guide, which sets out the recommended elements of a long-term financial plan.

Figure 3A
Assessment of long-term financial plans against better practice

Key attribute	Council			
	Buloke	Golden Plains	Strathbogie	Towong
Plan developed	2011	2006	2011	2012
Time period covered	10 years	10 years	10 years	10 years
High-level document	✓	✓	✓	✗
Brief narrative overview	✓	✓	✓	✗
Financial data	✓	Not cash flow	✓	✓
Financial strategy	✓	✓	✓	✗
Performance indicators for measuring financial sustainability	✓	✓	✓	✗
Relevant and appropriate	✗	✗	✓	n.a.
Clear targets	✗	✗	Partially	n.a.
Small in number	✗	✓	✓	n.a.
Sensitivity analysis	✗	✗	✗	✗
Reviewed at least annually	✓	n.a.	✓	✓
Publicly reported	✓	✓	✓	Partially

Source: Victorian Auditor-General's Office.

Golden Plains and Strathbogie's plans are high-level, stand-alone documents that are publicly available, while Buloke's plan is incorporated into the council's strategic resource plan. Towong's plan consists of a series of spread sheets and, while four years of financial projections from the plan were reported in its strategic resource plan in the annual budget, the rest of the plan is not publicly available.

All of the plans contain the recommended financial data at a summary level based on accrual accounting financial statements, except Golden Plains which does not include a cash flow statement. Without this, it is difficult to measure some performance indicators, such as cash balance and discretionary retained earnings.

Buloke, Golden Plains and Strathbogie's indicators measure factors that define financial sustainability; including, operating surplus and underlying result. However, only Strathbogie's indicators are relevant and appropriate as they have a logical and consistent relationship with the plan's objectives. Strathbogie's is also the only plan that contains clear targets against indicators—such as those for asset renewal investment and borrowings—although it does this for only two of the six indicators. Buloke uses a large number of indicators, which could make it difficult for decision-makers and stakeholders to interpret results and gain a clear understanding of outcomes or the council's position.

It is important that monitoring, evaluation and reporting of performance indicators is conducted routinely and remedial action is taken where performance targets or expected results are not achieved. Most of these plans have only recently been developed, so it is too early to say whether councils are doing this. The plans do not provide any information about whether the councils propose to review and/or report publicly on these indicators and if so, how often.

All of the councils have reviewed and updated their plans at least annually. However, they have not explained in their plans what, if any, changes have been made from the review process. For example, Buloke deleted, without explanation, one of the 2011–12 plan's objectives to 'achieve a break even operating result within five years'. Buloke has advised that this objective was removed due to substantial costs relating to flood recovery impacting on the council's ability to achieve it. However, removing the objective without providing an explanation reduces transparency and does not represent good practice in performance monitoring and reporting.

While the plans, particularly Strathbogie's, reflect a number of better practice elements, work is needed by all councils to address deficiencies, and effectively plan their finances from a long-term perspective to support their sustainability.

3.3.2 Asset management planning

Effective asset management planning is also crucial to long-term sustainability. Councils' infrastructure assets represent a vast investment that has been built up over many generations and includes roads, bridges, drainage, buildings, parks and recreational facilities. Assets are acquired for their service delivery potential, so service delivery needs should form the basis of all asset management practices and decisions.

Robust asset management planning is required for councils to effectively manage their significant stock of assets. This planning is necessary to guide the scheduling of maintenance, refurbishment, renewal and replacement of assets and to achieve specific service levels, while minimising asset life cycle costs. Asset management plans should also set out expenditure projections as input for the long-term financial plan. Councils have more than one asset management plan because they generally develop separate plans to cover each major asset class.

A standard statement of capital works sets out actual against planned capital expenditure that relates to larger assets, including property, plant and equipment.

Current status

All of the audited councils had asset management policies, strategies and plans, and have made efforts to improve asset management through training and support programs, such as participation in the Municipal Association of Victoria's Asset Management Improvement 'STEP' program. As part of this program, each council completed self-assessments of their asset and financial management, and used these to develop a prioritised improvement plan. These assessments indicate that there is still scope for improvement, particularly in relation to asset management plans.

Integration with long-term financial plans

It is important that asset management plans and capital works statements are appropriately integrated with long-term financial plans so that these needs are adequately considered in financial planning. Of the four councils with long-term financial plans, each committed in their asset management policy or strategy to integrate their asset management plans with their long-term financial plans.

A key aspect of integrating asset and financial planning is for councils to develop 10-year expenditure projections in asset management plans and then use these to populate the capital works statements in the long-term financial plan. While all long-term financial plans contain a capital works statement, which covers material assets and their expenditure forecasts over the next 10 years, none of the asset management plans contain up-to-date 10-year expenditure forecasts. Councils' asset management plans either contain out-of-date figures (Buloke and Strathbogie), short-term projections (Golden Plains), and/or plans are still under development (Towong, Golden Plains and Strathbogie). This provides limited assurance that each council's asset management requirements were appropriately considered in developing the figures in the capital works statements. However, Buloke has advised that its plans have not been updated due to uncertainty related to the timing of funding for flood recovery.

3.3.3 Efficient and effective service delivery

Councils deliver a wide range of services to their communities. Some local government service delivery is mandated or unavoidable—for example, statutory obligations—while some is essentially discretionary to meet the needs of communities, such as providing swimming pools and family day care. Even within the context of necessary expenditures, there is scope to decide what the appropriate nature of the service and service levels should be.

Service reviews

The *Local Government Act 1989* requires councils to provide services in accordance with the Best Value Principles, which include considering service cost and quality standards, value for money, and community expectations and values. The principles also call for balance between affordability and accessibility of services.

Councils should conduct regular service reviews in accordance with the Best Value Principles to assess the effectiveness and efficiency of their services, and to take action where necessary so that their services continue to meet the community's needs and prevent creating an unnecessary impost if inefficient.

Other than narrow reviews of specific services, such as to identify cost savings, none of the audited councils have undertaken comprehensive reviews of the services they provide in accordance with Best Value Principles. They have also not reviewed service levels to assess the effectiveness and efficiency of service delivery. This provides limited assurance that expenditure on service delivery is informed by an adequate understanding of community needs or the effectiveness and efficiency of council services. Nevertheless, all councils have committed to maintaining existing services and the independent review of Buloke's finances found that the council's commitment to maintaining existing service levels was unsustainable.

Only Towong has completed a service review based on the Best Value Principles, but this was only for one service—the councils' records management service. This review was facilitated by LGV in June 2012 in connection with the Local Government Reform Fund and was part of the Building Best Value Capacity Project in collaboration with four other councils—Alpine, Campaspe, Indigo and Moira. This is discussed further in Part 4.3.

Other reviews by the audited councils have been primarily limited to cost analysis and do not constitute a comprehensive service review in accordance with Best Value Principles. Examples of the reviews conducted include:

- Towong recently secured funding from the state government through the Sustainability Fund for a Demand Reduction Program that is currently being undertaken with Indigo Shire Council. This aims to achieve environmental and efficiency savings of \$250 000 per year and such a program could be replicated across other councils.
- Buloke has conducted a number of reviews of services to identify cost savings. In response to recommendations from the Inspector of Municipal Administration's review, it has committed to undertaking a comprehensive analysis of services, which it suggests will be progressively implemented as resources allow. This is based on the Inspector's finding that it is financially unsustainable to maintain existing service levels. Work will include a cost-benefit analysis of discretionary services to determine which should be ceased, deferred or continued.

Consulting with the community about service delivery

Councils use a variety of mechanisms to engage with their communities to provide feedback on services and projects. However, the community consultation that occurs tends to be related to new projects, infrastructure or proposed services that councils plan to deliver, or to seek feedback on the draft council plan. Councils could not demonstrate they had adequately sought, considered and analysed community needs in relation to council services when initially formulating their council plans.

Better consultation with communities on their ability and willingness to pay for both existing and new services and assets when developing council plans could be used to assess overall service delivery levels. This could help councils to determine required levels and to prioritise the delivery of services appropriate to the needs of communities. The current approach provides limited assurance that council plans adequately reflect residents' needs as the community is not involved in the initial development.

Strathbogie is currently conducting community consultation to inform the development of its council plan, which includes conducting a survey that asks respondents to rank council services in importance. However, it is too early to assess the effectiveness of this in prioritising services and informing overall service levels.

Shared services

All audited councils participate in shared services with either neighbouring councils or other organisations in their region. This includes both internal operational activities and the delivery of council services. These arrangements generally involve sharing a component of the activity or service, such as information sharing to plan services, or sharing a resource, rather than the full delivery of a service. The main current and proposed shared services arrangements and the councils participating in them are shown in Figure 3B.

Figure 3B
Main types of shared services at audited councils

Shared service	Councils				
	Buloke	Golden Plains	Strathbogie	Towong	Yarriambiack
Operational activities					
Business improvement				✓	
ICT		✓		✓	
Payroll			✓		Proposed
Procurement		✓			✓
Council services					
Aged and disability	✓	✓			
Building services		✓		Proposed	
Child/family/youth	✓	✓			
Environment		✓		✓	
Emergency management		✓	✓		✓
Health	✓	✓		✓	
Library	✓	✓	✓	✓	✓
Roads	✓	✓	✓		
Transport	✓	✓			✓

Note: Some councils also use the same contractor to deliver services, but not through a formal arrangement and this is not considered a shared service. These types of arrangements are not included in the table.

Source: Victorian Auditor-General's Office based on information from audited councils.

The necessary rationale for councils adopting shared services is generally not clearly documented and is therefore difficult to assess. Although it is reasonable to expect there to be savings and efficiencies through sharing these activities, there have been no evaluations of the arrangements and so the extent of this is not known. Therefore, it is not clear that sharing these services is improving the sustainability of these councils. With some exceptions, such as libraries, these arrangements are not mature or undertaken on a large scale.

3.3.4 Recruiting and retaining qualified and skilled staff

Small councils in regional and rural areas can face challenges in attracting appropriately qualified and skilled staff and may also experience difficulty in retaining staff. A council's location within the region and its proximity to large regional towns can also affect this.

This can be a particular problem when positions that are hard to fill and have a high turnover are critical to service delivery and council operations.

The State Services Authority (SSA) has identified common challenges for the public sector located in rural and regional Victoria, which also apply to small councils, including:

- a low interest or even no response to particular job advertisements
- a reliance on people needing to relocate to take up critical roles
- prospective candidates being unfamiliar with their region or living in a regional and rural area
- negative perceptions of rural and regional living
- no local tertiary institutions supplying graduates with the required qualifications
- private and not-for-profit organisations offering more attractive remuneration or conditions
- partners of applicants or new staff needing to find work in the area
- limited accommodation for staff or few options that meet their expectations.

Strategies

Workforce planning is one strategy that may assist councils to identify workforce needs, the barriers to attracting and retaining staff, and approaches to address the problem. SSA's 2006 *Workforce Planning Toolkit* for small to medium sized Victorian public service organisations recommends that a workforce planning framework include the following six elements:

- **workforce analysis**—analyse the workforce against organisational direction, internal workforce characteristics and capabilities, external labour market and environmental factors
- **forecast future needs**— identify future business needs, scenarios and workforce characteristics and capabilities
- **analyse gaps**— identify and analyse the gaps between future workforce needs and current workforce profile
- **develop strategies**—develop integrated business and human resources strategies to address the gaps between current and future workforce needs
- **implement strategies**—invest in strategies and change management processes to address workforce planning issues
- **monitor and evaluate**—evaluate the effectiveness of strategies to determine success of planned changes and impact on business performance.

All audited councils except Yarriambiack identified recruiting and retaining appropriately qualified and skilled staff as an issue, and some councils have implemented strategies to address these problems.

Golden Plains developed a workforce plan in 2009. This plan contains a number of elements recommended by the SSA's guide, including a workforce analysis, forecast of future needs, analysis of gaps and development of strategies. These strategies include succession planning for high priority positions, flexible employment arrangements, and working with regional universities to identify engineering students interested in a career in local government. However, there is no evidence that these strategies have been implemented or evaluated for their effectiveness. While there have been no formal evaluations of the plan itself, council advised it has been effective in informing decisions about staffing levels when preparing the annual budget, identifying gaps, career planning for existing staff, and potential replacement of key staff—due to pending retirement, for example.

Strathbogie completed an organisational review in January 2011, which included voluntary redundancies, the creation of several new positions and the development of a new organisation structure. The review recommended that Strathbogie develop a workforce plan, initially for outdoor staff, and then the whole organisation. However, council has not yet done so.

Councils also outsource positions, including statutory roles, such as building surveyors and planning officers. Councils advised that these positions can be difficult to fill and that this may be due to the remuneration offered being uncompetitive in the current employment market, applicants not wanting to relocate to regional areas, or only requiring part-time positions for these professions. While Yarriambiack advised that staff recruitment was not an issue, they also outsource these statutory positions. Outsourcing may address the issue in the short term, and maintain ongoing service delivery, however, councils have not assessed whether this is more cost effective than employing staff directly. It is also not addressing the core problem of recruiting and retaining staff and may not be sustainable in the long term.

3.3.5 Population ageing and/or population changes

Population ageing and/or population changes—such as high growth or decline—can present challenges to small councils. Population changes can impact on councils' rating base and change service delivery needs. Population decline can also result in higher unit costs of service delivery because of the fixed nature of some costs. Rapid population growth can place significant financial pressure on councils to put new or expanded services in place. Given declining and ageing populations, continuing to increase rates and charges may not be sustainable for some councils.

Figure 3C summarises the trends and forecasts in population changes for the audited councils from 2001 to 2031. It shows that with the exception of Towong, there are consistent trends for these councils across the 30-year period of either increasing (Golden Plains and Strathbogie) or decreasing (Buloke and Yarriambiack) populations.

Figure 3C
Past, current and projected populations, 2001 to 2031

Council	Population in 2001	Population in 2011	Percentage change 2001–11	Projected population in 2031	Percentage change 2011–31
Buloke	7 331	6 925	–5.5	6 519	–5.8
Golden Plains	15 101	19 014	+25.9	26 870	+4.1
Strathbogie	9 648	10 060	+4.3	11 085	+10.2
Towong	6 331	6 276	–0.9	6 552	+4.4
Yarriambiack	8 311	7 498	–9.8	6 900	–8.0

Source: Victorian Auditor-General's Office.

Buloke and Yarriambiack have ageing populations, which together with population decline, raises particular sustainability issues for these councils. Growth rates in Golden Plains will result in it no longer being classified as a small council in the future.

Strategies

Buloke has developed a draft Positive Ageing Strategy 2013–19 to guide it in responding to the projected rapid growth of its aged population, but it does not address continuing population decline. While Yarriambiack had a *2009–12 Economic Development Strategic Plan* that aimed to promote economic development in the shire, this plan contains limited analysis on population decline and does not directly link actions to address this issue.

Golden Plains has implemented strategies to deal with both a growing and ageing population. The council's *2012–16 Ageing Well in Golden Plains Strategy and Action Plan* provides a detailed analysis of the shire's population demographics. The main aims of the plan are to enable the council to effectively respond to population growth, and to inform the direction, development and delivery of its aged services and programs. To assist in meeting growth in the number of young families, Golden Plains has implemented service improvement plans for kindergarten clusters and maternal and child health services.

Strathbogie is currently developing an *Economic Development Master Plan 2013–17* to guide the future of economic development in the shire. The plan is expected to include strategies to promote consistent population growth.

Towong has investigated opportunities to encourage population growth in specific localities—Peninsula area, Corryong and Tallangatta—and developed a number of long-term strategies for individual township development, including *Tallangatta Tomorrow* (complete), *Our Bellbridge* (project underway), and *Upper Murray 2030* (funds committed but not commenced).

The strategies discussed above are relatively new or in development and have not been evaluated or reviewed, therefore it is not yet possible to assess their effectiveness in dealing with the population issues the councils are facing.

3.3.6 Defined benefits superannuation shortfall

As discussed in Part 2.3.3, funding calls to address shortfalls in the councils' defined benefits scheme has impacted on councils, and different strategies have been adopted by councils based on the super fund's (Vision Super) payment options to meet their liability. The impact of this shortfall highlights the vulnerability of small councils to unplanned events and their limited capacity to absorb impacts of this magnitude without compromising financial sustainability.

The payment of the shortfall could potentially result in additional borrowings, changes to service delivery, increases in rates, and the deferral of capital projects. While all audited councils noted the shortfall payment in their annual budget, only Buloke and Strathbogie made information publicly available about the financial impact of the payment on council. Buloke indicated there would be delays in some planned projects of at least 12 months and some changes to service delivery plans. Strathbogie does not expect a noticeable impact due to several grant applications for capital works projects being unsuccessful, which made funds the council had set aside to contribute to these projects available to pay the liability. Yarriambiack has only recently made a decision on its payment strategy. Figure 3D shows each council's liability as a percentage of total rates revenue and their strategy to address the liability.

Figure 3D
Council strategies to address superannuation funding shortfall

Council	Liability (\$ million)	Liability (as percentage of total rates revenue)	Council strategy to address liability
Buloke	1.90	22	Council took out long-term borrowings for the full amount and is paying over a three-year period
Golden Plains	0.42	2.7	Council is paying over a five-year period
Strathbogie	1.26	8.9	Council paid early to receive a discount
Towong	1.04	16.6	Council paid early to receive a discount
Yarriambiack	2.11	23.2	Council took out long-term borrowings for part of the amount and is paying over a five-year period. Council proposes to fund the balance through long service leave cash investment and budget cuts of 2.5 per cent in 2012–13.

Source: Victorian Auditor-General's Office based on information from audited councils.

The Municipal Association of Victoria identifies that there are actions councils could take to reduce future calls on councils, such as making greater efforts to set aside capital that could be used to top up the scheme, and being mindful of the impact that large employee pay rises have on increasing the size of the benefit.

3.3.7 Effectiveness of strategies

Most existing performance indicators of the audited councils relate to financial sustainability and performance and asset management. Councils do not have relevant and appropriate performance indicators for specific actions or to measure sustainability beyond financial parameters. The material impact of specific actions and strategies adopted by councils on their sustainability is unclear. Strategies have either only been recently implemented, or councils have not undertaken adequate monitoring, reporting and evaluations of actions and the outcomes achieved to determine their impact.

For all of the audited councils, a small number of sustainability strategies are linked to performance measures in the council plan, such as the development of long-term financial plans or strategies to deal with population issues. These measures relate to developing the strategies themselves and not their effectiveness, and they do not constitute relevant and appropriate performance measures.

Recommendations

1. Councils should clearly identify and publicly report their sustainability challenges and associated strategies and actions, including how they will monitor, report and evaluate their effectiveness, using relevant and appropriate performance indicators.
 2. Yarriambiack Shire Council should develop a long-term financial plan and all councils should update their existing plans in accordance with better practice.
 3. Councils should review service planning and delivery in accordance with Best Value Principles as a priority, including:
 - assessing overall service delivery levels to determine appropriate levels and provide the rationale for their decision
 - consulting with their communities on their ability and willingness to pay for desired services in the development of the council plan
 - developing a plan to regularly review all services over time.
-

4 Support, guidance, monitoring and reporting

At a glance

Background

Providing appropriate support and guidance is important to assist small councils to remain sustainable. Local Government Victoria's (LGV) role includes overseeing, supporting, and encouraging local government and providing advice and support to councils in relation to their roles and responsibilities under the *Local Government Act 1989*.

Conclusion

While LGV provides a range of general guidance and support that is applicable to small councils addressing some of their sustainability concerns, there are opportunities to directly target support to areas of challenge for them to support building their capability and resilience. LGV monitors and reports on the sustainability of councils and has implemented actions to address specific issues at small councils who are in critical situations. However, there are opportunities to more proactively target small councils with appropriate support and advice before their situation becomes critical.

Findings

- LGV does not have strategic priorities targeting sustainability of small councils, although it provides a range of guidance and support related to sustainability.
- LGV's guidance on asset management needs to be reviewed and updated.
- LGV has committed to implementing a performance reporting framework to provide a common suite of sustainability performance indicators for councils.

Recommendations

The Department of Planning and Community Development should:

- review and update its asset management guidance
- consider making the development of a long-term financial plan mandatory
- routinely review the guidance and support it provides so that it is aligned with areas of highest need and addresses gaps in councils' capability and capacity
- expedite the implementation of the planned performance reporting framework and make sure it includes appropriate sustainability indicators.

4.1 Introduction

Local Government Victoria's (LGV) role includes supporting and advising the Minister for Local Government in administering the *Local Government Act 1989* (the Act). It is also responsible for overseeing, supporting and encouraging local government and providing advice and support to councils in relation to their roles and responsibilities under the Act.

It is important that appropriate support and guidance is provided to small councils. This includes driving the adoption of better practices, improving their capability and providing targeted support or intervention when required.

4.2 Conclusion

LGV provides a range of general guidance and support, which is applicable to the sustainability of small councils, including developing and disseminating better practice guides, delivering programs and developing a local government performance management framework. However, there are opportunities to directly target support to areas of challenge for small councils to support building their capability and resilience.

LGV conducts various monitoring and reporting activities to identify councils at high risk of sustainability issues. It has advised the minister about these and implemented actions to address issues once they have become critical. LGV could more proactively target small councils with appropriate support and advice before their situation becomes critical. The development of LGV's performance management framework provides an opportunity to more closely monitor councils' sustainability and respond appropriately to support councils on a timely basis.

4.3 Guidance and support to councils

While LGV does not have strategic priorities targeted specifically to the organisational sustainability of small councils, a number of priorities in its 2012–13 business plan are directly relevant to small councils and sustainability, including to:

- strengthen the capacity of the sector to plan strategically with the community and allocate available resources in a sustainable manner
- strive for long-term financial sustainability in the sector with growth in revenue raising levels matched to each municipality's demand for services and consideration of their capacity to pay.

Under the plan, LGV is accountable for 28 key deliverables that will contribute towards the achievement of the strategic priorities, including the delivery of various programs and the development of the local government performance reporting framework.

LGV provides a range of guidance and support to councils broadly related to sustainability. This includes issuing better practice guides covering areas, such as asset management, procurement and Best Value service delivery, including:

- *Asset Management Policy, Strategy and Plan* (2004)—guidelines for developing an asset management policy, strategy and plan
- *Victorian Local Government Best Practice Procurement Guidelines* (2013)—guidelines for dealing with the procurement cycle (planning, implementation, management and performance evaluation), reporting on procurement and meeting obligations under the Act
- *A Guide to Achieving a Whole of Organisation Approach to Best Value* (2006)—designed to assist in developing or enhancing formal or informal improvement and planning frameworks to effectively incorporate the Best Value Principles — developed in partnership with Local Government Professionals (LGPro) Corporate Planner's Network and the Best Value Commission.

The *Asset Management Policy, Strategy and Plan* and *A Guide to Achieving a Whole of Organisation Approach to Best Value* guides were developed several years ago and need to be reviewed. The 2006 Best Value guide is currently under review, and LGV advised that the 2004 asset management guidelines will be reviewed and updated in 2014.

LGV has initiated a number of strategies and programs aimed at sustainability that involve or apply to small councils. These include:

- **Building Best Value Capacity**—working with 10 regional and metropolitan councils to conduct Best Value service reviews of records management and customer service. Three small councils (Alpine, Indigo and Towong) were involved in the program. Project outcomes included the delivery of Best Value reviews, enhanced knowledge and skills in conducting Best Value reviews, and review and update of guidance. Legislative reform is also being considered in response to participating councils identifying a lack of clarity and definition in Best Value legislation as a barrier to conducting Best Value reviews.
- **Procurement in Practice**—working with five councils (including the small councils of Ararat, Golden Plains, Hepburn and Pyrenees) to undertake a collaborative procurement of their bituminous resealing programs. This is anticipated to result in potential cost savings of \$3.1 million over five years if all participating councils elect to take up the contract options. Other program outcomes include procurement tools and templates being made available to the sector and project learnings informing the update of the 2012 guidelines.
- **Asset Management, Financial Planning and Performance Measurement project**—a research-based project that commenced in 2012, which will assess the quality of data and decisions that have been driven by asset management and financial planning programs across Victorian councils.
- **Local Government Performance Reporting Framework**—discussed in Part 4.4.

- **A review of the status of asset management practices in Victorian local governments**—the review was commissioned in October 2012. A discussion paper developed from this review will be the subject of five regional forums to inform the development of a strategic plan to guide a refocusing of asset management efforts across Victorian councils.

While LGV conducts evaluations of its programs, these could be improved. For example, LGV could collect information from participating councils to assist in determining the effectiveness and suitability of its program for individual councils and to inform the development of future programs.

LGV also works in partnership with peak and industry bodies on strategies and programs. Examples are described in Figure 4A.

Figure 4A
Strategies and programs delivered by Local Government Victoria
in partnership with peak and industry groups

Strategy/Program title	Description	Delivered in partnership with
Local Government Reform Fund program	Aims to assist councils to improve their financial and resource management capabilities and business practices. A number of initiatives have been developed through this initiative, including the previously discussed Building Best Value Capacity and Procurement in Practice programs	Overseen by a steering committee including council Chief Executive Officers, the Municipal Association of Victoria, LGPro, VAGO and the Local Government Investigations and Compliance Inspectorate
Councils Reforming Business Program	Aims to support councils to improve services, decrease costs and reduce red tape for businesses working with them, including in the areas of procurement, local laws, shared services and affordable housing. Project outcomes included 53 councils—including 14 small councils—working together on various procurement projects funded by grants, establishing the Local Government Procurement Training Program, and developing six projects to encourage shared services by councils in various areas, such as ICT services	MAV
Local Government Procurement Special Interest Group	Aims to facilitate sector-wide reform and networking for procurement improvement.	LGPro

Source: Victorian Auditor-General's Office.

While LGV are involved in a number of programs relevant to supporting council sustainability, this audit identified a number of common issues across councils that may require more targeted support and guidance and/or coordination by LGV. These include the recruitment and retention of suitable staff, development of long-term financial plans, and dealing with population change. There is a range of guidance available outside of government, but LGV could play a more proactive facilitation role.

4.4 Monitoring and reporting on the sector

LGV conducts various monitoring and reporting activities that assist it to identify councils at high risk of sustainability issues and to inform its work program. These activities include monitoring VAGO and council reports, local media and sector trends, such as through the analysis of community satisfaction survey results.

LGV's monitoring activities have identified councils at high risk of sustainability issues and it has implemented actions to address issues when they have arisen. LGV has prepared a number of submissions and briefings for government who have acted on their recommendations. This has resulted in, for example:

- The appointment of an Inspector of Municipal Administration in March 2012 to conduct an independent assessment of Buloke's financial health in response to its audit qualification in the 2011 VAGO audit report *Local Government: Results of the 2010–11 Audits*. The review identified critical concerns about the council's future financial health that were primarily driven by inadequate analysis and reporting of current and forecast cash flows by management, which led to inadequate strategies and actions taken by council. An Inspector has been appointed for a further term of up to two years to provide continued oversight of the council's financial operations.
- Assistance to councils, such as Murrindindi, which was the most heavily impacted municipality during the Black Saturday bushfires, including conducting a review of the council's financial position, asset management and sustainability.

Until 2010, LGV conducted sector-wide reporting, which was published in the annual *Local Government in Victoria Report*. This report included analysis of the financial sustainability of councils as a whole and by five council groupings using information from councils' annual reports. It outlined average performance for all councils across LGV's 11 key performance indicators and incorporated analysis from VAGO's financial indicators. This report has not been published since 2010. However, LGV advised that it plans to release a broader *Local Government in Victoria Report* in December 2013, which will include reporting against a new set of performance indicators, as discussed below.

An appropriate performance monitoring framework is important for monitoring the performance and sustainability of councils. LGV is currently developing a local government performance reporting framework with the sector, which is scheduled for a trial by July 2013 and mandatory use in July 2014. A directions paper has been developed by LGV, and technical working groups have recently been established to develop performance indicators across three areas—service performance, financial performance and sustainability. The sustainability indicators are intended to assist councils to monitor, evaluate and report on sustainability and measure their capacity to meet current and future service, infrastructure and other obligations as they fall due. A sector performance report will be issued by DPCD. LGV aims to align this project with the recommendations from VAGO's 2012 *Performance Reporting by Local Government* audit.

The development of this framework provides an opportunity for LGV to more closely monitor council sustainability and respond appropriately to support councils on a timely basis.

Recommendations

The Department of Planning and Community Development should:

4. review and update its asset management guidance
 5. consider making the development of a long-term financial plan mandatory and provide support and guidance in the development of these
 6. routinely review the guidance and support it provides so that it is aligned with areas of highest need and addresses gaps in councils' capability and capacity
 7. expedite implementation of the planned local government performance reporting framework and make sure it includes appropriate sustainability indicators.
-

Appendix A.

Financial sustainability indicators for councils

Figure A1
Financial sustainability indicators for councils

Indicator	Formula	Description
Underlying result (per cent)	Adjusted net surplus/ total underlying revenue	A positive result indicates a surplus. 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	Measures the ability to pay existing liabilities in the next 12 months. A ratio higher than 1:1 means there is more cash and liquid assets than short-term liabilities.
Self-financing (per cent)	Net operating cash flows/ underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage, the more effectively this can be done.
Indebtedness (per cent)	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 the entity generates itself. Own-sourced revenue is used (rather than total revenue) because it does not include capital grants, which are usually tied to specific projects.

Figure A1
Financial sustainability indicators for councils – *continued*

Indicator	Formula	Description
Capital replacement	Capital expenditure/ depreciation	Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciation 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.
Renewal gap	Renewal and upgrade expenditure/depreciation	Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate. Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option.

Source: Victorian Auditor-General's Office.

Figure A2
Risk assessment criteria for financial sustainability indicators

Risk	Underlying result	Liquidity	Indebtedness	Self-financing	Capital replacement	Renewal gap
High	Negative 10% or less Insufficient revenue is being generated to fund operations and asset renewal.	Equal to or less than 1.0 Insufficient current assets to cover liabilities.	More than 60% Potentially long-term concern over ability to repay debt levels from own-source revenue.	Less than 10% Insufficient cash from operations to fund new assets and asset renewal.	Equal to or less than 1.0 Spending on capital works has not kept pace with consumption of assets.	Equal to or less than 0.5 Spending on existing assets has not kept pace with consumption of these assets.
Medium	Negative 10% to zero A risk of long-term run-down to cash reserves and inability to fund asset renewals.	1.0–1.5 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	40–60% Some concern over the ability to repay debt from own-source revenue.	10–20% May not be generating sufficient cash from operations to fund new assets.	1.0–1.5 May indicate spending on asset renewal is insufficient.	0.5–1.0 May indicate insufficient spending on renewal of existing assets.
Low	More than zero Generating surpluses consistently.	More than 1.5 No immediate issues with repaying short-term liabilities as they fall due.	40% or less No concern over the ability to repay debt from own-source revenue.	20% or more Generating enough cash from operations to fund assets.	More than 1.5 Low risk of insufficient spending on asset renewal.	More than 1.0 Low risk of insufficient spending on asset base.

Source: Victorian Auditor-General's Office.

The overall financial sustainability risk assessment is calculated using the ratings determined for each indicator as shown in Figure A3.

Figure A3
Overall financial sustainability risk assessment

	High risk of short-term and immediate sustainability concerns indicated by either: • red underlying result indicator or • red liquidity indicator.
	Medium risk of longer-term sustainability concerns indicated by either: • red self-financing indicator or • red indebtedness indicator or • red capital replacement indicator or • red renewal gap indicator.
	Low risk of financial sustainability concerns—there are no high-risk indicators.

Source: Victorian Auditor-General's Office.

Appendix B.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Planning and Community Development and to the following five councils, with a request for submissions or comments:

- Buloke Shire Council
- Golden Plains Shire Council
- Strathbogie Shire Council
- Towong Shire Council
- Yarriambiack Shire Council.

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

Responses were received as follows:

The Department of Planning and Community Development	42
Towong Shire Council	45
Further audit comment:	
Acting Auditor-General's response to Towong Shire Council	52

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



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Ref CSEC003816
File 13/001953



Dr Peter Frost
Acting Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Dr Frost

AUDIT ACT 1994, S16(3): PROPOSED AUDIT REPORT – ORGANISATIONAL SUSTAINABILITY OF SMALL COUNCILS

Thank you for the opportunity to provide comment on the proposed audit report *Organisational Sustainability of Small Councils*.

I accept the report as a fair representation of the sustainability challenges facing small councils and accept your recommendations numbered 4 to 7 in respect to the Department of Planning and Community Development.

It is not my intention to comment on the specific findings in respect of individual councils but I expect those councils will also accept the opportunity for comment afforded them by Section 16(3)(b) of the *Audit Act 1994*.

I am pleased with the degree of symmetry between your recommended actions for the Department and the current and proposed priorities identified for delivery by Local Government Victoria and offer the following additional comments:

VAGO Recommendation 4: review and update its asset management guidance

The need to update this guidance is accepted, as is the impact of asset management practices on the sustainability of an organisation.

There have been a number of support mechanisms made available to small (and large) councils in the pursuit of improved asset management practices and ultimately organisational sustainability and this guideline, issued in 2004, is one such tool.

The review and update of these guidelines must also consider broader information now available:

- Results of the Annual Local Government Victoria 'Asset Management Performance Measurement Survey' which was commenced in 2003;
- Progression of the Municipal Association of Victoria STEP Asset Management Program;



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

- Results of the Regional Asset Management Project and the Victorian Local Government Sustainability Project; and
- The National Assessment Framework for Asset Management and Financial Planning developed by the Australian Centre for Excellence in Local Government (ACELG).

VAGO Recommendation 5: *consider making the development of a long term financial plan mandatory and provide support and guidance in the development of these*

The importance of a long term financial plan that is aligned with shorter term plans is acknowledged. The *Local Government Act 1989* requires the completion of a four year Strategic Resource Plan by a council however there is evidence of the benefits and use of longer term planning, provided it is both realistic and subject to periodic review.

Decisions on whether a ten year plan or similar long term planning should be mandatory (legislated) or voluntary will be given thorough consideration.

VAGO Recommendation 6: *routinely review the guidance and support it provides so that it is aligned with areas of highest need and addresses gaps in councils' capability and capacity*

Two planning forums conducted by Local Government Victoria each year are informed by the annual Auditor-General's report on local government audits, specific performance audits completed by VAGO and the Asset Management Performance Measures Survey. From 2013/14 the National Assessment Framework for Asset Management and Financial Planning will also provide valuable input.

In 2011/12 Local Government Victoria delivered the Local Government Reform Fund Program 'Aligning Strategy, Capacity and Sustainable Outcomes' which is detailed in your report at page 35. The lessons learned from these programs have been useful in further program development as well as the consideration of any future legislative change.

The findings from these projects have been presented to the Local Government Reform Strategy Reference Group to assist in planning alternate models of capacity building.

VAGO Recommendation 7: *expedite implementation of the planned local government performance reporting framework and make sure it includes appropriate sustainability indicators.*

The development of a Performance Reporting Framework has been a key priority during 2012/13 with a pilot to be launched for the 2013/14 financial year. This has been the subject of extensive consultation with the sector, professional bodies and academics and is the guiding framework for the development of sustainability, service and financial indicators.

The recently released 'Draft Local Government Performance Reporting Framework & Indicators – working paper' proposes three key reporting streams: service performance, financial performance and sustainability.

Local Government Victoria has invited councils to nominate for participation in the 2013/14 pilot of this framework.

I would also take this opportunity to provide general comments on the report:

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

Financial sustainability

The audit has reported that on average, government grants have increased significantly as a percentage of total revenue. It is worthwhile noting that decisions of the Victoria Grants Commission have increased allocations to small councils with increased weighting assigned to factors such as population dispersion and remoteness which have generally favoured regional and rural councils.

Sustainability issues, challenges and strategies

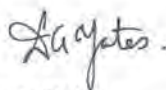
The report identifies the importance of integrating asset management planning with long term financial planning.

The development of these documents is dependent on the level and quality of service planning and delivery, which in turn is a function of the quality of community consultation around levels of service. Local Government Victoria is contributing to the ACELG and Institute of Public Works Engineering Australia draft practice note 'Levels of service and community consultation'. This information will be made available to all councils.

I am confident of the contribution that the Performance Reporting Framework will make to the identification of emerging sustainability problems. In addition, the community will have access to concise and comparable data sets to better understand and assess the performance of their local council.

I look forward to the successful implementation of these important initiatives over the coming 12-18 months.

Yours sincerely



**Dean Yates
ACTING SECRETARY**

31/5/13

RESPONSE provided by the Chief Executive Officer, Towong Shire Council

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Reference: 07/05/0007

31 May 2013

Mr Peter Frost
Acting Auditor-General
VAGO
Level 24, 35 Collins Street
Melbourne VIC 3000



Dear Mr Frost,

Performance Audit – Organisational sustainability of small councils

Thank you for the opportunity to provide comments in relation to the Proposed Audit Report – Organisational sustainability of small councils. Thank you also for the correspondence of 28 May 2013, which responded to our meeting of 16 May 2013 and our correspondence of 17 May 2012 (Appendix A).

Our correspondence of 17 May 2013 (Appendix A) raises a number of issues in relation to the provisional Audit Report. As our correspondence is appended to this document we do not intend to reproduce those issues within the body of this document. We do however believe that the issues raised are still relevant to the Proposed Audit Report.

Towong Shire Council has relied on previous VAGO reports to drive significant reform within our organisation and we are disappointed by the quality and content of this Proposed Audit Report. Having reviewed the report we believe it remains well below the standard we have come to expect from your office.

We are also disheartened by the response of senior VAGO staff to our input. We have found their approach to be very defensive and the correspondence of 28 May 2013 is a good example of this. It is of concern to us that at our 16 May 2013 meeting we were told that VAGO had the last right of reply to whatever the participant organisations said. Given the manner in which this was articulated we were left feeling that that any criticism of VAGO was a pointless exercise as it would result in that criticism coming back at us.

I have had the opportunity to discuss these matters with other CEOs involved in the audit and unfortunately there seems to be a shared common view. It appears that there has been a tendency for VAGO to rely on disengaged or non-existent feedback as tacit endorsement. When in fact other organisations simply feel it is a futile exercise to raise any concerns. I would like to suggest that you contact the CEOs of the participating Councils to understand more about their audit experience. While it may seem reasonable to rest responsibility for not raising concerns with the respective CEOs we believe that once you discuss the extent of the issue with them you will gain greater clarity.

Regardless of these matters, we would like to provide input that may assist with improving the quality of the report so that it can be of genuine benefit to the sector. We are unable to commit the resources to complete the laborious review that we believe the report requires and based on the response to previous feedback we are also not certain of the merits of doing so. That said, we hope the following general feedback will be of assistance.

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

The report, we believe, shows Towong Shire Council in a positive light. As a result we feel it is necessary to state that our criticism of the report stems from a genuine desire to see the report and its recommendations have meaningful impact across the sector and is not from a defensive position.

It is important to note that we have responded to the Audit Specification, Post Planning Briefing and Provisional Report and more importantly believe we have had ample opportunity to provide evidence to VAGO during the course of the audit and that this has successfully occurred.

In terms of the recommendations, four of the seven recommendations relate specifically to the Department of Planning and Community Development (Local Government Victoria). We believe that Department has very strong insight into the sector and will chose to implement recommendations if they are considered to be appropriate and effective. A further recommendation specifically relates to Yarriambiack Shire Council. This has no bearing on Towong Shire Council and as a result we have no comment on that recommendation.

The remaining two recommendations relate more broadly to the five participant Councils. We believe that both of these recommendations lack the maturity that we would expect from an experienced auditor and are not supported by evidence. *Recommendation 1* is highly non-specific and this was self-evident when we discussed it at our meeting with VAGO staff on 16 May 2013. *Recommendation 3* whilst based on a policy position is not supported by evidence. Our recent experience with a 'Best Value' review (which included a number of Councils) demonstrated that this is not an effective way of moving an organisation towards organisational sustainability. This information was provided to the audit team.

We believe that the report should be revised so that the following issues are addressed, in accordance with the audit initiation briefing and audit specification:

- The report does not identify:
 - best practice that can assist in driving improvements across the sector.
 - documentation, systems nor processes that are likely to yield improved outcomes.
 - mechanisms that could be used to communicate best practice, that improves sustainability, between Councils.
 - pilot projects that could be supported to advance the sector.
- The potential effectiveness of the recommendations is not supported by an accurate evidence-based approach, even where evidence is readily available.
- There are large sections of the report that raise concerns that do not result in any recommendations e.g. recruitment and retention of qualified staff.
- Where evidence is provided it appears to be used to support recommendations rather than inform them and the primary financial data included has been relied on without interpretation.
- The report shows a fundamental lack of understanding of the significant structural and operational circumstances that prevail within any small Council.

While we appreciate that VAGO have in excess of 25 audits to deliver each year we are left wondering if quality is being sacrificed for expedience, if there is a lack of experience within the audit team or if there is a lack of commitment to delivering value from the report.

We believe that VAGO has not succeeded in translating evidence into mature evidence-based recommendations and should seek to understand why that has occurred and try to improve on the outcomes of future similar audits.

Regardless of the reason, it is disappointing that a significant opportunity to advance the sector has not been realised. While the cost of the report has not yet been provided it is important to note that a one

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

percent rate increase for Towong Shire Council generates approximately \$50,000 revenue and this would be typical of any of the five Councils involved. It is imperative within our organisation that any expenditure yields a quality outcome. We would hope that this is also the position of VAGO when conducting performance audits.

Thank you for the opportunity to provide comments in relation to the Proposed Audit Report.

Should any further information or clarification be required please do not hesitate to contact me on 02 6071 5100.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Juliana Phelps', enclosed within a faint, hand-drawn circular outline.

Juliana Phelps
Chief Executive Officer

Enc.

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

Appendix A -

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info@towong.vic.gov.au www.towong.vic.gov.au ABN 45718604860



Reference: 07/05/0007

17 May 2013

Mr Andrew Evans
Senior Manager, Performance Audit
Level 24, 35 Collins Street
Melbourne VIC 3000

Dear Andrew,

Performance Audit – Organisational sustainability of small councils

Thank you for meeting with myself and Dave Barry, Director Community and Corporate Services at your offices on Thursday 16 May 2013. Please extend our thanks also to Natalia Southern and Janet Wheeler for meeting with us.

Our understanding is that a performance audit is 'an audit which evaluates whether an organisation or government program is achieving its objectives effectively, and doing so economically and efficiently, and in compliance with all relevant legislation' (VAGO website). We do not believe that this performance audit has achieved this.

As discussed, we are disappointed that the audit and subsequent report do not adopt a robust evidence based approach and as a result:

- no recommendations are made in relation to:
 - best practice that could have assisted in driving improvements across the sector
 - documentation, systems, processes that are likely to yield improved outcomes
 - mechanisms that could be used to communicate best practice, that improve sustainability, between Councils
 - pilot projects that could be supported to advance the sector
 - mechanisms to address the recruitment and retention of qualified staff, despite it being raised as a matter of concern in the report.
- there are only two recommendations that generally relate to the small Councils involved, which does not appear to be a sufficiently mature approach to addressing very real challenges
- the relationship between documentation and outcomes is not supported by evidence
- the capability of the sector to address sustainability challenges is not clear
- the primary financial data included has been relied on without interpretation

Provided below, as requested at our meeting, are our comments in relation to provisional draft report.

Comments in relation to the Audit Summary Section

Conclusions section

In this section of the Audit Summary it is stated 'Over the past five years, the reliance of audited councils on government grants has increased substantially'. We believe this interpretation is incorrect.

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

Over the past five years the level of government grants to councils has increased and as a result the ratio of own source income to grant income has shifted however this does not mean that the audited councils' reliance has increased. The services and infrastructure delivered by council are determined by the funding available (and generally the State or Federal Government funding is tied to pre-determined outcomes). If the increased funding was not available the Councils would not provide increased levels of services and infrastructure. We would 'cut the cloth to fit' the funding available.

We do not believe it is accurate to say that the reliance of audited councils on government grants has increased substantially. A better way of presenting this would be to say 'the level of government grants has increased significantly and the ratio of own source income to grant income has shifted accordingly.'

Within this section of the Audit Summary it also states 'However, the councils generally cannot demonstrate the effectiveness of strategies and actions and whether these are having a material impact on improving their sustainability'. The report should recognise that improving sustainability is not an overnight proposition and the effectiveness of strategies and actions (such as those to increase population and rate base) are medium to long-term propositions and accordingly the effectiveness of the strategies may not be apparent for some time.

We also believe there are extremely good examples of actions taken to improve Towong Shire Council's sustainability including a demand reduction program to reduce wasted expenditure by \$250,000 on an annual recurring basis and development of a solution to GPS track our heavy plant. It is worth noting this in the context of a 1% rate rise generating an \$50,000 additional revenue for Council. These examples could have been highlighted in the report to demonstrate efforts taken to improve efficiency and economy and thereby work towards the attainment of organisational sustainability).

Findings section

Within this section there is a comment on the increase in funding from \$33.766m to \$72.434m without providing any context as to why/how this has come about e.g. change to State Funding programs (introduction of the Regional Growth Fund) etc.

In effect the increase in funding was due to a number of factors including:

- The receipt of 50% of the annual VGC grants in advance
- The first year of the Local Government Infrastructure Program
- The first year of Country Roads and Bridges funding program
- The receipt of National Disaster Funding (in relation to Floods within our municipality)

The absence of this context reduces the quality of the report and does not provide sufficient information for readers of the report. In addition, this data is not presented in Net Present Value terms, which is standard practice.

This section also states "While councils have increased the amount of own-source revenue they generated through rates and user charges, it has not been enough to keep pace with their increase in costs". This comment is not substantiated by any evidence.

In this section it also states "Several longer-term financial sustainability indicators are projected to deteriorate for Golden Plains and for Towong, although Towong is projected to improve against all other indicators. In Towong's case this is incorrect. We refer you to Figure 2B (page 10) and the commentary on page 11. The only indicator that is projected to deteriorate is the indebtedness indicator and not 'several' indicators as stated in the Audit Summary.

Recommendations

The first of the recommendations is:

'Councils should clearly identify and publically report their sustainability challenges and associated strategies and actions, including how they will monitor, report and evaluate their effectiveness, including relevant and appropriate performance indicators'

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

We believe this has already been achieved through the Council Plan and Annual Report as recognised in Section 3.3 of your report.

Section 125(2) of the Local Government Act sets out the requirements for the Council Plan. The Council Plan sets out the Council's Strategic Objectives and the Strategies to achieve the objectives. Also included in the Council Plan are the strategic/performance indicators used to measure success. The Annual Report reports against the objectives and strategies included in the Council Plan.

We suggest that the recommendation be modified along the followings lines:

'Councils strengthen the material in their Council Plan and Annual Report which identifies their sustainability strategies and outline how the strategies and actions address this.'

Financial Sustainability section

The first concern we have in relation to this section is that there is no contextual information. Whilst the details for the audited councils are included there is no comparison information in relation to the sector. The reader is unable to ascertain how the audited councils are performing in relation to the rest of the sector. For example, what is the state average or median for the six key financial sustainability indicators and how do the audited councils compare against these?

Towong is shown as having an upward 'trend' in relation to the indebtedness indicator. The Indebtedness ratio is *total liabilities/realisable assets* and in Towong's case our level of mean indebtedness (2007-2011) is 5.66% compared to the average of the Small shire council group of 22.3%.

As a result of having low total liabilities the percentage indicator is highly sensitive and due to a \$1.1m Defined Benefits call being recognised in 2011/12 this indicator increased to 16.8%. This does not constitute a trend and remains far below the average of the Small shire council group.

If VAGO wish to include this representation we request that where it is stated 'Towong's indebtedness indicator is also predicted to deteriorate.' that contextual information is included to explain how this has come about.

There is also no mention of the significant work (commissioned by small councils) by Mr Merv and Mr Rohan Whelan in relation to financial sustainability of rural councils. This work has been key in terms of informing councils and the State and Federal Governments of the factors influencing sustainability and how each of the participating councils are placed regarding sustainability. We believe the commissioning of the work demonstrates that councils are taking it upon themselves to understand and address sustainability issues.

Sustainability issues, challenges and strategies section

Section 3.3.1

Towong Shire has adopted an approach where our Long Term Financial Plan is a dynamic document that is continuously updated and communicated to all stakeholders. There is no acknowledgement of this approach and the associated benefits. A different approach, such as the one taken at Towong, is not necessarily not 'better practice' particularly when the relevant information is contained within the Plan and the method of presentation and fluid nature of the Plan is fit for purpose for a small council.

Section 3.3.3

On page 25 following Figure 3B it states "The necessary rationale for councils adopting shared services is generally not clear". We are surprised by this comment.

The rationale for adopting shared services was clearly articulated during the audit. Perhaps the wording here should be changed to "The rationale for councils adopting shared services has not been provided in the form of a document".

The reality for Towong is that the community expects certain services (e.g. environmental and public health functions) and because we cannot afford a full-time qualified officer (and often can't attract

RESPONSE provided by the Chief Executive Officer, Towong Shire Council – continued

professional/qualified people to our municipality due to our remoteness) we have two choices: partner with a neighbouring council or not provide the service. Sharing services in this situation is not necessarily about improving the sustainability of council. We believe the report should note that sharing services may be required to provide communities with services (and doing so may not be with a view to achieving sustainability).

Section 3.3.4

The material included is directly related to the argument for shared services and the report should make this connection.

Section 3.3.4

This section discusses workforce planning in depth and does not form any recommendation nor provide any evidence that that approach currently taken at Towong or the other audited councils is deficient.

Section 3.3.7

This section discusses performance indicators and states that "Councils do not have relevant and appropriate performance indicators for specific actions or to measure sustainability beyond financial parameters." We do not understand this comment and would appreciate the inclusion in the report of examples of performance indicators to measure sustainability beyond financial parameters.

Presentation of report

Referencing of data sources

To enhance the value of the report to readers we suggest that references to documents without footnotes to direct the reader be avoided e.g. 'In January 2012 the Australian Government released a better practice guide'. The better approach would be to reference this document or alternatively provide the correct name of the document/guide in the body of the report to assist the reader.

Process

It would be remiss not to comment on the timing of the audit and the unreasonable time frames. Small councils have incredibly limited resources and the conduct of the audit in the first six months of a new Council (the Local Government Elections were in October 2012) when the new Council and staff are formulating the four year Council Plan and Budget was completely unreasonable, putting additional strain on organisations that are already under enormous pressure.

To compound this a key member of staff had five weeks leave during the audit (and there was no real flexibility on the part of VAGO to accommodate this). We completely understand the timeframes to which you are required to adhere but we do not believe there was any understanding of how small councils function nor any appreciation of the impact an audit like this has on a small council particularly if meaningful engagement is desired.

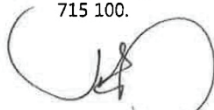
Housekeeping matters

We noted there is no page 16 in the report.

We also noted an issue with the numbering of recommendations. On page 30 under 'Recommendations' the final point should be a bullet not number 4 (this will then align the recommendation numbering with the recommendations on page xi – provide the numbering of recommendations on page 36 start with 4 and not 5).

Thank you for the opportunity to provide comments in relation to provisional draft report.

Should any further information or clarification be required please do not hesitate to contact me on (02) 60 715 100.



Juliana Phelps
Chief Executive Officer

Acting Auditor-General's response to Towong Shire Council

Towong Shire Council has raised three issues in its letter which we emphatically refute: the quality and evidence base of the report, the opportunities that have been provided for engagement and the overall value of performance audits.

Quality and evidence base

We strongly refute any suggestion we did not follow an evidence-based approach. In developing the audit findings, conclusions and recommendations the Auditor-General considered all of the relevant and appropriate evidence provided by the audited councils, including Towong, which related to the audit scope.

Towong's letter attaches its correspondence from 17 May 2013 at Appendix A. We note that we have already provided Towong a detailed acquittal of the issues raised, and advised of a number of changes to the final report acknowledging the further information and context provided. We do not intend to re-state the advice already provided. We reiterate that we believe Towong's comments are largely contextual or opinion rather than evidence based and do not change our findings, conclusions or recommendations.

We further note Towong's comment that the Department of Planning and Community Development (DPCD) has strong insight into the sector and refer to the department's response which states the report is a 'fair representation of the sustainability challenges facing small councils' and it clearly accepts the four relevant recommendations.

Engagement

We believe Towong has been poorly served by the unprofessional prosecution of this audit by Council Officers, which has been conducted in less than good faith.

Towong was provided with the same opportunities to provide evidence, comment and engage with this audit as were all the other small councils subject to this audit. All other councils provided timely submissions on our emerging findings, except Towong, despite it being provided with multiple extensions to provide comment and supporting evidence.

Towong provided no written response to our emerging findings for nearly three months. On 16 May 2013, the senior Council Officer responsible for day-to-day engagement with VAGO advised he had 'stopped engaging with the audit'. The council made no attempt to advise VAGO of this decision to 'disengage' or to escalate this significant issue prior to 16 May 2013.

The Towong May 31 response to this audit asserts that the other CEOs involved in the audit share similar views, and suggests that we contact the CEOs of those councils to understand more about their experience. We did. We have spoken directly to each of the four CEOs at the other audited councils who do not share Towong's view, notwithstanding that Towong had circulated its response to these councils.

Value

Towong's letter appears to question whether the expenditure on this audit has yielded a quality outcome. We note that VAGO conducts audits of some 550 entities in the Victorian Public Sector, as well as the local government sector, which have a combined income of around \$71.1 billion. The total cost of VAGO operations represents 0.05 per cent of the income of the entities we audit. More importantly, the Auditor-General's audits provide assurance to Parliament on the accountability and performance of the Victorian Public Sector and make recommendations for further improvement.

This audit includes three recommendations directed at councils relating to sustainability strategies, long-term financial planning and service planning and delivery. We note Towong's comments about 'best value', but remind it that it is a mandatory requirement of the *Local Government Act 1989* for councils to provide services in accordance with Best Value Principles.

This audit identifies better practices which could assist in driving improvements across the sector such as improved long-term financial planning. Towong has not indicated clearly in its response to the audit whether it intends to adopt these recommendations going forward. We suggest that if Towong were to not act on the recommendations this would represent a seriously missed opportunity to improve its sustainability, performance and value to its community.

In our response to Towong's correspondence of 17 May 2013—Appendix A of Towong's letter of 31 May—we indicated that we would like to meet with the council as we have significant concerns with the prosecution of this audit. Towong's Mayor confirmed with us on 5 June 2013 council's invitation to meet with it. We take this proposal to meet seriously and suggest that in any future VAGO audits Towong fully appraises itself of audit methodology and standards, the nature of audits and Towong's responsibilities and obligations under both the *Audit Act 1994* and the *Local Government Act 1989*.

Auditor-General's reports

Reports tabled during 2012–13

Report title	Date tabled
Carer Support Programs (2012–13:1)	August 2012
Investment Attraction (2012–13:2)	August 2012
Fare Evasion on Public Transport (2012–13:3)	August 2012
Programs for Students with Special Learning Needs (2012–13:4)	August 2012
Energy Efficiency in the Health Sector (2012–13:5)	September 2012
Consumer Participation in the Health System (2012–13:6)	October 2012
Managing Major Projects (2012–13:7)	October 2012
Collections Management in Cultural Agencies (2012–13:8)	October 2012
Effectiveness of Compliance Activities: Departments of Primary Industries and Sustainability and Environment (2012–13:9)	October 2012
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2011–12 (2012–13:10)	November 2012
Public Hospitals: Results of the 2011–12 Audits (2012–13:11)	November 2012
Water Entities: Results of the 2011–12 Audits (2012–13:12)	November 2012
Port of Melbourne Channel Deepening Project: Achievement of Objectives (2012–13:13)	November 2012
Portfolio Departments and Associated Entities: Results of the 2011–12 Audits (2012–13:14)	November 2012
Local Government: Results of the 2011–12 Audits (2012–13:15)	November 2012
Prison Capacity Planning (2012–13:16)	November 2012
Student Completion Rates (2012–13:17)	November 2012
Management of the Provincial Victoria Growth Fund (2012–13:18)	December 2012
Learning Technologies in Government Schools (2012–13:19)	December 2012
Addressing Homelessness: Partnerships and Plans (2012–13:20)	February 2013
Implementation of School Infrastructure Programs (2012–13:21)	February 2013
Rating Practices in Local Government (2012–13:22)	February 2013
Management of Unplanned Leave in Emergency Services (2012–13:23)	March 2013
Management of Freshwater Fisheries (2012–13:24)	March 2013

Report title	Date tabled
Managing Traffic Congestion (2012–13:25)	April 2013
Consumer Protection (2012–13:26)	April 2013
Public Asset Valuation (2012–13:27)	April 2013
Planning, Delivery and Benefits Realisation of Major Asset Investment: The Gateway Review Process (2012–13:28)	May 2013
Tertiary Education and Other Entities: Results of the 2012 Audits (2012–13:29)	May 2013
The State of Victoria's Children: Performance Reporting (2012–13:30)	May 2013
Management of Staff Occupational Health and Safety in Schools (2012–13:31)	May 2013
Infection Prevention and Control in Public Hospitals (2012–13:32)	June 2013

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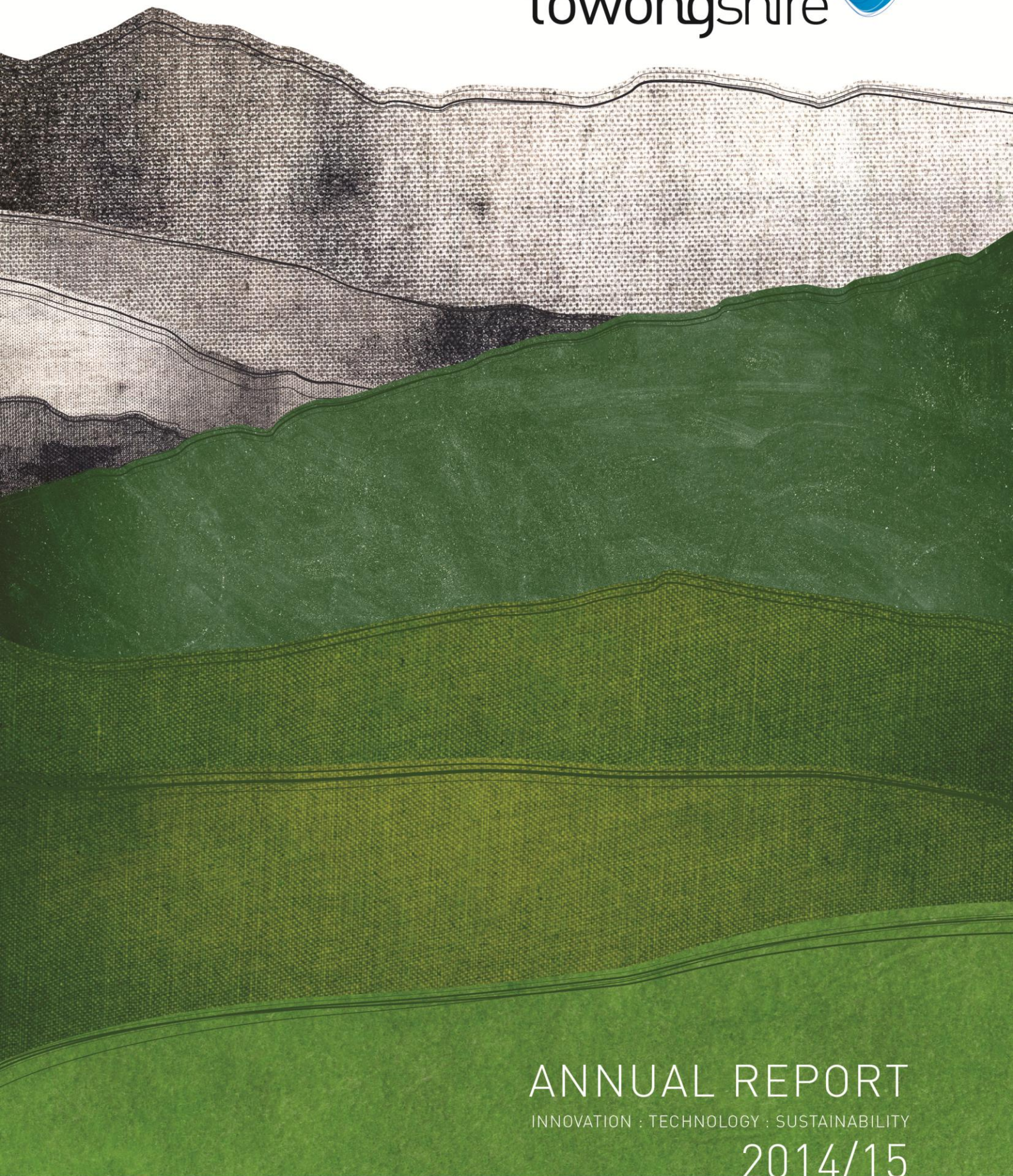
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This information is available in
alternative formats by request

Introduction

Council is committed to transparent reporting and accountability to the community. This Annual Report provides a summary of Council's operations and performance for the 2014/15 financial year. It reports Council's progress towards achieving the objectives, measures and priorities set out in the Council Plan 2013 - 17 as well as how our financial performance compared to the Budget that was adopted for 2014/15.

This report also contains a snapshot of significant events, achievements and changes that occurred throughout the year together with audited Financial Statements and other information as prescribed by the Local Government Act and the Local Government Regulations.

Acknowledgments

Towong Shire Council acknowledges the support of the Commonwealth Government of Australia and the State Government of Victoria.



About Towong Shire

Towong Shire is located in far north-eastern Victoria and possesses some of Australia's most pristine environment. Wilderness areas, lakes, rivers and streams create diverse landscapes that are enjoyed by around 6,000 residents and many more visitors across an area of 6,600 square kilometres.

The economy of the region revolves around a rich agricultural sector, tourism and timber production and processing. Approximately two-thirds of businesses located in the Shire are in the agriculture and forestry industries.

Statistics

Population	5,896 (2011)	Businesses	836
Area	6,635 km ²	Council roads	825 km
Households	2,336	Arterial roads	483 km
Towns and communities	Bellbridge, Berringama, Bethanga, Bullooh, Burrowye, Corryong, Cudgewa, Dartmouth, Eskdale, Granya, Koetong, Lucyvale, Mitta Mitta, Nariel, Old Tallangatta, Talgarno, Tallangatta, Tallangatta Valley, Tintaldra, Towong, Walwa		

About our organisation

Vision

We will be a World Class small Council and Towong Shire will be the ideal place to live.

Mission

To provide leadership and service to the Towong Shire community that adds value and enhances social, economic and environmental wellbeing now and in the future.

Values:

Respect

We will listen and consider other perspectives and treat each other with courtesy

Integrity

We will seek the common good

Pride

We will always take care in what we do

Teamwork

We will help others to achieve by being positive, enthusiastic and confident

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A message from the Mayor and Chief Executive Officer

As leaders of this organisation we are very proud of the results contained in this year's Annual Report. Our achievements are especially pleasing given the continuing challenges to our financial sustainability, and proof that innovation and a positive organisational culture is a winning combination.

Over the last five years Council has implemented an aggressive cost-reduction program and we are recognised by our peers as leaders in efficiency and productivity. However, our very lean approach means that we are vulnerable when financial decisions are made outside of our control, including the Victorian Government's announcement that it would introduce a rate-capping policy. This decision follows the Commonwealth Government's freeze to the indexation of its Financial Assistance Grants, which has already impacted on Council's financial position. Therefore a key focus for Council during this financial year has been advocating Federal and State Government representatives for fair funding outcomes for Council's like ours that have a very limited financial capacity.

With this in mind, we continue to seek ways to further reduce costs while providing best value service delivery. An innovative change to our fleet management practices has seen us replace aged six-cylinder sedans with second-hand small fuel efficient vehicles (e.g. Hyundai i30). We are also keeping vehicles and larger plant items for extended periods until the maintenance costs mean that they are no longer viable to keep. We understand that this is not the 'norm' for public sector fleet management – and this is yet another example of how Council is prepared to do whatever it takes to secure a sustainable future.

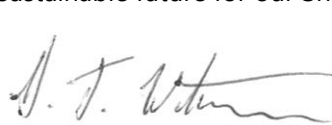
Earlier this year the \$1 million Magorra Park Multi-purpose Community Hub was officially opened. With a \$250,000 contribution from Council, a matching contribution of funds raised entirely by the Mitta Valley community, and \$500,000 from the Victorian Government,

the new facility is already a much valued asset in the Mitta Valley. We were pleased to work closely with the community throughout the planning and construction phase of the project and we appreciate the Victorian Government's support. This project is part of Council's continuing program of capital works for recreation facilities across the Shire and we look forward to implementing further recreation projects in Corryong and Tallangatta Valley over the next financial year.

It was exciting to see construction commence on the \$2.6 million Tallangatta Integrated Community Centre (TICC) this year. One of the major priorities identified in the Tallangatta Tomorrow masterplan, the TICC will fill a critical need for extended childrens services in the town. To implement remaining priorities from the Tallangatta Tomorrow masterplan, Council has developed an application to the National Stronger Regions Fund for 'Destination Tallangatta'; a \$5.3 million project to drive residential, tourism and business growth in the town.

Council's advocacy for improved mobile coverage has yielded results with the announcement that four new mobile towers would be built under the Commonwealth Government's Mobile Blackspots Program. Increased mobile service in these areas will improve safety, enhance our visitor's experience and assist small businesses and farming enterprises.

We are very pleased with the progress we have made over the last 12 months and are confident that the work we are doing now is laying the groundwork for a vibrant and sustainable future for our Shire.



Cr David Wortmann
Mayor



Juliana Phelps
Chief Executive Officer

Calendar 2014/15

July 2014	New Wyeeboo Multi-purpose Community Facility announced The announcement that new facilities would be constructed at the Wyeeboo Recreation Reserve was met with excitement by the Bullioh Football/Netball Club and the Tallangatta Valley Community. The \$745,000 project is being funded by the Victorian Government, Council and the community.
August 2014	Council partners with junior workforce at Bethanga An enthusiastic junior workforce planted 120 trees and shrubs at a tree-planting day in Bethanga; an experience that helped local youngsters to grow their appreciation for the environment. The initiative was part of a three-year program to replace pest plants with appropriate native species.
September 2014	Building bridges with Victorian funding Construction of the new Jarvis Creek bridge in Old Tallangatta commenced; courtesy of funds made available under the Victorian Government's Country Roads and Bridges Program. The new bridge has a longer lifespan, reduced maintenance requirements and an increased load limit.
October 2014	A boost for summer sports in Corryong Council continues its record of achieving Victorian Government funding support for improved recreation facilities with the announcement of two further projects in Corryong: a \$540,000 upgrade of the swimming pool and \$166,000 for new tennis courts.
November 2014	Mayor and Deputy Mayor appointments At Council's November meeting, Cr David Wortmann was elected to serve as Mayor for a 12 month period. Cr Wortmann assumed the role from Cr Mary Fraser who has served eight terms as either Mayor or Shire President. Cr Aaron Scales was appointed Deputy Mayor.
December 2014	Site works commence on \$2.6 million community centre Following the relocation of Lord's Hut and The Hub Cottage Industries, on-ground works commenced on the Tallangatta Integrated Community Centre (TICC). Located in Tallangatta's CBD, the TICC will house a new library, childcare and kindergarten services, a business centre and community space.

Calendar 2014/15

January 2015	Popular family fun nights continue Family fun nights, including a 'dive-in' movie, held at Council's swimming pools in Corryong and Tallangatta continue to be a popular part of Council's youth activities program. These events are supported by the Victorian Government's FReeZA fund.
February 2015	Corryong Saleyards Futures Study gets underway Consultation with local farmers and community stakeholders commenced as part of the Corryong Saleyards Futures Study. The Study recommended that Council take over the operation of the Saleyards following the expiration of the long-term lease arrangements this year.
March 2015	Magorra's million dollar facility opened The \$1 million multi-purpose community building at the Magorra Recreation Reserve was officially opened by Council's Mayor, Cr David Wortmann, at the Mighty Mitta Muster. The modern and accessible building is a credit to the community who raised more than \$250,000 toward the facility.
April 2015	Community consultation, the indexation freeze and rate-capping Discussions opened with the community about how the decisions by the Commonwealth and Victorian Governments could affect the delivery of Council services. Services that have already been reduced as a cost-saving measure include the cleaning of public facilities on weekends and the length of the summer swimming pool season.
May 2015	Kerbside bin collection arrangements Council completed its staged withdrawal from contracted kerbside bin collection arrangements. The two-bin collection service is now delivered Shire-wide using in-house resources with improved cost, environmental and local employment outcomes.
June 2015	Strong community satisfaction results Towong Shire residents reported strong levels of satisfaction with Council according to the results of the State-wide Community Satisfaction Survey. Across all seven of the core measures Council received satisfaction ratings that were higher than the State-wide average results. Council last participated in the State-wide survey in 2011.

Our operations 2014/15

Towong Shire Council is responsible for delivering a broad range of projects and services to meet the unique needs of our communities. Our Council Plan 2013 – 2017 established clear strategic goals for each area of Council's operations and specific strategies to ensure that Council will realise these goals and achieve its vision *to be a World Class small Council*.

Council's operations are divided into six key result areas. A detailed description of Council's performance across each of the six key result areas is contained in the section 'Our performance'.

Key result area	Services
1. Organisational improvement	Council governance, administration and support Customer service Risk management, insurance Human resources, OHS and payroll Accounting, budget, rates and property
2. Community wellbeing	Kindergartens Maternal and child health services Libraries Recreation Youth, family and senior programs
3. Asset management	Infrastructure maintenance Parks and open spaces Construction and development Asset management
4. Land-use planning	Strategic planning Statutory planning
5. Environmental sustainability	Kerbside waste collections and other waste disposal facilities Wastewater and water supply projects Forest industry support Animal control and local laws Building control services Environmental health
6. Economic and tourism development	Business support Agricultural diversity Visitor information centres Event support

Our operations 2014/15

Major achievements

Community Satisfaction Survey results	Towong Shire residents reported strong levels of satisfaction with Council according to the results of the State-wide Community Satisfaction Survey. Across all seven of the core measures, Council received satisfaction ratings that were higher than the State-wide average results. Council last participated in the State-wide survey in 2011.
Planning Permit application timeframes	For the 2014/15 year, Council's planning team processed 96% of planning permit applications well within the 60 day time-frame set by legislation. This positive result continues to build the Council's reputation as one of the fastest planning authorities in Victoria with monthly statistics demonstrating consistently high results for the past three years.
Process and operational efficiencies	Council continues to implement initiatives to reduce costs and improve service delivery. This has become even more important in the context of the Australian Government's freeze to the indexation of its Financial Assistance Grants and the proposed introduction of rate-capping for Victorian Councils. Examples of efficiency gains and/or cost reductions implemented in 2014/15: - 10 hour shifts for summer maintenance grading crews - Changes to our fleet replacement program including purchasing small second-hand vehicles and retaining items for longer periods - Migration to Victorian Government banking services contract - Building on shared services arrangements by establishing an IT support partnership with Alpine Shire Council.

Our operations 2014/15

Major changes

Kerbside waste collection services	In May 2015 Council completed its staged withdrawal from contracted kerbside bin collection arrangements. The service is now delivered Shire-wide using in-house resources. To finalise the transition, Council purchased an additional waste compacting truck (see capital works item above) and increased the number of employees involved in this service delivery area by 1.055 EFT.
Mobile library services	After almost two-years, Riverina Regional Library advised Council early in 2015 that it would withdraw from its arrangement to deliver mobile library services across the Shire effective in June. Cost-effective alternative arrangements for servicing more remote communities around the Shire will be considered during 2015/16.
Towong Alliance position	Council is a member of the Towong Alliance with the three local health services – Tallangatta Health Service, Upper Murray Health and Community Services and Walwa Bush Nursing Centre. In May 2015 it was determined to no longer fund a joint position to facilitate the Alliance partnership.

Our operations 2014/15

Major capital works

Corryong Landfill Development	\$510,796	A new landfill hole was created and leachate dam liner installed. The development works will ensure that the Corryong Landfill can maintain its EPA approval. The Landfill has the capacity to receive waste collected from most areas in the Towong Shire in coming decades.
Our Bellbridge – masterplan works	\$573,095	Works commenced on implementing key priorities from the Our Bellbridge masterplan, including enhancements to foreshore areas, improved playground and recreation facilities and visitor infrastructure. Works will continue in 2015/16.
Road infrastructure – major patching program	\$539,733	The major patching program was carried out in November and December 2014. Sections of Briggs Gap Road, Bunroy Road, Hindleton Road, Jardine Street, Lees Crescent, Mongans Lane, Mt Alfred Road, Sullivan Street, Thowgla Road, Tintaldra Back Road, Towong Hill Road, and Upper Murray Road were stabilised in this year's program.
Road infrastructure – reseal program	\$722,900	Council's annual reseal program was carried out in February and March 2015. The program covered areas in Bellbridge, Bullooh, Corryong, Cudgewa, Tallangatta and a section of Yabba Road.
Road infrastructure – Kurrajong Gap Road	\$418,989	Kurrajong Gap Road received a major upgrade to improve its safety courtesy of the Australian Government's Nation Building Blackspot Program. The project was undertaken across the 2013/14 and 2014/15 financial years.
Waste compacting truck	\$325,606	Council took delivery of a new waste compacting truck in March 2015. This addition to our fleet of waste collection trucks was needed to finalise Council's withdrawal from contracted kerbside collection arrangements.

Note: Further information about capital works expenditure for 2014/15 has been included in the financial summary on page 17 of this report.

Our sustainability challenge

Why we are vulnerable

Like other small Councils across rural Victoria, Towong Shire's large geographic area and small population presents a significant challenge – to adequately fund the maintenance and renewal of community assets and deliver responsive services that meet the needs of the community. A static population, vast distances between communities and an economy that largely revolves around climatic conditions are further factors which have an impact on our financial capacity.

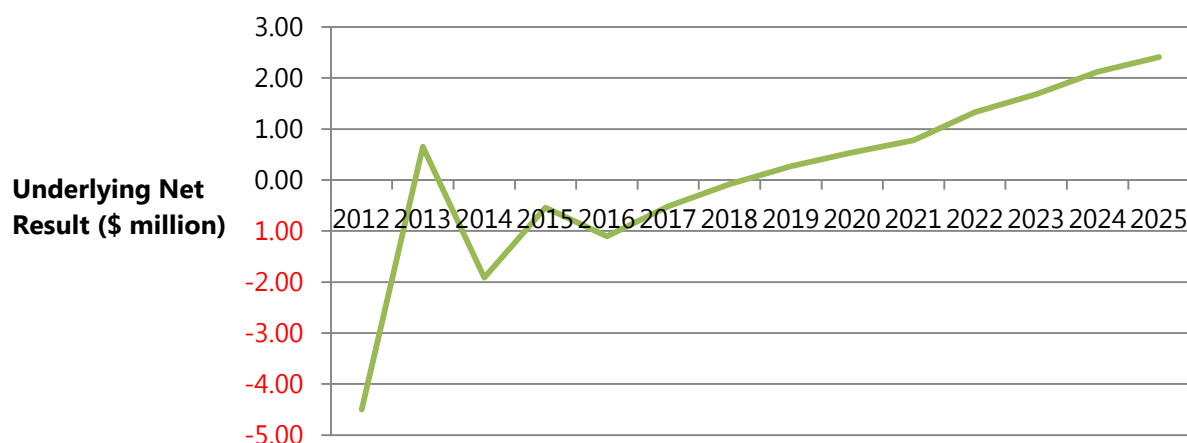
Decisive action

While our organisation has long recognised the risks to our long-term sustainability, in 2009 Council received the results of the 'Whelan Report' which presented a very low sustainability rating for our organisation. How did we respond?

The development of a robust long-term financial plan gave us a clear picture of our financial future. In the medium term, Council is aiming towards a 'break-even' underlying net result (ie. this means our operating expenditure equals operating income). We introduced a systematic and aggressive cost reduction program and incorporated these savings into the long-term financial plan. On the basis of:

- maintaining existing levels of service and the current approach to asset renewal,
- continuing to implement our cost reduction program,
- adopt annual rates increases of between 4% and 6%, and
- an assumption that the Financial Assistance Grants would continue to increase at a level of 3% per annum,

our organisation could look forward to a 'break-even' financial result in 2017/18 as reported in the following chart.



With a focus on maximising external funding for community projects, and a continued commitment to reducing costs and achieving process efficiencies, Council felt confident that it was facing a sustainable future. However, since May 2014 a number of decisions made outside of Council's control have negatively impacted our long-term financial outlook.

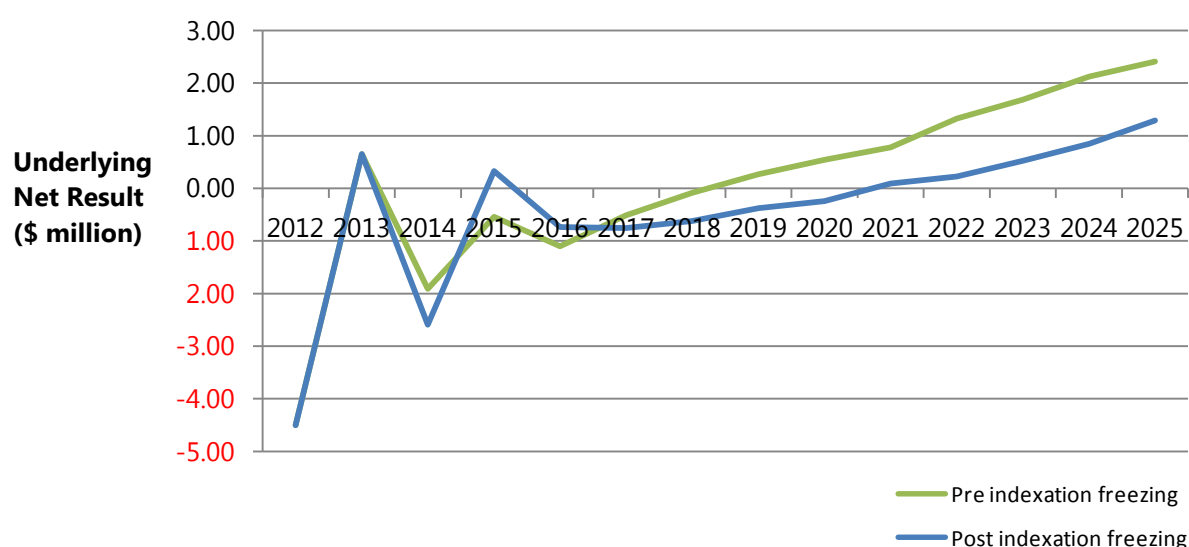
Our sustainability challenge

Cost reduction program 2010-2014

- Water supply and usage (savings of \$20,000 pa)	- In-house garbage collection services (savings of \$70,000 pa)	- Shared services for property and rates (reduced cost of service per property by 15%)
- Motor vehicle policy changes (savings of \$130,000 pa)	- Organisational structure changes	- Rationalisation of overheads including printing, subscriptions and advertising
- Banking services (savings of \$16,000 pa)	(savings of \$250,000 pa)	

Federal funding freeze

The announcement in May 2014 that the Federal Government would freeze the indexation of its Financial Assistance Grants to local government significantly impacted Council's already lean financial situation. This decision has resulted in a \$658,000 decrease to Council's projected income over the 2014/15, 2015/16 and 2016/17 financial years.



To put this into perspective, a 1% increase to Council's rates income generates an additional \$63,000 (using 2015/16 budget figures). This means that our ratepayers would be subjected to significant rate increases to offset this income loss.

The freeze compounds the issue of road funding allocation for councils. The funding is allocated to Councils based on their proportionate share of the State's local roads. Whilst the local road network across the State is growing, our Shire's road network remains static. This has resulted in less funds for our Council to maintain the same network of roads.

To partially offset the loss of income from the funding freeze Council has introduced the following measures:

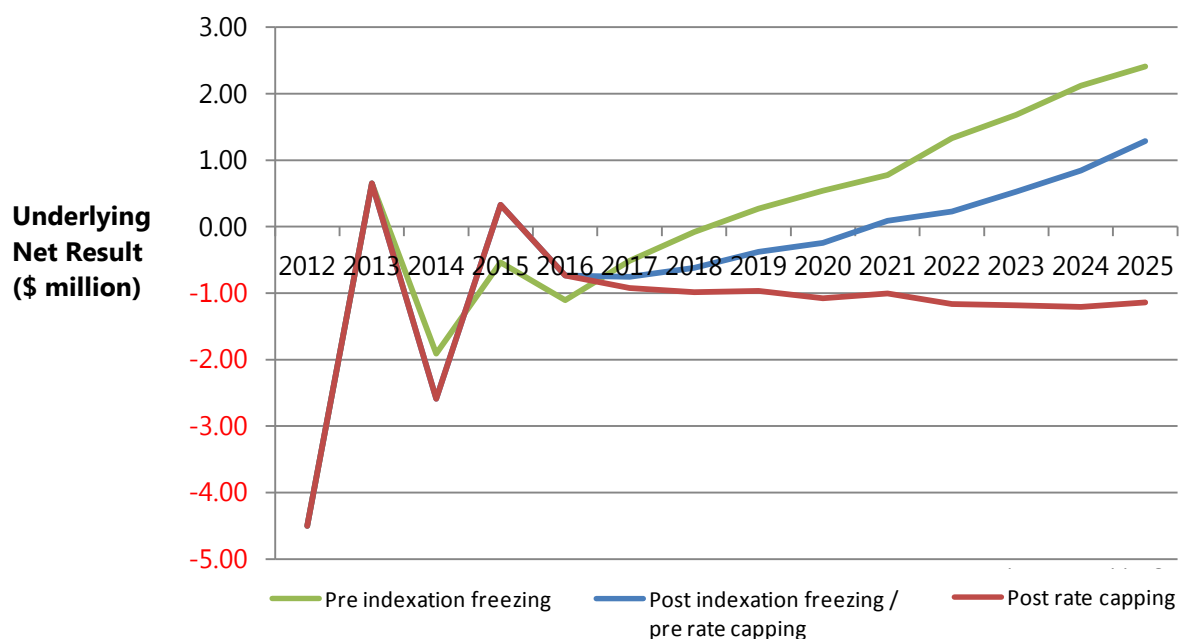
- reduced the length of the summer swimming pool season
- reduced its casual roads maintenance workforce
- ceased mobile library services
- ceased the funded position for the Towong Alliance partnership, and
- reduced the opening hours of the Corryong Office/Library.

Our sustainability challenge

Victorian rate-capping policy

Adding further strain to Council's long-term financial outlook is the Victorian Government's decision to implement a rate-capping policy from the 2016/17 financial year. Unlike larger councils who can generate income through parking fines, development contributions and levies, councils like ours rely on income from rates and grants to deliver core services.

Indicative caps have been released and Council has used these in the model below.



Council supports the principle of keeping rate increases to a minimum. We do not believe that ratepayers should be subject to ongoing high rate increases. However without additional external funding we are extremely limited in terms of the income we have access to and accordingly the services and infrastructure we can provide for our communities.

What are we doing about it?

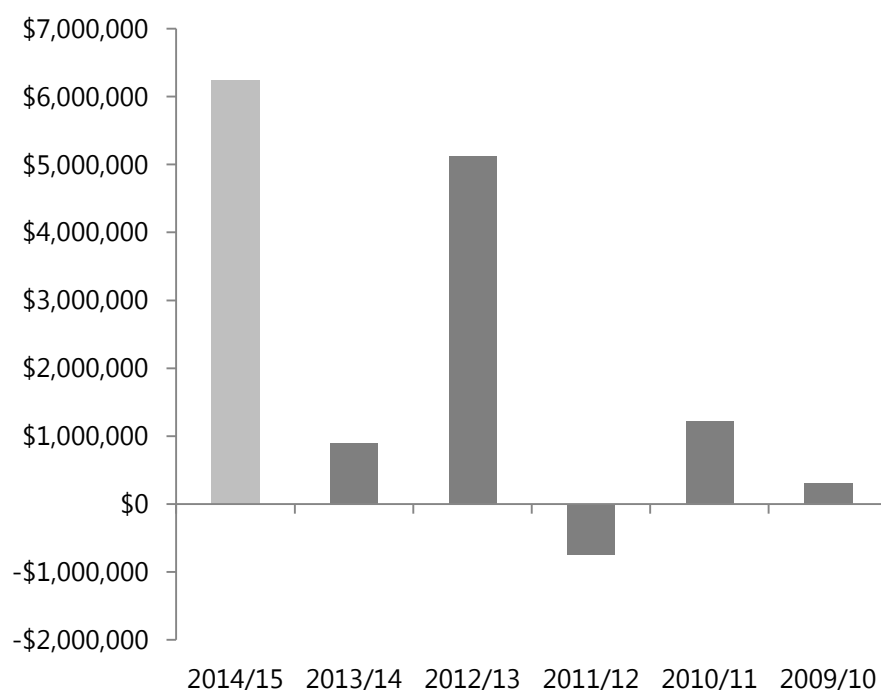
Council is very concerned about the impact of the decisions by the Commonwealth and Victorian Governments. Because we have pursued an aggressive cost reduction program over recent years we are concerned that we may have to accept an increasing deficit to our underlying result or reduce the level of services we provide to our communities. We are actively addressing our concerns by:

1. Engaging with Commonwealth and Victorian Government representatives through meetings, formal submissions and collaborative campaigns;
2. Exploring further opportunities to reduce the cost of doing business, especially through shared service delivery arrangements; and
3. Consulting with our communities about their expectations for the delivery of Council services and on their acceptance of a rate increase above the cap to maintain current services.

Financial summary 2014/15

Operating result

The result shown in the Comprehensive Income Statement for the period was a surplus of \$6,242,000. A comparison of Council's Operating Result from 2009/10 to 2014/15 is provided in the graph below.



The current year's surplus is the difference between Council's income and expenses. Council's income includes all revenue due to the Council, such as rates, fees, grants, private works and interest. Expenses include all costs associated with running Council operations and maintaining assets. It also includes expenditure constructing or redeveloping community buildings located on non-Council owned land, where control of the building returns to the landowner on completion of the project. It does not include expenses of a capital nature, such as upgrading roads or purchasing equipment or developing buildings on Council owned land.

Grant income

Grant income increased from the prior year by \$3.6 million. The main contributor is the timing of payments from the Victorian Grants Commission (VGC). In June 2015, Council was pre-paid \$1.8 million from the VGC, which meant the 2014/15 grants received were \$1.8 million more than anticipated.

Financial summary 2014/15

Expenses

Expenses have decreased from the prior year by \$1.475 million. Expenditure in the 2013/14 year was greater than usual as it included construction of a number of community facilities, such as the Tallangatta Multi-sport Precinct, that were on land not controlled by Council. When this occurs the costs of construction are expensed in the year incurred.

Capital Expenditure

Capital works budgeted for in the 2014/15 Budget included projects that would be completed and capitalised in future years. In some instances Council commitment to the full project is required before construction contracts can be awarded, for example the construction of the Tallangatta Integrated Community Centre. Some projects have been provided for by Council with a view to implementing in future financial years. This enables appropriate planning to be undertaken to prepare the organisation for significant changes such as introducing a new finance system. These multi-year projects are considered as work in progress at 30 June 2015 (refer Note 20 to the Financial Statements).

In addition the delivery of eleven capital projects has been postponed pending the outcomes of government funding applications. If successful in securing funding these projects will form part of a greater capital works project. If unsuccessful these projects will proceed as originally planned.

	Actual 2015 # of projects	Budget 2015 # of projects	Delivered
Capital works - completed 2014/15	35	36	97%
Capital works - postponed pending additional funding	-	11	0%
Capital works - multi year projects	-	5	0%
Capital works - future year delivery	-	2	0%
	35	54	

Councillors

The Council is elected to leader our municipality. Towong Shire is represented by five Councillors who were elected by the local community. Towong Shire is unsubdivided (that is, there are no wards) and Councillors advocate for the interests of all residents across the Shire.

Councillors are responsible for setting the strategic direction of the Shire, policy development, identifying service standards and monitoring the performance of the organisation.

Cr David Wortmann - Mayor

First elected 29 November 2008

Cr David Wortmann has lived in Granya all his life and is married and has two children. He and his wife operate a school bus service. He also runs a beef and sheep farm. Cr Wortmann was elected Mayor in November 2014.

Cr Aaron Scales – Deputy Mayor

First elected 27 October 2012

Cr Aaron Scales was raised on his family's farm at Dartmouth and has settled in the town with his wife Naomi and two children. Cr Scales studied in Law, Accounting and Hospitality/Tourism and is currently the owner and manager of a hotel. Cr Scales serves as Deputy Mayor.

Cr Mary Fraser OAM

First elected 15 March 1997

Cr Mary Fraser OAM has lived in Towong Shire all her life and resides in Tallangatta Valley on a farm with her husband and family. Cr Fraser OAM has served eight terms as Mayor/Shire President with Towong Shire Council and the former Shire of Tallangatta.

Cr Debi Gadd

First elected 29 November 2008

Cr Gadd has lived in the Towong Shire at Mount Alfred for over 30 years where she and her husband operate a mixed beef and sheep property. Cr Gadd's career background is in nursing and management. She is a member of the Australian Institute of Company Directors.

Cr Peter Joyce

First elected 15 March 2003

Cr Joyce has resided in the Shire for over 30 years and with his wife Fairlie have five children. Cr Joyce has had a varied career as a Stock and Station agent, Police Officer, Greengrocer, operator of a Café/Restaurant and Funeral Director.

All Councillors were elected (or re-elected) to Council at elections held on Saturday 27 October 2012. They were elected for a four-year term and are due to retire in October 2016.

Management team

The Chief Executive Officer is appointed by Council to oversee the operations of the organisation. The Chief Executive Officer, together with a team of senior managers, ensure that the priorities identified in the Council Plan are achieved and that day-to-day responsibilities of the Council are effectively undertaken.

Juliana Phelps

Chief Executive Officer

Juliana commenced with Council in April 1999 and was appointed Chief Executive Officer in May 2009. Prior to joining Council, Juliana held a senior management position in the manufacturing sector. She has also had experience auditing private and public organisations. Juliana is a Chartered Accountant with a Bachelor of Business Degree in Accounting and Economics. During 2003 she completed her Masters of Business Administration through Charles Sturt University.

Jo Shannon

Director Community and Corporate Services

Jo previously worked with the Falls Creek Alpine Resort Management Board, a Victorian public sector body. She managed a range of corporate services functions, most recently as the Corporate Development and Governance Manager. She has a Bachelor of Business (Accounting) and is a member of CPA Australia and the Australian Institute of Company Directors.

Jamie Heritage

Director Technical Services

Jamie commenced with Towong Shire Council in May 2011. Jamie came to Council from Indigo Shire Council where he held the position of Capital Works Manager and later acted as the General Manager for Major Projects and Programs. Prior to this he worked in a number of roles in private industry and Local Government. He has a broad understanding of roads and drainage together with design and development expertise.

The organisation structure

Chief Executive Officer

Juliana Phelps

Executive Services

Executive and Councillor support
Customer service

Technical Services Director – Jamie Heritage	
Works Infrastructure maintenance Parks and open spaces Projects Construction and development Assets Asset management Capital projects Emergency Management	Regulatory control Animal control and local laws Building services Environmental health Environment Waste management Wastewater and water supply projects Forest industry support
Community and Corporate Services Director – Jo Shannon	
Community Kindergartens Maternal and child health Recreation Youth, family and senior programs Finance Accounting Budget Rates and property Payroll	Corporate Communications Risk management and insurance Governance Human resources
Planning Manager – Simon Hollis	
Strategic and statutory land-use planning	
Economic and Tourism Development Manager – Lauren Elvin	
Business support Agricultural diversity Visitor information centres Event support	

Our people

Of all Council's assets, it is our human capital that is of most value. As a small Council delivering a wide range of services, our people often have opportunities to up-skill, multi-task and provide extra value to our communities.

Workforce statistics

A summary of the number of full time equivalent (FTE) council staff, as at 30 June 2015, by organisational structure, employment type and gender is set out below.

	FT Female	FT Male	PT Female	PT Male	Casual Female	Casual Male	Total FTE
Executive services	2	1	1.9		0.3		5.2
Technical services	1	28	1.4	1.6	0.4	0.5	32.9
Community and corporate services	4	3	9.7		0.4		17.1
Planning		2					2
Economic and tourism development	1		1.1				2.1
	8	34	14.1	1.6	1.1	0.5	59.3

* (FT = full time, PT = part time)

A summary of the number of full time equivalent (FTE) council staff, as at 30 June 2015, by employment classification and gender is set out below.

Employment classification	Female FTE	Male FTE	Total FTE
Band 1	0.6	0.0	0.6
Band 2	0.6	0.5	1.1
Band 3	0.5	15.0	15.5
Band 4	4.9	7.2	12.1
Band 5	2.2	4.0	6.2
Band 6	3.0	2.5	5.5
Band 7	2.5	1.0	3.5
Band 8	0.0	1.0	1.0
Band not applicable	8.8	5.0	13.8
	23.1	36.2	59.3

Our people

Equal Employment Opportunity

Council has a Discrimination, Workplace and Sexual Harassment, Equal Employment Opportunity and Diversity policy that is reviewed and adopted each year.

Council's policy is that discrimination relating to sex, marital status, parenthood, race, colour, national origin, physical or mental impairment, religious or political affiliation will not be tolerated. Selection of individuals for employment is on the basis of personal merit according to the skills, qualifications and knowledge relevant to the position involved.

The objectives of this policy are:

- Create a working environment which is free from discrimination and harassment and where all members of staff are treated with dignity, courtesy and respect;
- Implement training and awareness raising strategies to ensure that all employees know their rights and responsibilities;
- Provide an effective procedure for complaints based on the principles of natural justice;
- Treat all complaints in a sensitive, fair, timely and confidential manner;
- Guarantee protection from any victimisation or reprisals;
- Encourage the reporting of behaviour which breaches the discrimination and harassment
- Promote appropriate standards of conduct at all times.

Actions taken to implement Council's equal employment opportunity policy include:

- Awareness training of equal employment opportunity principles at staff meetings
- Recruitment processes support the engagement of staff based on merit
- Flexible working arrangements are supported to enable all employees to balance work and family commitments / responsibilities
- Expectations regarding employee conduct discussed as part of employee induction and thereafter on a quarterly basis

Council's policy reflects our desire to enjoy a workplace free of discrimination where each person has the opportunity to progress to the extent of their abilities.

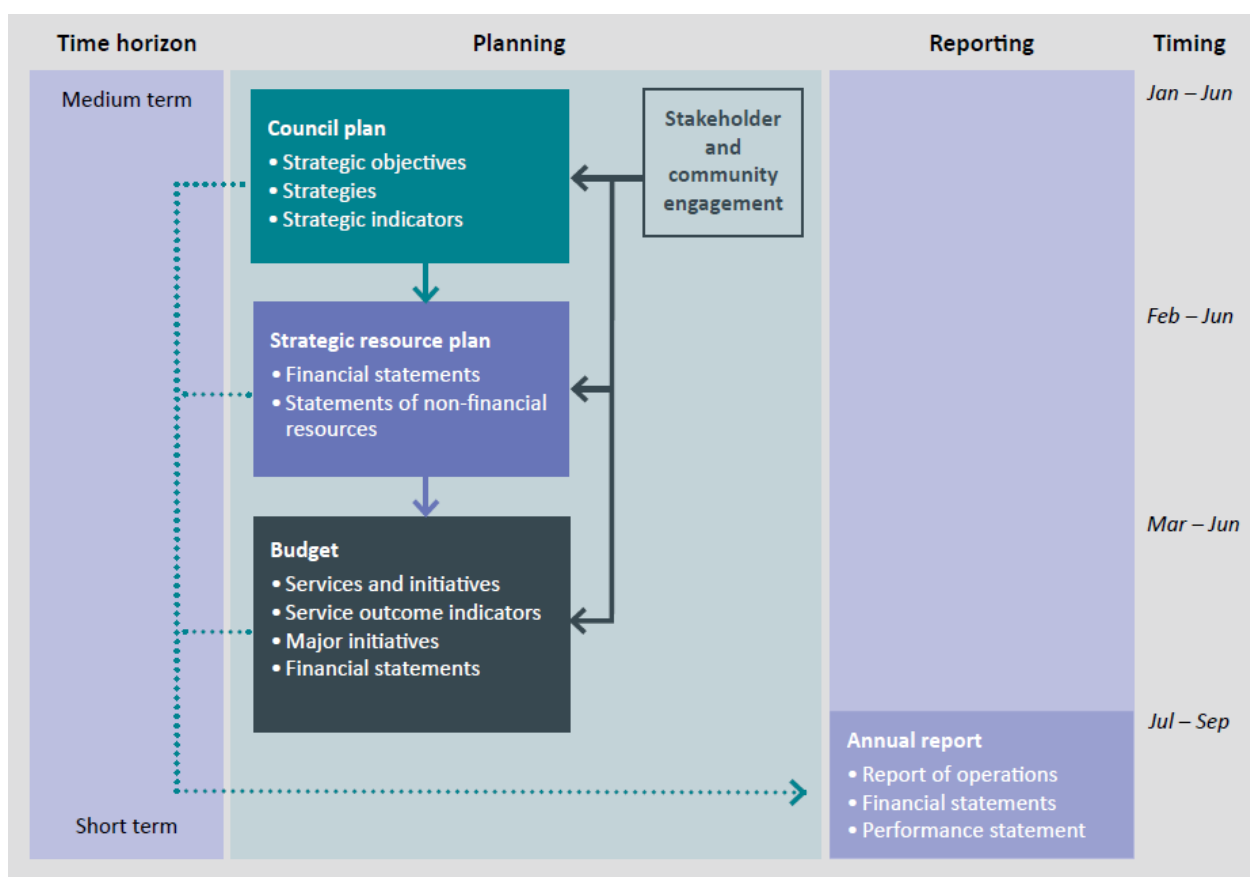
Our performance

Planning and accountability framework

The Planning and Accountability Framework is found in Part 6 of the Act. The Act requires councils to prepare the following planning and reporting documents:

- A Council Plan within six months after each general election or by 30 June, whichever is later
- A Strategic Resource Plan for a period of at least four years and include this in the Council Plan
- A Budget for each financial year
- An Annual Report in respect of each financial year.

The following diagram shows the relationships between the key planning and reporting documents that make up the planning and accountability framework for local government. It also shows that there are opportunities for community and stakeholder input and feedback at each stage of the planning and reporting cycle.



Our performance

Council Plan

The Council Plan 2013-2017 includes strategic objectives, strategies for achieving these objectives over the four-year period, strategic indicators and a strategic resource plan.

Our Council Plan presents Council's objectives across six key result areas as follows:

Key result area	Strategic objective
1. Organisational improvement	Embed organisational excellence into our governance and management processes in order to deliver the best possible outcomes for our residents and ratepayers.
2. Community wellbeing	Assist Towong Shire residents in the attainment of a high level of health and safety, resilience and connectedness to their communities.
3. Asset management	Maintain and improve our Shire's infrastructure to meet agreed levels of service.
4. Land-use planning	Develop a strategic and sustainable long-term land-use direction for the Shire based on an integrated approach to the natural and built environment.
5. Environmental sustainability	Integrate sustainable natural resource management into all of our business activities.
6. Economic and tourism development	Expand long-term employment and economic opportunities whilst continuing to maintain and promote our natural environment and the lifestyle our municipality offers.

Reporting our performance

Council's performance for the 2014/15 year has been reported against the strategic objectives, strategies and indicators set out in our Council Plan 2013-2017.

This report measures Council's progress in achieving its objectives as follows:

- Results achieved in relation to the strategic indicators in the Council Plan
- Progress in relation to the major initiatives identified in the Budget
- Services funded in the budget and the persons or sections of the community who are provided those services
- Results against the prescribed service performance indicators and measures.

Our performance

1. Organisational improvement

Our teams have continued to deliver quality services while making excellent progress to implement Council Plan priorities over the 2014/15 year.

Council has successfully delivered a second year of shared property and rates services with Indigo Shire Council. Part of our ongoing partnership, this shared services approach continues to achieve results through economies of scale and process efficiencies and reduces the operational risk exposure for both councils. Another shared service arrangement for information technology support services was established with Alpine Shire Council during the year.

We continue to look for opportunities to reduce costs wherever possible, especially in light of our current financial environment. This year we have achieved cost reductions across our fleet management practices, fuel purchasing, valuation arrangements and banking services. We take action to save even relatively small amounts because the cumulative affect makes a difference to our long-term financial outlook and will ease the burden on ratepayers into the future. At the same time, we take every opportunity to present our sustainability challenges to representatives from the Commonwealth and State Governments.

Particularly pleasing were the results from the State-wide Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning. Across all seven of the core measures covered by the survey, Council received satisfaction ratings that were higher than the State-wide average results. However, Council has expressed its concern that the cost associated with participation in the survey is significant for a small Council facing severe sustainability issues (\$11,500 in 2015).

New processes were introduced to collect the data required for Council to comply with the new Local Government Performance Reporting Framework. The new requirements have resulted in the diversion of Council's resources from other priorities.

Along with traditional print media, volunteer newsletters and community radio, the increased use of online tools like social media, web-based surveys, emailed newsletters and our website has helped us to engage effectively with our communities throughout the year and streamlined project-specific communications and data collection.

The Audit Committee continues to play a key role to ensure Council meets its finance and reporting obligations and appropriately manages risk. We wish to thank outgoing independent committee member, Mr Matthew Fagence, for his years of service on the committee, and welcome two new independent committee members, Ms Kerrie Clarke and Mr Rob Lees to the committee. Ms Narelle Klein has taken on the role of Chair.

Highlights	Challenges
- Strong community satisfaction survey results, including a rating of 64 for overall satisfaction (State average, 60) and a rating of 58 for satisfaction with the overall direction of Council (State average, 53) - Continued shared services arrangements for building control, environmental health and rates and property services	- Planning for a sustainable future in the context of the freeze to the Commonwealth Government's Financial Assistance Grants and the proposed introduction of rate-capping across Victorian councils.

Our performance

1. Organisational improvement

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
1.1	Redevelop the Council website - <i>Redeveloped website completed and in operation by Dec 2013</i>	Complete	Completed in prior year.
1.2	Commercialise Insight 360 - <i>Business plan completed by Dec 2013</i> - <i>First commercial customer secured by Sept 2014</i>	Complete	Completed in prior year.
1.3	Progressively update all Council collateral with our new brand - <i>All Council collateral updated by December 2015</i>	In progress	Corporate print and electronic collateral updated. Signage project will be completed in 2015/16 year.
1.4	Develop a succession plan for key positions within the organisation - <i>Succession plan developed by December 2015</i>	In progress	Scheduled for completion late 2015.
1.5	Improve communication with residents and ratepayers across the Shire and implement feedback mechanisms to assess our engagement with them - <i>Targeted satisfaction survey(s) conducted each year and achievement of improved survey results over the life of the Council Plan</i>	Ongoing	Broad range of communication tools used during 2014/15 including: - Social media - Community newspapers, newsletters and radio, - Project and service-specific newsletters and flyers - Project specific surveys We achieved a score of 59 for 'Community Consultation and Engagement' in the 2015 State-wide Community Satisfaction Survey (small rural council average 56; State-wide average 56).
1.6	Continue to improve our Long Term Financial Plan - <i>Plan reviewed and adopted annually</i>	Ongoing	Updated to reflect current financial environment as part of the 2015/16 Budget.

Strategy and Strategic Indicator		Status	Comments
1.7	Implement business improvements in the areas of OHS, risk management, swimming pools and landfills as identified by previous internal audits and engage internal auditors to carry out specific risk-based audits in areas (as determined) upon completion of above - <i>Improvements implemented in the following areas over the life of the Council Plan: OHS, Risk management, Swimming pools, Landfills</i>	Ongoing	An OHS review was conducted and an Action Plan developed and scheduled for implementation in 2015/16. Audits of swimming pools undertaken by Life Saving Victoria in December 2014 with a plan to implement recommendations over the next two years. A monitoring program, in accordance with EPA guidelines, has been implemented for closed landfills.
1.8	Improve service delivery and reduce costs through process improvement and shared services - <i>Two Council processes reviewed annually and improvement opportunities implemented</i>	Ongoing	Achieved cost reductions across our fleet management practices, fuel purchasing, valuation arrangements and banking services. Shared services arrangements (building, environmental health, rates and property) with Indigo Shire Council continued and new IT support partnership with Alpine Shire Council commenced.
1.9	Investigate new/additional funding streams with a view to reducing reliance on rate revenue (in conjunction with other small Councils) - <i>Continued participation in 'Whelan' work and continued lobbying of the State and Federal Governments</i> - <i>Report(s) presented to Council on progress in this area over the life of the Council Plan</i>	Ongoing	See 'Our Sustainability Challenge' on page 13 of this report.
1.10	Deploy IT infrastructure that enables Council to move to virtualised, thin and cloud based solutions - <i>Virtualised and thin infrastructure delivered during the life of the Council Plan</i>	In progress	New server hardware installed, virtual desktops for remote locations deployed and VOIP implemented at the Corryong Office. VOIP rollout at Tallangatta Office scheduled 2015/16.
1.11	Deploy software that leverages improved IT infrastructure with a particular focus on the areas of shared services, record management and business process workflows - <i>Solutions delivered that drive business productivity during the life of the Council Plan</i>	In progress	Established shared IT helpdesk with Alpine Shire Council, implemented new valuation software, harmonized our GIS software with shared service partners to enable more efficient support and commenced trial of software for iPads.

Our performance

1. Organisational improvement

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Councillors, Chief Executive and Executive Team	This area of governance includes the Mayor, Councillors, Chief Executive Officer and Senior Management Group and associated support which cannot be easily attributed to the direct service provision areas.
Executive Services	This service provides Council with operational organisational support to Council, CEO and the Senior Management Group and acts as the main customer interface with the community. The service also assists with delivering on human resource, communication and governance needs of the Council.
Corporate Services	This service provides financial and corporate based services to internal and external customers, including the management of Council's finances, payment of salaries and wages to employees, procurement and contracting of services, raising and collection of rates and charges, managing Council's records and delivering on Council's occupational health and safety responsibilities. This service also maintains reliable and cost effective communications and computing systems, facilities and infrastructure to support Council staff.

Our performance

1. Organisational Improvement

Service Performance Indicators

The following table lists the prescribed indicators of service performance for the services provided by Council, the prescribed measures relating to the indicators, and Council's results for the 2014/15 year.

Service indicator	Measure	Result
Governance		
<u>Transparency</u> Council decisions made at meetings closed to the public	[Number of Council resolutions made at ordinary or special meetings of Council, or at meetings of a special committee consisting only of Councillors, closed to the public / Number of Council resolutions made at ordinary or special meetings of Council or at meetings of a special committee consisting only of Councillors] x100	6.41%
<u>Consultation and engagement</u> Satisfaction with community consultation and engagement	[Community satisfaction rating out of 100 with how Council has performed on community consultation and engagement] <i>This result was obtained from the 2015 Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning.</i>	59
<u>Attendance</u> Councillor attendance at council meetings	[The sum of the number of Councillors who attended each ordinary and special Council meeting / (Number of ordinary and special Council meetings) × (Number of Councillors elected at the last Council general election)] x100	94.29
<u>Service cost</u> Cost of governance	[Direct cost of the governance service / Number of Councillors elected at the last Council general election]	\$36,800
<u>Satisfaction</u> Satisfaction with Council decisions	[Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community] <i>This result was obtained from the 2015 Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning.</i>	60

Our performance

2. Community wellbeing

The Community wellbeing key result area draws a diverse range of services together to achieve Council's goal for the wellbeing of Towong Shire communities. From emergency management planning, to early childhood services, to pursuing funding for future community infrastructure projects and many more initiatives and services, our teams had a productive year progressing Council Plan priorities throughout 2014/15.

Council continues to focus on ensuring that its early childhood services are responsive to the needs of families across the Shire. An upgrade to the Berringa Kindergarten was completed earlier this year and plans were confirmed for renovations at the Corryong Kindergarten. The construction of the new Tallangatta Integrated Community Centre commenced and the Tallangatta Kindergarten will relocate to the new facility from 2016. With all this activity underway, Council commissioned a Childrens Services Review to examine appropriate models of service for all early childhood services into the future. The Childrens Services Review will be finalised in 2015/16.

The partnership with Riverina Regional Library to deliver mobile library services across the Shire came to an end in June 2015. Council will work with communities to investigate cost-effective alternatives to service more remote communities in 2016. In the meantime, our static libraries in Corryong and Tallangatta continue to service a vibrant membership base. Our teams have commenced planning for the establishment of a brand new library within the Tallangatta Integrated Community Centre in 2016.

While the establishment of the Tallangatta Integrated Community Centre is one of Tallangatta Tomorrow's key priorities, Council continues to pursue opportunities to implement other recommendations from Tallangatta Tomorrow. *'Destination Tallangatta'*, an infrastructure project to promote residential, tourism and business development in the town, has been put forward to the National Stronger Regions Fund.

We were pleased to be advised of several successful funding applications during the 2014/15 year, including two recreation projects in the Upper Murray. The Victorian Government has allocated \$200,000 to the upgrade of the Corryong Swimming Pool as well as \$100,000 towards upgraded Tennis Courts at Corryong with these projects to get underway later in 2015/16. With the Upper Murray 2030 Vision Plan project progressing substantially, we anticipate further exciting community projects in Corryong and surrounds in coming years.

Council continues to participate in the partnership between Council and local health services, known as the Towong Alliance. Initiatives from the Towong Shire Healthy Communities Plan 2013 – 2017 continue to be implemented by Alliance partners to improve the health and wellbeing outcomes of Towong Shire communities.

Highlights	Challenges
- Official opening of the \$1 million Magorra Park Multi-purpose Community Hub - Construction commenced on \$2.6 million Tallangatta Integrated Community Centre - Delivery of successful youth event program, Seniors Festival event and community access event, 'Speak Out Loud'	- Reduction in kinder enrolments for 2015 year - Recruitment of staff for Corryong Kindergarten - Cessation of mobile library service arrangement

Our performance

2. Community wellbeing

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
2.1	Develop a Business Plan for the Corryong Arts Space at Davis Cottage - <i>Business plan developed by Dec 2013</i>	Complete	Incorporated into the Upper Murray 2030 Vision Plan.
2.2	Support Community responses to natural disasters - <i>Resources developed by June 2014</i>	Complete	Completed in prior year.
2.3	Successfully deliver the Tallangatta Multi-sport Project - <i>Project successfully completed by June 2014</i>	Complete	Completed in prior year.
2.4	Successfully deliver the Cudgewa Multi-purpose Centre Project - <i>Project successfully completed by June 2014</i>	Complete	Completed in prior year.
2.5	Successfully deliver the Walwa Community Recovery Centre Project - <i>Project successfully completed by June 2014</i>	Complete	Completed in prior year.
2.6	Successfully deliver the Tallangatta Eco-education and Integrated Services Hub Project - <i>Project successfully completed by January 2015</i>	In progress	Construction underway. Revised completion date to December 2015.
2.7	Complete the Tallangatta Caravan Park Planning Study and implement the adopted recommendations from the plan - <i>Planning Study completed by Sept 2013</i> - <i>Adopted recommendations from the Planning Study implemented over the life of the Council Plan</i>	In progress	Planning Study completed. Recommendations from the Planning Study incorporated into 'Destination Tallangatta' project funding application to the National Stronger Regions Fund.

Strategy and Strategic Indicator		Status	Comments
2.8	Seek funding for the Corryong Tennis Court project - <i>Funding application submitted by Dec 2014</i>	Complete	Funding of \$100,000 from the Victorian Government announced in October 2014.
2.9	Conduct a review of public pools with a view to lowering operating costs and increasing safety and participation - <i>Review completed and presented to Council by June 2015</i>	In progress	A number of initiatives to lower costs and improve safety were trialled in the 2014/15 season. Life Saving Victoria audits of swimming pools were undertaken in December 2014 with a plan to implement recommendations under development.
2.10	Successfully deliver the Magorra Park Multi-purpose Centre Project - <i>Project successfully completed by Dec 2015</i>	Complete	Building completed and officially opened in March 2015.
2.11	Seek funding for the Corryong Aquatic Training Centre Project - <i>Funding application submitted by Dec 2014</i>	In progress	Funding of \$200,000 confirmed with additional funding currently being sought to complete the entire project.
2.12	Auspice and support the successful delivery of the Mitta Valley 'Our Valley, Our Future' - <i>Project successfully completed by Dec 2015</i>	In progress	Project currently being delivered in partnership with the community and the Gardiner Foundation.
2.13	Auspice and support the successful delivery of the Upper Murray 2030 Vision Plan - <i>Project successfully completed by Dec 2014 and commitment by Council to pursue key priority(s) from the Plan</i>	In progress	Project currently underway with draft concept plans developed. Project has been extended to 30 September 2015.
2.14	Continue to pursue extended childcare services across the Shire - <i>Extended childcare services delivered during the life of the Council Plan</i>	Ongoing	A review of Childrens Services commenced to explore opportunities and appropriate service models. The Review is scheduled for adoption in 2015/16. Renovations were completed at Berringa Kindergarten to allow for flexible service delivery options in the future.

Strategy and Strategic Indicator		Status	Comments
2.15	Continue to implement the key priorities from 'Tallangatta Tomorrow' including residential development - <i>Tallangatta Multi-sport Project delivered by June 2014</i> - <i>Caravan Park Planning Study implemented by Dec 2014</i> - <i>Integrated Community Hub delivered by Jan 2015</i> - <i>Adopted recommendations from the Report to Council on Horse Paddocks by June 2015</i>	Ongoing	Refer to strategies 2.3, 2.6 and 2.7 above. An application to the National Stronger Regions Fund for the 'Destination Tallangatta' infrastructure project has been developed. The outcome of the application is expected late in 2015.
2.16	Seek funding for the delivery of key priority(s) from the 'Our Bellbridge' project - <i>Funding applications submitted for at least one project by Dec 2014</i>	Ongoing	Foreshore and park infrastructure improvements were implemented courtesy of funds from the Local Government Infrastructure Program. Funding opportunities are being sought for further 'Our Bellbridge' projects.
2.17	Develop and implement a youth activities program - <i>Program presented to Council by Dec 2013</i> - <i>Implementation over the life of the Council Plan</i>	Ongoing	Programs for 2014 and 2015 successfully delivered.
2.18	Facilitate an annual Seniors Week activity - <i>Annual activity held</i>	Ongoing	Successful 'Welcome to Broadway' event held in Tallangatta.
2.19	Host an annual Disability Day activity - <i>Annual activity held</i>	Ongoing	Successful 'Speak Out Loud' event held in Corryong.
2.20	Continue to refine Council's Emergency Management Plan, including the identification and management of Neighbourhood Safer Places - <i>Plan reviewed and adopted annually</i> - <i>Annual identification of NSPs (CFA approval process)</i>	Ongoing	A comprehensive review of the Emergency Management Plan was undertaken during 2014/15. The revised plan will be audited in early 2015/16. The Eskdale Recreation Reserve was identified as a Neighbourhood Safer Place in August 2014.
2.21	Actively participate in the Towong Alliance with the three Shire based Health Services - <i>Ongoing participation in the Alliance</i>	Ongoing	Jointly-funded Alliance position discontinued in May 2015. Additional resources to support specific Alliance projects will be engaged as required.

Strategy and Strategic Indicator		Status	Comments
2.22	Continue the delivery of library services including service provision to rural areas - <i>Library services delivered to a service level determined by Council</i>	Ongoing	Static libraries in Corryong and Tallangatta continued. Mobile library services ceased in June 2015 when Riverina Regional Library withdrew from service. Cost-effective alternative arrangements for servicing more remote communities around the Shire will be considered during 2015/16.

Our performance

2. *Community Wellbeing*

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Community services	This service provides family oriented support services including kindergartens, maternal and child health, immunisations and youth services. It also supports Council's commitment to improved access for all residents, delivers an annual Seniors event and is exploring opportunities to support arts and culture throughout the Shire.
Library services	This service provides public library services at two locations with a customer focus that caters for the cultural, educational and recreational needs of residents.
Community facilities	This service identifies opportunities for Council or community groups to access funding to better meet community needs and delivers on key Council funding applications.
Community health and wellbeing	This service actively drives community health initiatives through the Towong Alliance partnership with the health services and the Towong Healthy Communities Plan 2013 - 2017.

Our performance

2. Community Wellbeing

Service Performance Indicators

The following table lists the prescribed indicators of service performance for the services provided by Council, the prescribed measures relating to the indicators, and Council's results for the 2014/15 year.

Service indicator	Measure	Result
Aquatic facilities		
<u>Service cost</u> Cost of outdoor aquatic facilities	[Direct cost of outdoor aquatic facilities less income received / Number of visits to outdoor aquatic facilities]	\$22.27
<u>Utilisation</u> Utilisation of aquatic facilities	[Number of visits to aquatic facilities / Municipal population]	1.13
Libraries		
<u>Utilisation</u> Library collection usage	[Number of library collection item loans / Number of library collection items]	2.42
<u>Resource standard</u> Standard of library collection	[Number of library collection items purchased in the last 5 years / Number of library collection items] x100	38.28%
<u>Service cost</u> Cost of library service	[Direct cost of the library service / Number of visits]	\$20.84
<u>Participation</u> Active library members	[Number of active library members / Municipal population] x100	4.36%
Maternal and child health		
<u>Satisfaction</u> Participation in first MCH home visit	[Number of first MCH home visits / Number of birth notifications received] x100	98.21%
<u>Service standard</u> Infant enrolments in the MCH service	[Number of infants enrolled in the MCH service (from birth notifications received) / Number of birth notifications received] x100	100%
<u>Service cost</u> Cost of the MCH service	[Cost of the MCH service / Hours worked by MCH nurses]	\$58.52
<u>Participation</u> Participation in the MCH service	[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	100%

Service indicator	Measure	Result
<u>Participation</u> Participation in the MCH service by Aboriginal children	[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100 <i>No children currently registered with the MCH service have identified as having an Aboriginal or Torres Strait Islander background.</i>	0%

Our performance

3. Asset Management

In addition to delivering our routine maintenance and capital works programs, our asset management team implemented various initiatives that have resulted in process efficiencies, cost reductions and improved service delivery during the 2014/15 year.

Refinements to our grading and works program were made to achieve greater efficiency. Keeping within Council's EBA arrangements, our grading maintenance crews operated a 10 hour day during peak grading times to achieve improved service delivery.

A condition inventory of all minor recreation and open space assets was compiled including trees of significance, street furniture and playgrounds. This data has enabled the development of an annual renewal and maintenance plan to reduce costs and improve the amenity of parks and recreation areas across the Shire.

The ongoing implementation of the stock policy has seen the removal of stock grids, fencing of roads, and the repair of a number of stock grids across the Shire achieving the objective of improving service delivery on our unsealed road network.

Strategic path links were constructed in Tallangatta with funding from the Department of Economic Development, Jobs, Transport and Resources improving pedestrian access from the town centre to the hospital, foreshore and rail trail. Council also funded footpath extensions in Corryong to improve pedestrian access to the town centre.

Two timber bridges were replaced with the assistance of the \$1 million funding from the Victorian Government's Country Roads and Bridges program. The new concrete bridge structures have less maintenance requirements and a significantly longer lifespan.

The Federal Government's Roads to Recovery program assisted Council to carry out major patching works, our annual resealing program and further widening and sealing of Georges Creek Road.

Highlights

- Completion of the Georges Creek Road upgrade
- Redevelopment and beautification of the Bellbridge foreshore
- Upgrade of the Eastern Tallangatta town entrance

Challenges

- Resource limitations delayed progress with developing asset management plans and the implementation of the stick grid policy

Our performance

3. Asset Management

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
3.1	Prepare an Asset Management Plan for Recreation - <i>Asset management plan for Recreation adopted by Council by December 2013</i>	In progress	Draft plan prepared and scheduled for adoption in early 2015/16 year.
3.2	Prepare an Asset Management Plan for Parks and Gardens (inclusive of trees of significance (e.g. Cudgewa avenue, Tallangatta Triangles, etc) - <i>Asset management plan for Parks and Gardens (inclusive of trees of significance) adopted by Council by December 2013</i>	In progress	Draft plan prepared and scheduled for adoption in early 2015/16 year.
3.3	Review the method of performing condition assessments (internal vs. external) with a view to bringing it in-house (and implement most appropriate method) - <i>Review conducted by June 2014</i>	Complete	Digital collection method introduced. Protocols in place to engage specialist inspections as required to satisfy financial reporting obligations and to address substantial deterioration issues.
3.4	Implement the stock grid policy - <i>Stock grid policy implemented by Dec 2014</i>	In progress	Implementation underway including arrangements for legal agreements with landholders and bulk grid purchasing.
3.5	Deliver the adopted Capital Works program - <i>Complete 100% of adopted program</i>	Not complete	Our Capital Works program for 2014/15 included projects that would be completed in future years. See detailed explanation in the Financial Summary on page 17.
3.6	Complete condition assessments for road assets and non-road assets (e.g. buildings, playgrounds) - <i>Condition assessments for non-road assets completed by Dec 2013</i> - <i>Condition assessments for road assets completed by Feb 2014</i>	Complete	Condition assessments for roads, bridges, buildings, playgrounds, street furniture, trees and all other assets completed. An annual inspection program has been implemented.

Strategy and Strategic Indicator		Status	Comments
3.7	Develop a town beautification program for all towns and deliver over the life of the Council Plan - <i>Town Beautification Program developed by June 2014 and implemented over the life of the Council Plan</i>	In progress	Concept plans have been developed. Works on Tallangatta entrances are underway. Cudgewa Avenue of Honour assessed and works scheduled for August 2015.
3.8	Develop and deliver a footpath replacement and extension program for strategic community links - <i>Footpath replacement and extension program developed by September 2014</i>	Complete	Program developed and incorporated into future capital program.
3.9	Work with VicRoads and other stakeholders to progress the upgrade/sealing of the Benambra-Corryong Road and the Shelley-Walwa Road - <i>Funding obtained and/or works commenced by VicRoads by June 2017</i>	Ongoing	Funding obtained for widening of section of Shelley-Walwa Road and a further application under the Heavy Vehicle Safety and Productivity Program is being developed. Meetings held with VicRoads, State and Commonwealth Government representatives to advocate for upgrades to both roads.

Our performance

1. Asset Management

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Engineering services	This service undertakes design, tendering, contract management and supervision of various works within Council's capital works program. This service also conducts asset renewal and maintenance planning for Council's main infrastructure assets in an integrated and prioritised manner in order to optimise their strategic value and service potential. These include: -roads, bridges, footpaths -buildings -drainage -recreation and open spaces
Depots	This service maintains Council infrastructure, vehicles, plant and equipment to meet functional and safety needs.

Our performance

3. Asset Management

Service Performance Indicators

The following table lists the prescribed indicators of service performance for the services provided by Council, the prescribed measures relating to the indicators, and Council's results for the 2014/15 year.

Service indicator	Measure	Result
Roads		
<u>Satisfaction of use</u> Sealed local road requests	[Number of sealed local road requests / Kilometres of sealed local roads] x 100	8.63
<u>Condition</u> Sealed local roads below the intervention level	[Number of kilometres of sealed local roads below the renewal intervention level set by Council / Kilometres of sealed local roads] x100	100.00%
<u>Service cost</u> Cost of sealed local road reconstruction	[Direct cost of sealed local road reconstruction / Square metres of sealed local roads reconstructed]	\$20.68
<u>Service cost</u> Cost of sealed local road resealing	[Direct cost of sealed local road resealing / Square metres of sealed local roads resealed]	\$5.77
<u>Satisfaction</u> Satisfaction with sealed local roads	[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads] <i>This result was obtained from the 2015 Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning.</i>	59

Our performance

4. Land-use Planning

Across the 2014-15 financial year Council's planning department has been focused on improving its statutory planning performance. Over this period the planning department has achieved the equal fastest planning permit processing times in Victoria and has also achieved a very high proportion of applications decided within the prescribed statutory time frame compared to the rural municipal average.

The implications arising from the Ministerial *Planning Permit Applications in Open Potable Water Supply Catchment Areas Guidelines* continue to impact on the Shire and have impeded efforts to provide additional rural residential opportunities within the municipality. These *Guidelines* have necessitated the preparation of a Domestic Wastewater Management Plan to guide the future management of domestic wastewater across the municipality. The Domestic Wastewater Management Plan is now complete and ready for implementation in 2016. Completion of the Domestic Wastewater Management Plan will enable future positive changes to the Towong Planning Scheme.

The Towong Shire planning department endeavours to be as accessible to the community as possible and to provide consistent, courteous and timely advice for all planning matters.

Highlights	Challenges
- Completion of Domestic Wastewater Management Plan - Equal fastest processing times for planning permit applications in Victoria - Median planning permit processing time for Towong was 24 days compared to a rural average of 57 days - 96% permits decided within statutory time frames compared to a rural average of 71%	- The requirements of the Planning Permit Applications in Open Potable Water Supply Catchment Areas Guidelines continues to hinder efforts to undertake changes to the planning scheme to introduce additional rural living options across the municipality - High level of planning enforcement - Staff turnover

Our performance

4. Land-use Planning

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
4.1	Improve our communication in relation to town and land use planning - <i>Planning 'Information Pack' prepared and available from June 2014</i> - <i>Relevant information available from the Visitor Information Centres by Dec 2014</i> - <i>Meetings with real estate agents conducted annually</i>	In progress	Planning content on website and planning information flyer reviewed and a simplified flyer is under development. The planning team is in regular contact with agents and other industry stakeholders. Pre-development face-to-face or phone meetings are held with the vast majority of applicants.
4.2	Develop and implement a Domestic Wastewater Management Plan - <i>Plan adopted by Council by June 2014 and implemented over the life of the Council Plan</i>	Ongoing	Draft Plan developed in conjunction with Goulburn Murray Water and North East Water. Community engagement and adoption of the Plan scheduled for Sept-Nov 2015.
4.3	Finalise the Rural Living Zone Planning Scheme Amendment - <i>Amendment finalised by Dec 2014</i>	In progress	Preliminary documentation being prepared pending adoption of the Domestic Wastewater Management Plan.
4.4	Complete BMO Schedule Project (including the refining of hazard mapping where necessary) - <i>Project completed and amendment finalised by June 2015</i>	Complete	Completed in prior year.
4.5	Complete a section 12B (Planning and Environment Act) review of Towong Planning Scheme - <i>Review completed by June 2015</i>	Not commenced	Delayed due to change of State Government commitment to the 'Flying Squad' project.
4.6	Revise Local Planning Policies with a view to protecting strategically important land for food production - <i>Policies developed and adopted by Dec 2015</i>	Not commenced	Scheduled to commence in 2015/16

Strategy and Strategic Indicator		Status	Comments
4.7	Implement key MSS recommendations including individual town structure plans via Planning Scheme Amendments - <i>Amendments finalised by Dec 2016</i>	Not commenced	Scheduled to commence in 2015/16.
4.8	Acquire updated Aerial photography for rural areas and townships - <i>Improved aerial photography acquired over the life of the Council Plan</i>	Complete	Completed in prior year.
4.9	Lobby for improved Hazard mapping (fire and flood) NECMA/State Govt - <i>Improved mapping acquired over the life of the Council Plan</i>	In progress	Scheduled for completion in 2015/16.

Our performance

4. Land-use Planning

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Planning	This statutory planning service processes all planning applications, provides advice and makes decisions about development proposals which require a planning permit, as well as representing Council at the Victorian Civil and Administrative Tribunal where necessary. It administers the Towong Planning Scheme as well as preparing major policy documents shaping the future of the Shire. It also prepares amendments to the Towong Planning Scheme and carries out research on demographic, urban development, economic and social issues affecting Council.
Building services	This service provides statutory building services to the Council community including processing of building permits, fire safety inspections, audits of swimming pool barriers and investigations of complaints and illegal works.
Environmental health	This service protects the community's health and well-being by coordinating food safety support programs, Tobacco Act activities and smoke free dining and gaming venue issues. The service also works to rectify any public health concerns relating to unreasonable noise emissions, housing standards and pest controls.

Our performance

4. Land-use Planning

Service Performance Indicators

The following table lists the prescribed indicators of service performance for the services provided by Council, the prescribed measures relating to the indicators, and Council's results for the 2014/15 year.

Service indicator	Measure	Result
Food safety		
<u>Timeliness</u> Time to action food complaints	[Number of days between receipt and first response action for all food complaints / Number of food complaints]	0.50
<u>Service standard</u> Food safety assessments	[Number of registered class 1 food premises and class 2 food premises that receive an annual food safety assessment in accordance with the Food Act 1984 / Number of registered class 1 food premises and class 2 food premises that require an annual food safety assessment in accordance with the Food Act 1984] x100	100.00%
<u>Service cost</u> Cost of food safety service	[Direct cost of the food safety service / Number of food premises registered or notified in accordance with the Food Act 1984]	\$928.57
<u>Health and safety</u> Critical and major non-compliance outcome notifications	[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	100.00%
Statutory planning		
<u>Timeliness</u> Time taken to decide planning applications	[The median number of days between receipt of a planning application and a decision on the application]	19.00
<u>Service standard</u> Planning applications decided within 60 days	[Number of planning application decisions made within 60 days / Number of planning application decisions made] x100	94.39%
<u>Service cost</u> Cost of statutory planning service	[Direct cost of the statutory planning service / Number of planning applications received]	\$1,884.96

Service indicator	Measure	Result
<u>Decision making</u> Council planning decisions upheld at VCAT	[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100 <i>There were a total of three VCAT matters for 2014/15.</i>	33.33%

Our performance

5. Environmental Sustainability

It was pleasing to see the significant progress made towards achieving Council's environmental sustainability priorities throughout the 2014/15 year.

The transition from contracted residential bin collection arrangements to a full in-house service delivery model was completed in May 2015 following the delivery of a new waste compacting truck. With a fleet of three trucks, Council staff collect garbage and recycling bins from all serviced properties in the Shire as well from southern areas of neighbouring Tumbarumba Shire.

An analysis of the operation hours for both waste disposal facilities at Corryong and Tallangatta has been completed and is under consideration.

A new future cell layout for the next 20 years has been developed for the Corryong landfill to comply with the EPA's new guidelines and a new cell and leachate dam was constructed at the facility. We were pleased with the positive feedback received from the EPA following their site inspection in May 2015. Council continues to monitor all closed landfills with no significant risks identified.

Council has successfully received funding from Sustainability Victoria for an upgrade of both the Tallangatta and Corryong waste facilities. The projects are currently under construction and will be completed before the end of 2015 calendar year.

A program to control noxious weeds was successfully carried out during the year and we were also pleased that funding from the Victorian Government has been confirmed to continue the program in 2015/16.

Council has commenced an LED streetlighting upgrade project with the design and data analysis getting underway this year. It is anticipated that the new lights will be installed in early 2016.

Highlights	Challenges
- Completed transition from contracted kerbside bin collections - Positive feedback received from the EPA following works at the Corryong Landfill - Funding received for improvements to the Corryong and Tallangatta Waste Disposal Facilities	- Delay in taking delivery of new waste compacting truck to finalise transition deferred new bin collection arrangements to late in the financial year

Our performance

5. Environmental Sustainability

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
5.1	Finalise the Bushfire Camera Network project <i>- Project completed by Dec 2013</i>	Complete	Completed in prior year.
5.2	Explore solutions for Bellbridge water and waste water expansion (in conjunction with NEW) <i>- Options paper prepared by June 2014</i>	In progress	North East Water is scheduled to discuss this priority with Council early in 2015/16.
5.3	Lobby for the expansion/improvement of the NE Water Tallangatta wastewater plant to accommodate future development in Tallangatta and the elimination of odour emanating from the plant <i>- Commitment from North East Water to have a system in place that can accommodate future development in Tallangatta over the life of the Council Plan</i>	In progress	North East Water is scheduled to discuss this priority with Council early in 2015/16.
5.4	Implement the adopted outcomes from the Waste Management Services review and refine our Waste Management services over the life of the Council Plan <i>- Implement adopted outcomes by Dec 2013</i> <i>- Satisfaction Survey conducted Dec 2014</i> <i>- Achievement of a sustainable financial outcome for the Council</i> <i>- Increased employment within Shire</i>	Ongoing	Final stage of in-house service delivery model implemented in May 2015. Increased employees in this service area by 1.055EFT.
5.5	Explore waste to energy options suitable for a small municipality <i>- Report prepared for Council by December 2015</i>	In progress	Scheduled for consideration early in 2015/16.

Strategy and Strategic Indicator		Status	Comments
5.6	Consider the options available for the Bethanga Wastewater project and deliver a solution (if feasibility can be established) - <i>Direction to be taken determined and agreed by Dec 2014</i> - <i>Agreed approach (if any) implemented by December 2016</i>	In progress	North East Water is scheduled to discuss this priority with Council early in 2015/16.
5.7	Provide proactive support to DEPI Wild Dog Program and lobby for increased resourcing in the Towong Shire - <i>Agri-IQ developed and implemented by June 2016</i>	Not commenced	Scheduled for consideration early in 2015/16.
5.8	Continue to implement noxious weed controls along roadsides and encourage adjoining landowners (including DSE and Parks Vic) to also implement controls on their property - <i>Reduction in noxious weeds (as identified through mapping)</i> - <i>Development and implementation of a Roadside Management Plan</i>	Ongoing	Program successfully completed for 2014/15.
5.9	Continue to maintain and monitor operational and closed landfills within EPA guidelines - <i>All EPA requirements met over the life of the Council Plan</i>	Ongoing	Works at Corryong Landfill completed in accordance with EPA requirements. Closed landfills are being monitored in accordance with guidelines.
5.10	Support waste minimisation and management initiatives in the North East Regional Waste Implementation Plan and Regional Waste Minimisation Strategy - <i>Reduction in waste being deposited in landfills (local and external)</i>	Ongoing	Educational initiatives implemented during the introduction of the in-house kerbside service delivery model. Community greenwaste disposal sites are currently under consideration.

Our performance

5. Environmental Sustainability

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Waste services	This service provides waste collection including kerbside collections of rubbish and recycling from households and commercial properties, special hard waste, green waste collections, transfer station and land fill management.
Emergency management	This service provides Council's emergency management planning function.
Animal control	This service provides animal management services including a cat trapping program, dog / cat collection service, lost and found notification service, pound service, registration / administration service and an afterhours emergency service. It also provides education, regulation and enforcement of the Local Law and relevant State legislation.
Swimming pools	This service provides two community swimming pools that operate from November to March each year.
Community facilities	This service manages and maintains Council owned community facilities, parks and gardens and public toilets.

Our performance

5. Environmental Sustainability

Service Performance Indicators

The following table lists the prescribed indicators of service performance for the services provided by Council, the prescribed measures relating to the indicators, and Council's results for the 2014/15 year.

Service indicator	Measure	Result
Animal management		
<u>Timeliness</u> Time to action animal management requests	[Number of days between receipt and first response action for all animal management requests / Number of animal management requests]	3.26
<u>Service standard</u> Animals reclaimed	[Number of animals reclaimed / Number of animals collected] x100	36.84%
<u>Service cost</u> Cost of animal management service	[Direct cost of the animal management service / Number of registered animals]	\$40.75
<u>Health and safety</u> Animal management prosecutions	[Number of successful animal management prosecutions]	0.0%
Waste collection		
<u>Satisfaction</u> Kerbside bin collection requests	[Number of kerbside garbage and recycling bin collection requests / Number of kerbside bin collection households] x1000	73.62
<u>Service standard</u> Kerbside bin collections missed	[Number of kerbside garbage and recycling collection bins missed / Number of scheduled kerbside garbage and recycling collection bin lifts] x10,000	1.31
<u>Service cost</u> Cost of kerbside garbage collection service	[Direct cost of the kerbside garbage bin collection service / Number of kerbside garbage collection bins]	\$121.39
<u>Service cost</u> Cost of kerbside recyclables collection service	[Direct cost of the kerbside recyclables bin collection service / Number of kerbside recyclables collection bins]	\$42.73
<u>Waste diversion</u> Kerbside collection waste diverted from landfill	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	32.49%

Our performance

6. Economic and Tourism Development

The ambitious portfolio of strategies included in the Council Plan 2013 – 2017 designed to draw out Towong Shire's potential from an investment, business and tourism perspective, has been well advanced this year, with several projects completed and others now well underway.

Council staff lobbied for improved mobile telephone coverage in a bid to attract funding for a new mobile telephone tower in the Shire. Working with the Indi Telecommunications Action Group, a strategic approach to the Federal Government's \$100 million Black Spots Funding program was developed and implemented, and a stunning result was achieved, with four new mobile phone towers announced for Towong Shire. In the next three years, towers will be installed at Bethanga, Cudgewa, Granya and Dartmouth, providing improved services to many residents. Lobbying for Round 2 of the Black Spot Funding program is now underway.

The Tallangatta Holiday Park Planning Study was completed, providing Council with a clear picture of the types of improvements which could be undertaken at the Park to provide a high quality tourism experience. Council hopes to influence the future development of the Park, and discussions with the Park operators, Goulburn Murray Water, are ongoing.

The Upper Murray 2030 Vision Plan project and the Corryong Airport Redevelopment project were both focuses for Council in the Upper Murray this year, while in the Mitta Valley, Council's support of the Our Valley, Our Future project continued to provide quality outcomes for the community.

Highlights	Challenges
- Phase one of the Narrows Feasibility Study commenced - New approach for Corryong Saleyards operation adopted by Council	- Delay in launching Corryong and Tallangatta tourism websites - Resource constraints at the Corryong VIC

Our performance

6. Economic and Tourism Development

Performance Update

The following table reviews Council's performance against the Council Plan 2013-2017, including major initiatives from the 2014/15 budget.

Strategy and Strategic Indicator		Status	Comments
6.1	Explore options in relation to the Corryong Airport upgrade (including lighting) - <i>Feasibility of upgrade determined by Dec 2013</i> - <i>Project funding pursued (if project is feasible) by June 2014</i>	In progress	Funding application submitted and discussions with Regional Development Victoria to progress are underway.
6.2	Auspice and support the successful delivery of the Alpine Valleys Dairy Pathways Project - <i>Project successfully completed</i>	Complete	Completed in prior year.
6.3	Develop, launch and maintain the Corryong and Tallangatta Tourism Websites - <i>Websites developed and launched by December 2013</i>	In progress	Creative development of website complete. Additional resources engaged to develop content early in 2015/16 year.
6.4	Review Council's role in the delivery of Tallangatta Visitor Information Services and implement the adopted outcomes from the review - <i>Review conducted by Dec 2013 and recommendations adopted by Council by March 2014</i> - <i>Adopted recommendations implemented by Dec 2014</i>	In progress	A partnership with the Hub Cottage Industries to provide Visitor Information services in Tallangatta was established.
6.5	Seek funding to seal the Colac Colac Walking Track - <i>Application for funding submitted by June 2014</i>	Complete	Completed in prior year.
6.6	Develop a Corryong Saleyards strategy - <i>Strategy developed by June 2014 and adopted recommendations implemented by June 2015</i>	Complete	Corryong Saleyards Futures Study completed and recommendations adopted in April 2015.

Strategy and Strategic Indicator		Status	Comments
6.7	Continue to work towards the availability of Industrial land in Corryong and Tallangatta - <i>Report to Council on Industrial Land supply options by June 2016</i>	Not commenced	Scheduled to commence in 2015/16.
6.8	Lobby the Federal Government in order to maximise the NBN outcomes for our communities. - <i>Improved high speed Broadband delivery</i>	Ongoing	Council continues to raise this with Federal Government representatives at every opportunity. Council has received two permit applications for the installation of NBN infrastructure in Bellbridge and Bethanga.
6.9	Lobby Federal Government and private telcos for improved mobile coverage - <i>Improved mobile coverage achieved over the life of the Council Plan</i>	Ongoing	Funding announced for blackspot towers in Bethanga, Cudgewa, Dartmouth and Granya in June 2015.
6.10	Support the Agribusiness sector in Towong Shire to achieve profitability and sustainability - <i>Report to Council on strategy and possible actions to support the sector by June 2014 and implement adopted recommendations over the life of the Council Plan</i>	In progress	Strategy scheduled for development in 2015/16.
6.11	Support the Retail, Commercial and Industrial sectors in Towong Shire to achieve profitability and sustainability - <i>Report to Council on strategy and possible actions to support the sectors by Dec 2014 and implement adopted recommendations over the life of the Council Plan</i>	In progress	Strategy scheduled for development in 2015/16.
6.12	Promote the Omeo Highway and the Benambra-Corryong Road as touring links to the Gippsland region - <i>Promotional campaign developed by Dec 2014 and implemented over the life of the Council Plan</i>	Ongoing	A signage plan is under development in consultation with the community. Promotional material has been distributed to Visitor Information Centres.
6.13	Develop a strategic plan to manage the outcomes for Corryong with the possible establishment of the molybdenum mine - <i>Strategic plan developed by Dec 2014 and recommendations implemented if the mine proceeds</i>	Ongoing	Mining development is being monitored. Regular meetings occur with representatives from Dart Mining.

Strategy and Strategic Indicator		Status	Comments
6.14	Encourage (and where possible deliver) sustainable design for community buildings and residential estate development. - <i>Best practice environmental design principles used in the delivery of the Integrated Community Hub</i>	Ongoing	Best practice design principles have been used for the Tallangatta Integrated Community Centre.

Our performance

6. *Economic and Tourism Development*

Council Services

The following table presents information in relation to the services funded in Council's 2014/15 Budget.

Service area	Description
Economic development	The economic development service assists the organisation to facilitate an environment that is conducive to a sustainable and growing local business sector and provides opportunities for local residents to improve their skill levels and access employment.
Tourism	This service provides a Visitor Information Centre in Corryong to provide advice to visitors to the Upper Murray.

Governance, management and other information

Governance

Towong Shire Council was established by an Order of the Governor in Council on 24 October 1996 and is a Body Corporate. Council's main office is located at 32 Towong Street, Tallangatta.

The purpose of Council is to:

- Provide for the peace, order and good government of its municipal district
- Facilitate and encourage appropriate development of its municipal district in the best interests of the community
- Provide equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively
- Manage, improve and develop the resources of its district efficiently and effectively.

Council recognises that effective governance is the key to ensuring that Council meets the community's priorities. The community has opportunity to provide formal input into Council's decision making processes through specific community engagement sessions, the 'Open Forum' held in conjunction with Council's monthly meeting, as well as the formal submission process involved with many of Council's key plans.

Many formal decisions are made at Council Meetings; however some of Council's powers have been delegated to Council staff. These delegations are exercised in accordance with Council policies.

Council Meetings

Council's ordinary meetings are held monthly (except January where there is no meeting). These meetings are conducted in accordance with Council's Meeting Procedures Local Law.

For the 2014/15 year Council held the following meetings:

- 11 Ordinary Council Meetings
- 3 Special Council Meetings

Councillor	Ordinary Meeting	Special Meeting	Total
Cr David Wortmann	11	3	14
Cr Aaron Scales	10	3	13
Cr Mary Fraser	11	3	14
Cr Debi Gadd	10	3	13
Cr Peter Joyce	9	3	12

Governance, management and other information

Code of conduct

The Local Government Act 1989 requires councils to develop and approve a Councillor Code of Conduct within 12 months after each general election. On 1 October 2013 Council adopted a Councillor Code of Conduct.

The Councillor Code of Conduct is designed to:

- Provide good governance for the Towong municipality
- Create common understandings of the different roles of the Mayor, Councillors, Chief Executive Officer and the administration
- Identify key relationships and how they can contribute to good governance
- Support good governance by creating a framework in which legitimate differences in opinions, beliefs and values can be discussed constructively and resolved in the interests of the Towong municipality.

In addition to setting out good governance protocols, the Councillor Code of Conduct also outlines:

- Councillor behaviour principles
- Conflict of interest procedures
- Dispute resolution procedures
- Decisions during caretaker periods, and
- Appropriate use of Council resources.

Conflict of interest

Councillors are elected by the residents and ratepayers to act in the best interests of the community. This is a position of trust. Council officers, as delegated and authorised representatives of Council, are also required to act in the public interest.

A conflict of interest occurs when a personal or private interest might compromise the ability to act in the public interest. A conflict of interest exists even if no improper act results from it. Council has procedures in place to accommodate the disclosure of a conflict of interest. Declaration of a conflict of interest is a standard agenda item for all Council Meetings.

There were four conflicts of interest declared at Council Meetings during 2014/15.

Governance, management and other information

Audit Committee

Council's Audit Committee was established by resolution of Council on 19 January 1998. The Committee is an independent advisory committee to Council to assist in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation's ethical development.

The Audit Committee meets quarterly to discuss Council's budget, finance reports, Council Plan priorities, external and internal audits, OHS, tendering, performance reporting, finance systems, legal compliance actions, risk management and policy development.

Policies due for Council approval each month are also reviewed by Audit Committee members and their recommendations presented to Council.

During 2014/15, the Audit Committee considered:

Financial management and performance reporting

Annual financial statements and the external Auditor's reports

Budget development

Financial and Council Plan reporting

Local Government Performance Reporting framework

Risk management

Risk assessments for major projects

Risk management strategy and action plan

OHS Safety Management System

JMAPP audit

Echelon audit

Swimming pool audits

Emergency management planning

Business continuity

Human resource management

Compliance

Systems and procedures surrounding legal matters

Reporting Responsibilities

Findings of relevant Performance Audits undertaken by the Victorian Auditor-General

Governance, management and other information

Audit Committee (continued)

The Committee is comprised of the Mayor and two or more independent external members. The external independent members of the Audit Committee are appointed for a maximum four year term.

The following independent members served on Council's Audit Committee during 2014/15:

Ms Narelle Klein

Current Chair

Narelle was appointed to the Audit Committee in March 2014. A Chartered Accountant, Narelle is the Financial Reporting and Audit Liaison Manager at the Australian Taxation Office and a member of the Tallangatta Health Service Board of Management. She has substantial experience in financial, management and taxation accounting, external audit processes, corporate and strategic planning, corporate governance and risk management. Narelle resides on a small rural property near Bethanga with her family.

Ms Kerrie Clarke

Current Member

Kerrie was appointed to the Audit Committee in March 2015. Kerrie is a Certified Practicing Accountant and is the Chief Finance Officer at Upper Murray Health and Community Services in Corryong; a position she has held for over 10 years. She holds a Bachelor of Business (Accounting / Finance), is involved in the Corryong SES and resides on 6 acres at Cudgewa with her family.

Mr Robert Lees

Current Member

Robert was appointed to the Audit Committee in March 2015. He is currently the Senior Procurement Officer for Albury Wodonga Health after a varied local and international career in commercial development, commodity trading, procurement and operations management. Robert has significant experience in corporate governance, procurement, strategic planning, lean manufacture, and general management. He has positions on the boards of Hume Employment Services Limited, Belmore Pty Ltd and Tallangatta Health Service and is also a member of the Rotary Club of Bellbridge Lake Hume. Robert has lived in the Shire for most of his life and currently lives in Bellbridge.

Mr Matthew Fagence

Retired Member and Chair

Matthew served on the Audit Committee from October 2010 to December 2014. Matthew lives with his family in Bethanga.

Matthew is a Justice of the Peace (Qualified), holds a Bachelor of Commerce degree, is a Fellow Certified Practicing Accountant (FCPA), and is a Certified Professional Member of the Australian Human Resources Institute (CAHRI).

Governance, management and other information

External audit

Council is externally audited by the Victorian Auditor-General. For the 2014/15 year the annual external audit of Council's Financial Statements and Performance Statement was conducted by the Victorian Auditor-General's representative, Johnsons MME. The external auditors engage with Council's Audit Committee to present their independent audit report. The external audit management letter and responses are also provided to the Audit Committee.

Risk management

Towong Shire Council is committed to taking a best practice approach to managing risk. We recognise that risks are inherent in all our functions and understand that all systems and processes exhibit variability, impacting on predictability and performance.

Managing risk is a conscious decision to improve Council's systems and processes - not to finger point when things go wrong.

The objectives of our Risk Management Policy are to:

- Ensure we appropriately deal with risk
- Safeguard our assets: people, financial and property
- Create an environment where all our employees will assume responsibility for managing risk
- Preserve our ability to deliver policy and performance objectives in a timely, efficient and effective manner
- Implement transparent and responsible risk management processes, which align with accepted best practice.

Best Value

Council applies the principles of Best Value in accordance with the legislative requirements. Through its commitment to providing best value to its communities Council takes a proactive and systematic approach to keeping costs as low as possible while striving to deliver services to the standard expected by the community.

Council has been recognised as a leader in procurement and process efficiency in the local government sector. Council is also recognised for its innovative 'Shared Services' arrangements which have resulted in improved service delivery and reduced costs through collaboration with neighbouring Councils. Shared services have been established for the following services:

- Building control
- Environmental health
- Rates and property
- Information Technology support, and
- Immunisations.

Governance, management and other information

Governance and Management Checklist

The following are the results in the prescribed form of Council's assessment against the prescribed governance and management checklist.

Column 1 Governance and Management Items	Column 2 Assessment
1 Community engagement policy (policy outlining council's commitment to engaging with the community on matters of public interest)	Policy Yes Date of operation of current policy: 1 December 2009 Draft updated policy has been prepared though not formally adopted.
2 Community engagement guidelines (guidelines to assist staff to determine when and how to engage with the community)	Guidelines Yes Date of operation of guidelines: 1 December 2009 Draft updated guidelines have been prepared though not formally adopted.
3 Strategic Resource Plan (plan under section 126 of the Act outlining the financial and non-financial resources required for at least the next 4 financial years)	Adopted in accordance with section 126 of the Act Yes Date of adoption: 2 June 2015
4 Annual budget (plan under section 130 of the Act setting out the services to be provided and initiatives to be undertaken over the next 12 months and the funding and other resources required)	Adopted in accordance with section 130 of the Act Date of adoption: 2 June 2015
5 Asset management plans (plans that set out the asset maintenance and renewal needs for key infrastructure asset classes for at least the next 10 years)	Current plans in operation Yes Date of operation of current plans: Roads – 6 August 2012 Drainage – Draft Buildings and structures - Draft

Governance, management and other information

Governance and Management Checklist (continued)

Column 1 Governance and Management Items	Column 2 Assessment
6 Rating strategy (strategy setting out the rating structure of Council to levy rates and charges)	Current strategy in operation Yes Date of operation of current strategy: 2 June 2015
7 Risk policy (policy outlining Council's commitment and approach to minimising the risks to Council's operations)	Current policy in operation Yes Date of operation of current policy: 1 April 2014
8 Fraud policy (policy outlining council's commitment and approach to minimising the risk of fraud)	Current policy in operation Yes Date of operation of current policy: 2 December 2014
9 Municipal emergency management plan (plan under section 20 of the <i>Emergency Management Act 1986</i> for emergency prevention, response and recovery)	Prepared and maintained in accordance with section 20 of the <i>Emergency Management Act 1986</i> Yes Date of preparation: 10 January 2011
10 Procurement policy (policy under section 186A of the <i>Local Government Act 1989</i> outlining the matters, practices and procedures that will apply to all purchases of goods, services and works)	Prepared and approved in accordance with section 186A of the <i>Local Government Act 1989</i> Yes Date of approval: 5 May 2015
11 Business continuity plan (plan setting out the actions that will be undertaken to ensure that key services continue to operate in the event of a disaster)	Current plan in operation Yes Date of preparation: 1 March 2014
12 Disaster recovery plan (plan setting out the actions that will be undertaken to recover and restore business capability in the event of a disaster)	Current plan in operation Yes Date of preparation: 1 March 2014

Governance, management and other information

Governance and Management Checklist (continued)

Column 1 Governance and Management Items	Column 2 Assessment
13 Risk management framework (framework outlining council's approach to managing risks to the Council's operations)	Current framework in operation Yes Date of operation of current framework: 1 July 2014
14 Audit Committee (advisory committee of council under section 139 of the Act whose role is to oversee the integrity of a council's financial reporting, processes to manage risks to the council's operations and for compliance with applicable legal, ethical, and regulatory requirements)	Committee established in accordance with section 139 of the Act Yes Date of establishment: 1 July 2014
15 Internal audit (independent accounting professionals engaged by the council to provide analyses and recommendations aimed at improving council's governance, risk and management controls)	Internal auditor engaged No Reason why no auditor engaged: Council has completed a strategic risk assessment and subsequently engaged relevant technical experts to conduct audits of its high risk exposures. At this point in time it has not been considered necessary to engage an independent accounting professional.
16 Performance reporting framework (a set of indicators measuring financial and non-financial performance, including the performance indicators referred to in section 131 of the Act)	Current framework in operation Yes Date of operation of current framework: 2 June 2015
17 Council Plan reporting (report reviewing the performance of the council against the Council Plan, including the results in relation to the strategic indicators, for the first six months of the financial year)	Current report Yes Date of current report: 5 May 2015
18 Financial reporting (quarterly statements to Council under section 138 of the Act comparing budgeted revenue and expenditure with actual revenue and expenditure)	Statements presented to council in accordance with section 138(1) of the Act Yes Date statement presented: 2 June 2015

Governance, management and other information

Governance and Management Checklist (continued)

Column 1 Governance and Management Items	Column 2 Assessment
19 Risk reporting (six-monthly reports of strategic risks to council's operations, their likelihood and consequences of occurring and risk minimisation strategies)	Reports prepared and presented Yes Date of reports: 21 October 2014, 5 May 2015
20 Performance reporting (six-monthly reports of indicators measuring the results against financial and non-financial performance, including performance indicators referred to in section 131 of the Act)	Reports prepared and presented Yes Date of reports: 7 October 2014, 2 June 2015
21 Annual report (annual report under sections 131, 132 and 133 of the Act to the community containing a report of operations and audited financial and performance statements)	Considered at a meeting of council in accordance with section 134 of the Act Yes Date statements presented: 21 October 2014
22 Councillor Code of Conduct (Code under section 76C of the Act setting out the conduct principles and the dispute resolution processes to be followed by Councillors)	Reviewed in accordance with section 76C of the Act Yes Date reviewed: 1 October 2013
23 Delegations (a document setting out the powers, duties and functions of council and the Chief Executive Officer that have been delegated to members of staff)	Reviewed in accordance with section 98(6) of the Act Yes Date of review: 1 October 2013
24 Meeting procedures (a local law governing the conduct of meetings of council and special committees)	Meeting procedures local law made in accordance with section 91(1) of the Act Yes Date local law made: 1 October 2013

Governance, management and other information

Information available for inspection

The opportunity to access information about Council operations is a vital part of open and accountable government. Residents and ratepayers of Towong Shire can access information either through the information available for public inspection (as recorded below) or through the Freedom of Information process.

The following information can be accessed from Council's Tallangatta Office by appointment.

- details of current allowances fixed for the Mayor and Councillors
- the total annual remuneration for all senior officers in respect of the current financial year and the previous financial year
- details of overseas or interstate travel (with the exception of interstate travel by land for less than 3 days) undertaken in an official capacity by Councillors or any member of Council staff in the previous 12 months
- names of Council officers who were required to submit a return of interest during the financial year and the dates the returns were submitted
- names of Councillors who submitted returns of interest during the financial year and the dates the returns were submitted
- agendas for and minutes of ordinary and special meetings held in the previous 12 months except if the minutes relate to parts of meetings which have been closed to members of the public
- a list of all special committees established by Council and the purpose for which each committee was established
- a list of all special committees established by the Council which were abolished or ceased to function during the financial year
- minutes of meetings of special committees held in the previous 12 months except if the minutes relate to parts of meetings which have been closed to members of the public
- a register of delegations
- submissions received in accordance with section 223 of the Act during the previous 12 months
- agreements to establish regional libraries
- details of all property, finance and operating leases involving land, buildings, plant, computer equipment or vehicles entered into by the Council as lessor or lessee, including the name of the other party to the lease and the terms and the value of the lease
- a register of authorised officers
- a list of donations and grants made by the Council during the financial year
- a list of the names of the organisations of which the Council was a member during the financial year and details of all membership fees and other amounts and services provided during that year to each organisation by the Council, and
- a list of contracts valued at \$150,000 or more which the Council entered into during the financial year without first engaging in a competitive process.

Governance, management and other information

Carers Recognition Act

In accordance with the *Carers Recognition Act 2012* Council is required to report annually on its care management obligations under Section 11 of that Act. Council has taken all practicable measures to comply with its responsibilities outlined in the *Carers Recognition Act 2012*. Council has promoted the principles of the Act to people in care relationships who receive council services; to people in care relationships, and to the wider community by:

- distributing printed material through relevant council services
- providing information to organisations represented in Council/community networks.

Council has taken all practicable measures to ensure staff, council agents and volunteers working for Council are informed about the principles and obligations of the Act.

Council has taken all practicable measures to review and modify policies, procedures and supports to include recognition of the carer relationship.

Contracts

During the year Council did not enter into any contracts valued at \$150,000 or more without first engaging in a competitive process.

Disability Action Plan

In accordance with Section 38 of the Disability Act 2006, as Council has prepared a draft Disability Action Plan (known as the Towong Shire Access and Inclusion Plan). Council anticipates adopting the Plan early in the 2015/16 year. Council will report on its implementation in next year's Annual Report.

Domestic Animal Management Plan

In accordance with the Domestic Animals Act 1994 Council is required to prepare a Domestic Animal Management Plan at four yearly intervals and evaluate its implementation in the Annual Report. Council adopted its Domestic Animal Management Plan 2013-2017 in September 2014.

The development of Council's Domestic Animal Management Plan was guided by the following principles:

- The belief that pets contribute to quality of life
- A requirement to balance the needs of those who own pets and those who do not
- Valuing responsible pet ownership
- Proactive animal management and education within the community
- Protection of the environment from any negative impacts of dogs and cats
- Working in partnership with others to achieve positive outcomes for the community, and
- Local Government plays a leadership role in animal management

Council's Domestic Animal Management Plan includes an Action Plan to assist Council to achieve the Plan's objectives over a four year period. The following table evaluates the implementation of the Action Plan.

Governance, management and other information

Domestic Animal Management Plan (cont.)

Action		Measure	Status
Training of Authorised Officers			
1	Continue to update work plan including training requirements for local law officer to ensure staff are kept informed of and trained in changes to relevant legislation, policies, processes and procedures in a timely manner	Work plan completed, reviews ongoing Changes to legislation, policies, processes and procedures to be highlighted on the Local Laws Intranet	✓
2	Review in consultation with staff training requirements for all Authorised officers undertaking animal management duties	Consultation with relevant staff occurred; agreed list of skills required to undertake animal management duties developed	✓
3	Maintain a training register/skills matrix with OH&S officer	Central training register developed and maintained	✓
4	Regularly assess Officers skills, compliance and knowledge of policies, processes and procedures	Annual skills and knowledge assessments undertaken for each Officer	✓
Registration and Identification			
5	Continue to annually cross check microchip registries to identify micro chipped animals within Towong Shire that are not registered	Cross check undertaken and contact made with owners when discrepancies are identified	✓
6	Continue to send out registration reminder notices to pet owners who have failed to re register their pets by 10 April each year	Reminder notices sent for previously registered animals that have not been renewed	✓
7	Facilitate discount micro chipping sessions prior to April each year	Annual discount micro chipping session held	Postponed for 2014/15.
8	Continue to ensure that all seized and impounded animals are registered prior to release to their owner	More registered animals	✓
9	Undertake annual random neighborhood door knocks to check for unregistered dogs and cats	Increased number of neighbourhood door knocks across the Shire	✓

Governance, management and other information

Domestic Animal Management Plan (cont.)

Animal Nuisance Complaints			
10	Provide educational materials to pet owners	Sourcing, preparation and distribution of educational materials	Currently underway
11	Maintain an appropriate supply of cat cages for hire to meet community demand	Maintain a waiting period of no longer than seven working days	✓
12	Maintain accurate and relevant information on Council's website about how to make a complaint	Dedicated page on animal complaints to be developed and regularly checked for accuracy	✓
13	Further refine the CARS system and implement iForm builder app for incident and inspection reporting to facilitate timely resolutions	Process implemented	iForm builder app currently being trialled
14	Update and distribute barking dog information packs to provide complainants and owners of alleged barking dogs to assist in timely resolution of complaints	Information packs updated and available for distribution	✓
Dog Attacks			
15	Continue to action dog attack investigation and enforcement procedures	Procedure developed and implemented	✓
16	Conduct an education campaign for farmers regarding their responsibilities when owning working dogs	Annual education program developed and delivered	✓
17	Maintain accurate and relevant information on Council's website about how to report a dog attack	Dedicated page on dog attacks to be developed and regularly checked for accuracy	✓
18	Increase public understanding and awareness of what dog attack, dangerous, menacing and restricted breed dogs means and how to report it through media articles and brochures	Number of media articles sent to local media; brochure developed and number of brochures distributed	✓
19	Promote a greater awareness of the consequences for owners and their dogs should their dog rush at or attack a person or animal	Number of media articles sent to local/social media and information on Council website	Currently underway
21	Continue to use CARS to document incidents where animals are reported, or found, to have attacked people, pets, wildlife and livestock	Accurate and current details recorded	✓

Governance, management and other information

Domestic Animal Management Plan (cont.)

Dangerous, menacing and restricted dog breeds			
22	Continue to use CARS to document complaints and follow procedures to facilitate timely resolutions	Timely resolution of complaints	✓
23	Place links and phone numbers on Council website to promote the 'Dangerous Dogs Hotline'	Links and phone numbers placed on website	Updates scheduled for 2015/16
24	Ensure all declared menacing, dangerous and restricted breed dogs are entered into the Victorian Declared Dog Registry	All declared menacing, dangerous and restricted breed dogs entered into the Victorian Declared Dog Registry within seven days of declaration	✓
25	Audit properties where there are registered declared dogs	Annual audits performed and recorded	✓

Food Act Ministerial Directions

In accordance with section 7E of the *Food Act 1984* Council is required to publish a summary of any ministerial directions received during the financial year in its Annual Report. No such ministerial directions were received by Council during the financial year.

Freedom of Information (FoI)

In accordance with section 7(4AA)(a) and 7(4AA)(b) of the *Freedom of Information Act 1982* Council is required to publish certain statements in their Annual Report or separately (such as on its website) concerning its functions and information available.

Access to documents may be obtained through written request to the Freedom of Information Officer, as detailed in Section 17 of the Freedom of Information Act 1982 and in summary as follows:

- It should be in writing
- It should identify as clearly as possible which document is being requested
- It should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Access charges may also apply once documents have been processed and a decision on access is made (e.g. photocopying, search and retrieval charges). Further information regarding FoI can be found at www.foi.vic.gov.au or on Council's website www.towong.vic.gov.au.

No Freedom of Information applications were received by Council during the 2014/15 financial year.

Governance, management and other information

Protected Disclosure Procedures

In accordance with Section 69 of the *Protected Disclosure Act 2012* Council must include in their Annual Report information about how to access the procedures established by the Council under Part 9 of that Act. It is also required to provide certain information about the number and types of protected disclosures complaints investigated during the financial year.

The Protected Disclosure Act 2012 aims to ensure openness and accountability in government by encouraging people to disclose improper conduct within the public sector and provide protection for people who make disclosures. Procedures on how to make a disclosure are publicly available on Council's website.

During the 2014/15 year no disclosures were notified to Council officers appointed to receive disclosures or to the Independent Broad-based Anti-corruption Commission (IBAC).

Road Management Act Ministerial Direction

In accordance with Section 22 of the *Road Management Act 2004* Council must publish a copy or summary of any ministerial direction in its Annual Report. No such ministerial directions were received by Council during the financial year.

Performance statement for the year ending 30 June 2015

Sustainable Capacity Indicators		
<i>Indicator/measure</i>	Results 2015	Material Variations
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,247.46	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$29,344.81	Towong Shire has a small population base compared to its large infrastructure network. The roads and bridges network account for approximately 83% of the dollar value of Council's total infrastructure.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	4.98	
Own-source revenue <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,497.12	
Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$1,406.04	This result is greater than expected due to receiving \$1.8million of the 2015/16 Financial Assistance Grants allocation from the Victorian Grants Commission in advance on 30 June 2015. This was expected to be received in 2015/16.
Disadvantage <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	7	

Performance statement for the year ending 30 June 2015

Service Performance Indicators		
Service/ <i>indicator</i> /measure	Results 2015	Material Variations
Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.13	There were some limitations in data collection for this measure.
Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	
Food Safety Health and safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	100.00%	

Performance statement for the year ending 30 June 2015

Service Performance Indicators (continued)		
Service/ <i>indicator</i> /measure	Results 2015	Material Variations
Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	60	This result was obtained from the 2015 Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning.
Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	4.36%	
Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	100.00%	
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	0.00%	No children currently registered with the MCH service have identified as having an Aboriginal or Torres Strait Islander background.

Performance statement for the year ending 30 June 2015

Service Performance Indicators (continued)		
Service/ <i>indicator</i> /measure	Results 2015	Material Variations
Roads Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	59	This result was obtained from the 2015 Community Satisfaction Survey facilitated by the Department of Environment, Land, Water and Planning.
Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	33.33%	There were a total of three VCAT matters for 2014/15.
Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	32.49%	

Performance statement for the year ending 30 June 2015

Financial Performance Indicators						
Dimension/ <i>indicator</i> /measure	Results 2015	Forecasts				Material Variations
	2016	2017	2018	2019		
Efficiency Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$669.50	\$704.00	\$745.64	\$790.66	\$837.93	The "Revenue level" financial performance indicator contained in the 2015/16 Budget for comparison purposes is misstated. The formula used in the budget document has used "Total Rate Revenue" / "Number of rateable assessments" instead of residential only. The figures provided in the Performance Statement calculation are true and correct.
Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,012.96	\$3,188.31	\$3,197.86	\$3,265.18	\$3,348.65	
Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	18.06%	5.67%	5.80%	5.80%	5.80%	The forecast results have assumed a stable number of permanent staff and that all resignations/terminations will be replaced.

Performance statement

for the year ending 30 June 2015

Financial Performance Indicators (continued)						
Dimension/ <i>indicator</i> /measure	Results 2015	Forecasts				Material Variations
		2016	2017	2018	2019	
Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	633.48%	417.28%	397.67%	379.38%	348.16%	The 2015 result is greater than expected due to receiving \$1.8million of the 2015/16 Financial Assistance Grants allocation from the Victorian Grants Commission in advance on 30 June 2015. This was expected to be received in 2015/16.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	281.66%	350.65%	334.24%	314.93%	282.44%	Council's result for 2015 is lower than the forecast for 2016 to 2019 due to Council using the assumptions in its long term financial plan that all capital works are completed and all grants are expended by 30 June each financial year. The unrestricted cash figure is comprised of the cash and cash equivalents balance from the balance sheet.
Obligations Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	76.64%	92.29%	95.82%	101.86%	107.08%	The 2015 result is lower than expected due to a number of asset renewal projects being carried forward into the 2015/16 financial year.

Performance statement

for the year ending 30 June 2015

Financial Performance Indicators (continued)						
Dimension/ <i>indicator</i> /measure	Results 2015	2016	Forecasts			Material Variations
			2017	2018	2019	
Loans and borrowings						
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	0.46%	7.14%	6.59%	6.07%	5.59%	The increase in 2016 is due to Council's intention to take out a loan to complete a significant infrastructure project.
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.64%	0.87%	0.81%	0.74%	0.68%	There were two finance leases paid out in 2015 for plant. These plant items have subsequently been added to Council's fixed asset register.
Indebtedness						
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	5.97%	8.61%	8.23%	7.81%	7.31%	

Performance statement for the year ending 30 June 2015

Financial Performance Indicators (continued)						
Dimension/ <i>indicator/measure</i>	Results 2015	2016	Forecasts 2017 2018 2019			Material Variations
Operating position <i>Adjusted underlying result</i> <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	26.57%	7.04%	-0.62%	0.37%	1.96 %	The 2015 result is greater than expected due to receiving \$1.8million of the 2015/16 Financial Assistance Grants allocation from the Victorian Grants Commission in advance on 30 June 2015. This was expected to be received in 2015/16. Also please note that the 2016 forecast includes the full allocation of 2015/16 of Financial Assistant Grants and does not take into account the payment in advance received in 2015 as notification was received after the budget was adopted by Council. The forecasts for 2016 to 2019 in the Performance Statement differ to the 2015/16 Budget due to different assumptions being used to calculate the adjusted underlying surplus/ (deficit). The underlying surplus/ (deficit) in the 2015/16 Budget removes the impact of all capital grants, whereas in the Performance Statement it is adjusted only for the impact of non-recurrent capital grants.

Performance statement for the year ending 30 June 2015

Financial Performance Indicators (continued)						
Dimension/ <i>indicator</i> /measure	Results 2015	2016	Forecasts 2017 2018 2019			Material Variations
Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	38.78%	49.30%	56.35%	57.93%	58.94%	The 2015 result is lower than expected due to receiving \$1.8million of the 2015/16 Financial Assistance Grants allocation from the Victorian Grants Commission in advance on 30 June 2015. This was expected to be received in 2015/16. The forecasts for 2016 to 2019 in the Performance Statement differ to the 2015/16 Budget due to different assumptions being used to calculate the adjusted underlying revenue. The adjusted underlying revenue in the 2015/16 Budget removes the impact of all capital grants, whereas in the Performance Statement it is adjusted only for the impact of non-recurrent capital grants. The other difference is the rate revenue in the 2015/16 Budget includes special rates, whereas the Performance Statement excludes the special rates from rate revenue.

Performance statement for the year ending 30 June 2015

Financial Performance Indicators (continued)						
Dimension/ <i>indicator</i> /measure	Results	Forecasts				Material Variations
	2015	2016	2017	2018	2019	
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.53%	0.56%	0.59%	0.63%	0.66%	The forecast "Rates effort" in the 2015/16 Budget does not align with the results in the Performance Statement. The Performance Statement does not include special rates in the rates revenue calculation. Council has special rates of \$43,000 in 2016 and these will increase to \$46,000 in the 2019 forecast.

Performance statement for the year ending 30 June 2015

Basis of preparation

Council is required to prepare and include a Performance Statement within its annual report. The Performance Statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from Council information systems or from third parties (e.g. Australian Bureau of Statistics).

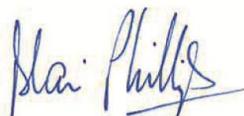
The Performance Statement presents the actual results for the current year and forecast by Council's Strategic Resource Plan for the prescribed financial performance indicators and measures. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the Performance Statement are those adopted by Council in its Strategic Resource Plan on 2 June 2015 which forms part of the Council Plan. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan can be obtained by visiting Council's website www.towong.vic.gov.au or is available for viewing at the Tallangatta or Corryong offices.

Performance statement for the year ending 30 June 2015

Certification of the Performance Statement

In my opinion, the accompanying Performance Statement has been prepared in accordance with the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.



Mr Blair Phillips, Certified Practicing Accountant

Principal Accounting Officer

Tuesday 22 September 2015

In our opinion, the accompanying Performance Statement of Towong Shire Council for the year ended 30 June 2015 presents fairly the results of Council's performance in accordance with the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

The Performance Statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this Performance Statement in its final form.



Cr David Wortmann

Mayor

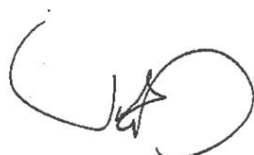
Tuesday 22 September 2015



Cr Debi Gadd

Councillor

Tuesday 22 September 2015



Ms Juliana Phelps, Chartered Accountant

Chief Executive Officer

Tuesday 22 September 2015

Auditor General's report



Victorian Auditor-General's Office

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Melbourne VIC 3000
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INDEPENDENT AUDITOR'S REPORT

To the Councillors, Towong Shire Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2015 of the Towong Shire Council which comprises the statement, the related notes and the certification of performance statement has been audited.

The Councillors' Responsibility for the Performance Statement

The Councillors of the Towong Shire Council are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989* and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the performance statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Local Government Act 1989*, my responsibility is to express an opinion on the performance statement based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditing in the Public Interest

Auditor General's report

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the performance statement of the Towong Shire Council in respect of the 30 June 2015 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
25 September 2015


Dr Peter Frost
Acting Auditor-General

Financial statements

for the year ending 30 June 2015

Comprehensive Income Statement for the year ending 30 June 2015

	Note	2015 \$'000	2014 \$'000
Income			
Rates and charges	3	7,042	6,597
Statutory fees and fines	4	176	171
User fees	5	623	439
Grants – operating	6	7,111	4,094
Grants – capital	6	3,555	2,947
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	7	8	97
Other income	8	978	1,273
Total income		19,493	15,618
Expenses			
Employee costs and benefits	9	5,009	4,846
Materials and services	11	4,622	5,816
Depreciation	12	3,287	3,561
Borrowing costs	13	17	37
Other expenses	14	316	466
Total expenses		13,251	14,726
Surplus/(Deficit)		6,242	892
Other comprehensive income			
Net asset revaluation increment(decrement)	25	-	(7,859)
Comprehensive result		6,242	(6,967)

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Financial statements

for the year ending 30 June 2015

Balance Sheet as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	15	8,675	7,888
Other financial assets	17	2,836	-
Trade and other receivables	16	1,066	1,328
Inventories	18	253	265
Other assets	19	17	29
Total current assets		12,847	9,510
Non-current assets			
Trade and other receivables	16	185	-
Property, infrastructure, plant and equipment	20	178,322	175,771
Total non-current assets		178,507	175,771
Total assets		191,354	185,281
Liabilities			
Current liabilities			
Trade and other payables	21	660	887
Trust funds and deposits	22	276	198
Provisions	23	1,092	1,000
Interest bearing loans and borrowings	24	-	290
Total current liabilities		2,028	2,375
Non-current liabilities			
Provisions	23	495	299
Interest-bearing loans and borrowings	24	32	50
Total non-current liabilities		527	349
Total liabilities		2,555	2,724
Net Assets		188,799	182,557
Equity			
Accumulated surplus		78,386	72,144
Reserves	25	110,413	110,413
Total Equity		188,799	182,557

The above balance sheet should be read in conjunction with the accompanying notes.

Financial statements

for the year ending 30 June 2015

Statement of Changes in Equity for the year ending 30 June 2015

	Note	2015 \$'000	2014 \$'000
Accumulated Surplus			
Balance at beginning of the financial year		72,144	71,252
Surplus		6,242	892
Balance at end of the financial year		78,386	72,144
Asset Revaluation Reserve			
Balance at beginning of the financial year		110,413	118,272
Net asset revaluation increment/(decrement)	25	-	(7,859)
Balance at end of the financial year		110,413	110,413
Total			
Balance at beginning of the financial year		182,557	189,524
Surplus		6,242	892
Net asset revaluation increment/(decrement)	25	-	(7,859)
Balance at end of the financial year		188,799	182,557

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Financial statements

for the year ending 30 June 2015

Statement of Cash Flows for the year ending 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Rates and charges		6,958	6,482
Statutory fees and fines		176	171
User fees		623	439
Grants – operating		7,111	5,094
Grants – capital		3,555	1,947
Interest		316	383
Other receipts		885	391
Trust funds and deposits		78	59
Payments to suppliers		(5,010)	(6,330)
Payments to employees		(4,914)	(4,818)
Net cash provided by (used in) operating activities	26	9,778	3,818
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	20	(5,908)	(6,455)
Proceeds from sale of property, infrastructure, plant and equipment	7	78	166
(Increase)/ decrease in investments		(2,836)	1,800
Net cash provided by (used in) investing activities		(8,666)	(4,489)
Cash flows from financing activities			
Finance costs		(17)	(37)
Repayment of interest bearing loans and borrowings		(308)	(64)
Net cash provided by (used in) financing activities		(325)	(101)
Net increase/ (decrease) in cash and cash equivalents		787	(772)
Cash and cash equivalents at the beginning of the financial year		7,888	8,660
Cash and cash equivalents at the end of the financial year	15	8,675	7,888

The above statement of cash flows should be read in conjunction with the accompanying notes.

Financial statements

for the year ending 30 June 2015

Statement of Capital Works for the year ending 30 June 2015

	Note	2015 \$'000	2014 \$'000
Property			
Buildings		352	793
Total Buildings		352	793
Total Property		352	793
Plant and equipment			
Plant, machinery and equipment		459	416
Fixtures, fittings and equipment		62	85
Total plant and equipment		521	501
Infrastructure			
Roads		2,195	2,662
Bridges		664	1,699
Footpaths and cycleways		132	24
Drainage		94	211
Kerb and channel		48	85
Landfill		511	-
Other infrastructure		24	32
Total infrastructure		3,668	4,713
Total capital works expenditure	20	4,541	6,007
Represented by:			
New asset expenditure		1,141	793
Asset renewal expenditure		2,519	5,013
Asset upgrade expenditure		881	201
Total capital works expenditure	20	4,541	6,007

The above statement of capital works should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ending 30 June 2015

Introduction

- a) Towong Shire Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate.

The Council's main office is located at 32 Towong Street, Tallangatta, Victoria.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Note 1. Significant accounting policies

a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS that have significant effects on the financial statements and estimates relate to the:

- recognition and measurement of property, plant and equipment, infrastructure and other assets (refer to Note 1 (j));
- determination of depreciation and amortisation of property, plant and equipment, infrastructure and other assets (refer to Note 1 (k)); and
- the determination of employee costs and benefits (refer to Note 1 (p)).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure has been made of any material changes to comparatives.

b) Change in accounting policies

There have been no changes in accounting policies from the previous period.

Notes to the financial statements

for the year ending 30 June 2015

c) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

d) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Rates and Charges

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

Statutory fees and fines

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever occurs first.

User fees

User fees are recognised as revenue when the service has been provided or the payment is received, whichever occurs first.

Grants

Grant income is recognised as revenue when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured and they are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Contributions

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

Sale of property, infrastructure, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest

Interest is recognised as it is earned.

Notes to the financial statements

for the year ending 30 June 2015

Other Income

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

A provision for doubtful debts is recognised when collection in full is no longer probable.

e) Fair value measurement

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

g) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that impairment has occurred.

Notes to the financial statements

for the year ending 30 June 2015

h) Other financial assets

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Other financial assets include term deposits with an original maturity of greater than three months. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

i) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

j) Recognition and measurement of property, plant and equipment, infrastructure and other assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits detailed in Note 1 (k) have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 20 - Property, infrastructure, plant and equipment.

Notes to the financial statements

for the year ending 30 June 2015

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed by experienced council officers or independent experts.

Where assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land under roads

Council recognises land under roads it controls at fair value.

k) Depreciation and amortisation of property, plant and equipment, infrastructure and other assets

Property, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Notes to the financial statements

for the year ending 30 June 2015

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	2015	2014
Buildings		
buildings	50 years	50 years
Plant and Equipment		
vehicles	5 years	5 years
trucks (less than 3.5 t)	12 years	12 years
trucks (greater than 3.5 t)	15 years	15 years
front end loaders, backhoes and tractors	9 years	9 years
graders and dozers	10 years	10 years
rollers	15 years	15 years
mowers	5 years	5 years
trailers (less than 4.5 t)	10 years	10 years
trailers (greater than 4.5 t)	15 years	15 years
other plant	10 years	10 years
minor tools	3 years	3 years
Machinery		
office furniture and telecommunications	3 years	3 years
Infrastructure		
Roads		
sealed pavements	70 years	70 years
unsealed pavements	30 years	30 years
footpaths	68 years	68 years
kerb and channel	90 years	90 years
Bridges		
bridges	119 years	119 years
added features	80 years	80 years
Drainage		
underground drainage	120 years	120 years

In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

Threshold limit	2015 \$'000	2014 \$'000
Land	Nil	Nil
Buildings	5	5
Plant and equipment	1	1
Infrastructure	10	10

Notes to the financial statements

for the year ending 30 June 2015

l) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

m) Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

n) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 22).

o) Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in the net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. The weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised, except where specific borrowings are obtained for the purpose of specific asset acquisition. Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

p) Employee costs and benefits

Notes to the financial statements

for the year ending 30 June 2015

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Current Liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

- present value - component that is not expected to be wholly settled within 12 months
- nominal value - component that is expected to be wholly settled within 12 months

Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

q) Landfill rehabilitation provision

Council is obligated to restore landfill sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

r) Leases

Operating Leases

Lease payments for operating leases are required by AASB 117 - Leases to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Notes to the financial statements

for the year ending 30 June 2015

s) Website costs

Costs in relation to websites are charged as an expense in the period in which they are incurred.

t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

u) Contingent assets and contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented exclusive of the GST payable.

v) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

w) Pending accounting standards

Certain new AAS have been issued that are not mandatory for the 30 June 2015 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

Notes to the financial statements

for the year ending 30 June 2015

Note 2. Budget comparison

The budget comparison note compares Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of \$100,000 or 10% where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature. Positive variances are favourable to Council's financial position whilst negative variances are unfavourable to Council's financial position.

The budget figures detailed below are those adopted by Council on 5 August 2014. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

a) Income and expenditure

	Actual 2015 \$'000	Budget 2015 \$'000	Variance		Ref
			\$'000	%	
Income					
Rates and charges	7,042	6,985	57	1%	
Statutory fees and fines	176	159	17	11%	1
User fees	623	658	(35)	(5%)	
Grants – operating	7,111	5,205	1,906	37%	2
Grants – capital	3,555	3,169	386	12%	3
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	-	8	100%	4
Other income	978	966	12	1%	
Total income	19,493	17,142	2,351	14%	
Expenses					
Employee costs and benefits	5,009	5,886	877	15%	5
Materials and services	4,622	5,189	567	11%	6
Depreciation and amortisation	3,287	3,596	309	9%	
Borrowing costs	17	35	18	51%	7
Other expenses	316	379	63	17%	8
Total expenses	13,251	15,085	1,834	12%	
Surplus/ (deficit) for the year	6,242	2,057	4,185	203%	

Notes to the financial statements

for the year ending 30 June 2015

Explanation of material variations

Ref	Item	Explanation
1	Statutory fees and fines	Health registrations fees for 2014/15 were \$10,000 more than anticipated.
2	Grants – operating (recurrent)	The Victorian Grants Commission paid \$1,825,442 of Council's 2015/16 funding allocation. This was budgeted to be received in 2015/16.
3	Grants – capital (non-recurrent)	Blackspot funding of \$309,000 was budgeted to be received in 2013/14, but was not received until 2014/15.
4	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Gain on sale of plant and equipment was not budgeted.
5	Employee costs	There were several positions budgeted in the 2014/15 financial year which were not filled or were vacant longer than expected.
6	Materials and services	The main contributor to the favourable variance was the budgeted expenditure for the Wyeeboo Multi Purpose Facility of \$745,000 which will not be spent until the 2015/16 financial year.
7	Borrowing costs	The 2014/15 Budget allowed for a loan to be taken out to fund the underground power project in Tallangatta. The project has been put on hold as it was included in the submission for the National Stronger Regions Funding which will be announced in 2015/16.
8	Other expenses	The \$63,000 saving is due to the budgeted expenditure for library contributions has been spent under library materials and services expenses above in item 6.

Notes to the financial statements

for the year ending 30 June 2015

b) Capital works

	Actual 2015 \$'000	Budget 2015 \$'000	Variance		Ref
			\$'000	%	
Property					
Buildings	352	3,027	2,675	88%	1
Total buildings	352	3,027	2,675	88%	
Total property	352	3,027	2,675	88%	
Plant and equipment					
Plant, machinery and equipment	459	462	3	1%	
Fixtures, fittings and furniture	-	13	13	100%	2
Computers and telecommunications	62	272	210	77%	3
Total plant and equipment	521	747	226	30%	
Infrastructure					
Roads	2,195	2,507	312	12%	4
Bridges	664	1,055	391	37%	5
Footpaths and cycleways	132	143	11	8%	
Drainage	94	30	(64)	(213%)	6
Parks, open space and streetscapes	24	1,310	1,286	98%	7
Kerb and channel	48	166	118	71%	8
Landfill	511	-	(511)	(100%)	9
Other infrastructure	-	793	793	100%	10
Total infrastructure	3,668	6,004	2,336	39%	
Total capital works expenditure	4,541	9,778	5,237	54%	
Represented by:					
New asset expenditure	1,141	4,133	2,992		
Asset renewal expenditure	2,519	3,240	721		
Asset upgrade expenditure	881	2,405	1,524		
Total capital works expenditure	4,541	9,778	5,237	54%	

Notes to the financial statements

for the year ending 30 June 2015

Explanation of material variations

Ref	Item	Explanation
1	Buildings	Buildings and building improvement works that were expected to be completed in 2014/15 will be carried forward into 2015/16 include the – Tallangatta Integrated Community Centre (\$2,150,000), Tallangatta Holiday Park (\$300,000) and Colac Colac Caravan Park (\$124,000).
2	Fixtures, fittings and furniture	These works were carried out however have been included in the Buildings category above.
3	Computers and telecommunications	The Finance System upgrade (\$200,000) will be carried forward into 2015/16.
4	Roads	The LED street lighting project (\$195,000) and Towong Street construction will be carried forward into 2015/16.
5	Bridges	Council agreed to a bridge renewal program in 2014/15 however funds were allocated to other capital projects considered by Council to be a higher priority.
6	Drainage	The Callaghan Creek Culverts (\$47,000) were carried out from the savings from the bridge renewal program above.
7	Parks, open spaces and streetscapes	Major projects that have started but are not complete at 30 June 2015 include Our Bellbridge (\$950,000), Tallangatta streetscape (\$112,000), and town streetscapes (\$55,000).
8	Kerb and channel	The kerb replacement program (\$118,000) will be carried forward into 2015/16.
9	Landfill	The construction of the new landfill cell was brought forward into 2014/15 to meet Council's operational needs. It was originally provided for in 2015/16.
10	Other infrastructure	The Towong Street underground power project (\$493,000) and other infrastructure works (\$300,000) will be carried forward into 2015/16.

Note: The projects listed below are being carried forward into 2015/16 due to them being part of the application for National Stronger Regions Funding. The result of this funding announcement will not be made until late 2015.

- Tallangatta Holiday Park - \$300,000
- Tallangatta streetscape - \$112,000
- Kerb replacement program - \$118,000
- Towong Street underground power - \$493,000

Notes to the financial statements

for the year ending 30 June 2015

Note 3. Rates and charges

Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and capital improvements on the land.

The valuation base used to calculate general rates for 2014/15 was \$1,318 million (2013/14 \$1,276 million). The 2014/15 rate in the CIV dollar was 0.3574 cents to 1.4296 cents (2013/14, 0.3490 cents to 1.3960 cents).

	2015 \$'000	2014 \$'000
Residential general rates	1,183	1,141
Business general rates	131	125
Rural Residential general rates	801	744
Rural general rates	2,888	2,695
Municipal charge	928	866
Garbage charge	707	645
Waste Management charge	361	339
Revenue in lieu of rates	43	42
Total rates and charges	7,042	6,597

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation was first applied in the current rating year commencing 1 July 2014.

Note 4. Statutory fees and fines

	2015 \$'000	2014 \$'000
Infringements and costs	8	5
Land information certificates	4	4
Health registration fees	30	19
Permits	99	81
Town planning fees	35	62
Total statutory fees and fines	176	171

Notes to the financial statements

for the year ending 30 June 2015

Note 5. User fees

	2015 \$'000	2014 \$'000
Childrens program fees	26	48
External private works	58	11
Refuse disposal fees	138	142
Saleyard dues	33	27
Septic tank fees	7	8
Swimming pool fees	37	41
Valuation fees/supplementary charges	76	9
Other fees and charges	248	153
Total user fees	623	439

Notes to the financial statements

for the year ending 30 June 2015

Note 6. Grants

	2015 \$'000	2014 \$'000
Summary of grants		
Federally funded grants	618	822
State funded grants	10,039	6,210
Other grants	9	9
Total	10,666	7,041
Operating Grants		
<i>Recurrent</i>		
Victoria Grants Commission – General Purpose	3,433	1,064
Victoria Grants Commission – Local Roads	2,059	661
Family and Children	483	414
Community	106	124
Emergency Services	92	92
School crossing supervisors	9	9
<i>Total recurrent</i>	<i>6,182</i>	<i>2,364</i>
<i>Non-recurrent</i>		
Community Development	193	246
Family and Children	-	59
Infrastructure	621	675
Emergency	-	576
Environment	-	55
Economic Development	115	119
<i>Total non-recurrent</i>	<i>929</i>	<i>1,730</i>
Total operating	7,111	4,094
Capital Grants		
<i>Recurrent</i>		
Roads to Recovery	618	822
Country Roads and Bridges	1,000	1,000
Local Government Infrastructure Program	490	500
<i>Total recurrent</i>	<i>2,108</i>	<i>2,322</i>
<i>Non-recurrent</i>		
Infrastructure (buildings)	814	625
Roads/ Blackspot	594	-
Other infrastructure	39	-
<i>Total non-recurrent</i>	<i>1,447</i>	<i>625</i>
Total capital grants	3,555	2,947
Total Grants	10,666	7,041

Notes to the financial statements

for the year ending 30 June 2015

	2015 \$'000	2014 \$'000
Conditions on grants		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:		
Community development	108	193
Economic development and marketing	64	84
Emergency management	-	57
Environment	-	36
Family and children	-	45
Infrastructure grant	913	1,488
Recreation	-	20
Total	1,085	1,923
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Community development	164	105
Economic development	84	40
Emergency management	63	93
Environment	29	5
Family and children	9	10
Governance	49	50
Infrastructure grant	2,381	1,715
Planning	-	58
Recreation	86	279
	2,865	2,355
Net increase (decrease) in restricted assets resulting from grant revenues for the year	(1,780)	(432)
Opening restricted assets resulting from grant revenues	3,794	4,226
Net increase/ (decrease) in restricted assets resulting from grant revenues	(1,780)	(432)
Closing restricted assets resulting from grant revenues	2,014	3,794

Notes to the financial statements

for the year ending 30 June 2015

Note 7. Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2015 \$'000	2014 \$'000
Proceeds of sale	78	166
Written down value of assets disposed	(70)	(69)
Total net gain/ (loss) on disposal of property, infrastructure, plant and equipment	8	97

Note 8. Other income

	2015 \$'000	2014 \$'000
Interest	321	347
Interest on rates	48	36
Community contributions	325	119
Other rent	49	51
Shared service	109	109
Walwa Waste Water Supply Scheme Special Charge	-	438
Other	126	173
Total other income	978	1,273

Note 9. Employee costs and benefits

	2015 \$'000	2014 \$'000
Wages and salaries	4,059	3,797
WorkCover	71	72
Annual leave and long service leave	461	516
Superannuation (Note 10)	403	436
Fringe benefits tax	15	25
Total employee benefits	5,009	4,846

Notes to the financial statements

for the year ending 30 June 2015

Note 10. Superannuation

Council made contributions to the following funds:

	2015 \$'000	2014 \$'000
Defined benefit funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	49	77
	49	77
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	181	194
Employer contributions to other funds	173	165
	354	359
Employer contributions payable at reporting date	-	-
Total Superannuation	403	436

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015 this was 9.5% required under Superannuation Guarantee legislation (2013/14: 9.25%)).

Defined benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Notes to the financial statements

for the year ending 30 June 2015

Note 11. Materials and services

	2015 \$'000	2014 \$'000
Materials and services	2,736	3,568
Contract payments	301	493
Building maintenance	1,062	1,122
Plant and equipment maintenance	351	382
Utilities	166	171
Consultants	6	80
Total materials and services	4,622	5,816

Note 12. Depreciation and amortisation

	2015 \$'000	2014 \$'000
<i>Property</i>		
Buildings and improvements	472	454
<i>Plant and Equipment</i>		
Plant, machinery and equipment	527	564
Fixtures, fittings and furniture	-	2
Computers and telecommunications	99	79
<i>Infrastructure</i>		
Roads	1,797	1,977
Bridges	216	222
Footpaths and cycle ways	22	23
Drainage	57	57
Kerb and channel	84	85
Landfill	12	98
Streetscapes	1	-
Total depreciation	3,287	3,561

Refer to Note 20 for a more detailed breakdown of depreciation and amortisation charges

Note 13. Borrowing costs

	2015 \$'000	2014 \$'000
Bank fees and overdraft charges	8	6
Interest - Finance leases	9	31
Total borrowing costs	17	37

Notes to the financial statements

for the year ending 30 June 2015

Note 14. Other expenses

	2015 \$'000	2014 \$'000
Auditors' remuneration	29	44
Councillors' allowances	150	146
Contributions	137	276
Total other expenses	316	466

Note 15. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash and cash equivalents		
Cash on hand	1	1
Cash at bank	1,900	203
Money market call account	2,124	2,260
Term deposits	7,486	5,424
Less: Term deposits greater than three months	(2,836)	-
Total cash and cash equivalents	8,675	7,888
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
- Reserve funds allocated for specific future purposes (Note 6)	2,014	3,794
- Trust funds and deposits (Note 22)	276	198
Restricted Funds	2,290	3,992
Total unrestricted cash and cash equivalents	6,385	3,896
Intended allocations		
Although not externally restricted the following amount has been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	3,509	936

Notes to the financial statements

for the year ending 30 June 2015

Note 16. Trade and other receivables

	2015 \$'000	2014 \$'000
Current		
Rates debtors	546	474
Walwa Waste Water Supply Scheme debtors	17	300
Eskdale Water Supply Scheme debtors	9	35
Fire Service Property Levy debtors	72	65
Sundry debtors	134	272
Accrued income	72	19
Net GST receivable	216	163
Total current trade and other receivables	1,066	1,328
Non-current		
Walwa Waste Water Supply Scheme debtors	167	-
Eskdale Water Supply Scheme debtors	18	-
Total non-current trade and other receivables	185	-
Total trade and other receivables	1,251	1,328

Note – Walwa Waste Water Supply Scheme and Eskdale Water Supply Scheme debtors were reclassified between current and non-current receivables in 2014/15.

a) Ageing of trade receivables

At balance date sundry debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of Council's trade receivables (excluding statutory receivables) was:

	2015 \$'000	2014 \$'000
Current (not yet due)	98	246
Past due by up to 30 days	2	6
Past due between 31 and 180 days	21	8
Past due between 181 and 365 days	3	3
Past due by more than 1 year	10	9
Total trade receivables	134	272

Notes to the financial statements

for the year ending 30 June 2015

Note 17. Other financial assets

	2015 \$'000	2014 \$'000
Term deposits	2,836	-
Total other financial assets	2,836	-

Note 18. Inventories

	2015 \$'000	2014 \$'000
Inventories held for internal use	253	265
Total inventories	253	265

Note 19. Other assets

	2015 \$'000	2014 \$'000
Current		
Prepayments	17	29
Total	17	29

Notes to the financial statements

for the year ending 30 June 2015

Note 20. Property, infrastructure, plant and equipment

Property, infrastructure, plant and equipment 2015	Property (Note a)	Plant and equipment (Note b)	Infrastructure (Note c)	Capitalised property, infrastructure, plant and equipment	Work in Progress	Total property, infrastructure, plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2014	28,813	6,747	209,228	244,787	-	244,787
Accumulated depreciation at 1 July 2014	(10,879)	(3,777)	(54,361)	(69,016)	-	(69,016)
Written down value at 1 July 2014	17,934	2,970	154,867	175,771	-	175,771
Movements in fair value						
Acquisition of assets at fair value	352	521	3,668	4,541	1,367	5,908
Revaluation increments/ (decrements)	-	-	-	-	-	-
Fair value of assets disposed	(67)	(211)	-	(278)	-	(278)
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total movements in fair value	285	310	3,668	4,263	1,367	5,630
Movements in accumulated depreciation						
Depreciation and amortisation	(472)	(626)	(2,189)	(3,287)	-	(3,287)
Revaluation increments/ (decrements)	-	-	-	-	-	-
Accumulated depreciation of disposals	-	208	-	208	-	208
Transfers	-	-	-	-	-	-
Total movements in accumulated depreciation	(472)	(418)	(2,189)	(3,079)	-	(3,079)
At fair value 30 June 2015	29,098	7,057	212,896	249,050	1,367	250,411
Accumulated depreciation at 30 June 2015	(11,351)	(4,195)	(56,550)	(72,095)	-	(72,089)
Written down value at 30 June 2015	17,747	2,862	156,346	176,955	1,367	178,322

Notes to the financial statements

for the year ending 30 June 2015

Property, infrastructure, plant and equipment 2014	Property	Plant and equipment	Infrastructure	Capitalised property, infrastructure, plant and equipment	Work in Progress	Total property, infrastructure, plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2013	28,020	6,656	223,070	257,746	-	257,746
Accumulated depreciation at 1 July 2013	(10,425)	(3,473)	(62,595)	(76,493)	-	(76,493)
Written down value at 1 July 2013	17,595	3,183	160,475	181,253	-	181,253
Movements in fair value						
Acquisition of assets at fair value	793	501	4,713	6,007	-	6,007
Revaluation increments/ (decrements)	-	-	(18,555)	(18,555)	-	(7,859)
Fair value of assets disposed	-	(410)	-	(410)	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total movements in fair value	793	91	(13,842)	(12,958)	-	(12,958)
Movements in accumulated depreciation						
Depreciation and amortisation	(454)	(645)	(2,462)	(3,561)	-	(3,561)
Revaluation increments/ (decrements)	-	-	10,696	10,696	-	10,696
Accumulated depreciation of disposals	-	341	-	341	-	341
Transfers	-	-	-	-	-	-
Total movements in accumulated depreciation	(454)	(304)	8,234	7,476	-	7,476
At fair value 30 June 2014	28,813	6,747	209,228	244,787	-	244,787
Accumulated depreciation at 30 June 2014	(10,879)	(3,777)	(54,361)	(69,016)	-	(69,016)
Written down value at 30 June 2014	17,934	2,970	154,867	175,771	-	175,771

Notes to the financial statements

for the year ending 30 June 2015

a. Property

Property	Land - specialised \$'000	Land – non specialised \$'000	Total Land \$'000	Buildings – non specialised \$'000	Total land and buildings \$'000	Work in progress (WIP) \$'000	Total property including WIP \$'000
At fair value 1 July 2014	1,545	3,827	5,372	23,441	28,813	-	28,813
Accumulated depreciation at 1 July 2014	-	-	-	(10,879)	(10,879)	-	(10,879)
Written down value at 1 July 2014	1,545	3,827	5,372	12,562	17,934	-	17,934
Movements in fair value							
Acquisition of assets at fair value	-	-	-	352	352	1,362	1,714
Revaluation increments/decrements	-	-	-	-	-	-	-
Fair value of assets disposed	-	(67)	(67)	-	(67)	-	(67)
Impairment losses recognised in operating result	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Total movements in fair value	-	(67)	(67)	352	285	1,362	1,647
Movements in accumulated depreciation							
Depreciation and amortisation	-	-	-	(472)	(472)	-	(472)
Revaluation increments/ (decrements)	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Total movements in accumulated depreciation	-	-	-	(472)	(472)	-	(472)
At fair value 30 June 2015	1,545	3,760	5,305	23,793	29,098	1,362	30,460
Accumulated depreciation at 30 June 2015	-	-	-	(11,351)	(11,351)	-	(11,351)
Written down value at 30 June 2015	1,545	3,760	5,305	12,442	17,747	1,362	19,109

Notes to the financial statements

for the year ending 30 June 2015

b. Plant and equipment

	Plant, machinery and equipment	Fixtures, fittings and furniture	Computers	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2014	6,423	17	307	6,747
Accumulated depreciation at 1 July 2014	(3,628)	(17)	(132)	(3,777)
Written down value at 1 July 2014	2,795	-	175	2,970
Movements in fair value				
Acquisition of assets at fair value	459	-	62	521
Revaluation increments/decrements	-	-	-	-
Fair value of assets disposed	(189)	-	(22)	(211)
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
Total movements in fair value	270	-	40	310
Movements in accumulated depreciation				
Depreciation and amortisation	(527)	-	(99)	(626)
Revaluation increments/ (decrements)	-	-	-	-
Accumulated depreciation of disposals	186	-	22	208
Transfers	-	-	-	-
Total movements in accumulated depreciation	(341)	-	(77)	(418)
At fair value 30 June 2015	6,693	17	347	7,057
Accumulated depreciation at 30 June 2015	(3,969)	(17)	(209)	(4,195)
Written down value at 30 June 2015	2,724	-	138	2,862

Notes to the financial statements

for the year ending 30 June 2015

c. Infrastructure

Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Parks, open spaces and streetscapes	Kerb and channel	Landfill	Total infrastructure	Work in progress	Total infrastructure including WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2014	168,450	24,856	1,375	6,791	-	7,518	238	209,228	-	209,228
Accumulated depreciation at 1 July 2014	(36,018)	(10,947)	(624)	(2,719)	-	(3,815)	(238)	(54,361)	-	(54,361)
Written down value at 1 July 2014	132,432	13,909	751	4,072	-	3,703	-	154,867	-	154,867
Movements in fair value										
Acquisition of assets at fair value	2,195	664	132	94	24	48	511	3,668	5	3,673
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total movements in fair value	2,195	664	132	94	24	48	511	3,668		3,673
Movements in accumulated depreciation										
Depreciation and amortisation	(1,797)	(216)	(22)	(57)	(1)	(84)	(12)	(2,189)	-	(2,189)
Revaluation increments/ (decrements)	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total movements in accumulated depreciation	(1,797)	(216)	(22)	(57)	(1)	(84)	(12)	(2,189)	-	(2,189)
At fair value 30 June 2015	170,645	25,520	1,507	6,885	24	7,566	749	212,896	5	212,901
Accumulated depreciation at 30 June 2015	(37,815)	(11,163)	(646)	(2,776)	(1)	(3,899)	(250)	(56,550)	-	(56,550)
Written down value at 30 June 2015	132,830	14,357	861	4,109	23	3,667	499	156,346	5	156,351

Notes to the financial statements

for the year ending 30 June 2015

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer (Marcus Hann, 62901, of LG Valuation Services Pty Ltd, ABN 77 095 763 625) as at 1 July 2012. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Details of Council's land and buildings and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3
Land	-	-	3,760
Specialised land	-	-	1,545
Buildings	-	-	12,442
Total	-	-	17,747

Valuation of infrastructure

A valuation of Council's infrastructure assets was performed by Moloney Asset Management Systems. The effective date of the valuation is 30 June 2014, for all infrastructure assets other than drainage assets. A valuation of Council's drainage assets was performed by Bruce Braines, Manager Assets Towong Shire Council effective 30 June 2009.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2015 are as follows:

Notes to the financial statements

for the year ending 30 June 2015

	Level 1	Level 2	Level 3
Roads	-	-	132,830
Bridges	-	-	14,357
Footpaths and cycleways	-	-	861
Drainage	-	-	4,109
Parks, open space and streetscapes	-	-	23
Kerb and channel	-	-	3,667
Landfill	-	-	499
Total	-	-	156,346

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 85% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$3,000 and \$245,000.

Non-Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated per building and ranges from \$10,000 to \$1,540,000. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and start from 50 years useful life. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 11 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Notes to the financial statements

for the year ending 30 June 2015

Note 21. Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables	397	711
Accrued wages	122	91
Accrued expenses	141	85
Total trade and other payables	660	887

Note 22. Trust funds and deposits

	2015 \$'000	2014 \$'000
Retention amounts	100	94
Fire Services Property Levy	121	69
Refundable deposits	55	35
Total trust funds and deposits	276	198

Purpose and nature of items

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Fire Services Property Levy - Council is the collection agent for the Fire Services Property Levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process.

Refundable deposits - Deposits are taken by Council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Notes to the financial statements

for the year ending 30 June 2015

Note 23. Provisions

	Annual leave	Long service leave	Flexi time	Landfill rehabilitation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2015					
Balance at beginning of the financial year	245	808	14	232	1,299
Additional provisions	333	127	96	205	761
Amounts used	(288)	(79)	(94)	(12)	(473)
Balance at the end of the financial year	290	856	16	425	1,587
2014					
Balance at beginning of the financial year	252	773	14	200	1,239
Additional provisions	318	144	82	32	576
Amounts used	(325)	(109)	(82)	-	(516)
Balance at the end of the financial year	245	808	14	232	1,299

Notes to the financial statements

for the year ending 30 June 2015

(a) Employee benefits

	2015 \$'000	2014 \$'000
Current provisions expected to be wholly settled within 12 months		
Annual leave	290	245
Long service leave	786	741
Flexi Time	16	14
	1,092	1,000
Non-current (refer (ii) below)		
Long service leave	70	67
	70	67
Aggregate carrying amount of employee benefits:		
Current	1,092	1,000
Non-current	70	67
	1,162	1,067
The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	4.44%	4.44%
Weighted average discount rates	3.03%	3.57%
Weighted average settlement period	12 years	12 years
(i) Current		
All annual leave and the long service leave entitlements representing 7 or more years of continuous service		
• Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	424	370
• Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	668	630
	1,092	1,000
(ii) Non-current		
Long service leave representing less than 7 years of continuous service measured at present value	70	67

Notes to the financial statements

for the year ending 30 June 2015

(b) Landfill restoration

	2015 \$'000	2014 \$'000
Current	-	-
Non-current	425	232
Total	425	232
Weighted average increase in costs	3.000%	
Weighted average discount rates	3.028%	
Weighted average settlement period	30 years	

Notes to the financial statements

for the year ending 30 June 2015

Note 24. Interest bearing loans and borrowings

	2015 \$'000	2014 \$'000
<i>Borrowings</i>		
Current	-	-
Non-current	32	50
Total Borrowings	32	50
<i>Interest bearing loans and finance leases</i>		
Council had the following obligations under finance leases for the lease of equipment (the sum of which is recognised as a liability after deduction of future lease finance charges included in the obligation):		
Not later than one year	-	296
Minimum lease payments	-	296
Less: Future finance charges	-	(6)
Recognised in the balance sheet as:	-	290
Leases		
Current	-	290
Non-current	-	-
Total Leases	-	290
The leasing arrangements were equal monthly payments with a balloon payment at lease end to purchase the equipment outright.		
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	-	290
Non-current	32	50
Total interest-bearing loans and borrowings	32	340

Notes to the financial statements

for the year ending 30 June 2015

Note 25. Reserves

Asset revaluation reserve

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
2015			
Property			
Land	8,774	-	8,774
Buildings	2,398	-	2,398
	11,172	-	11,172
Infrastructure			
Roads	80,518	-	80,518
Bridges	10,789	-	10,789
Footpaths and cycleways	513	-	513
Drainage	3,663	-	3,663
Kerb and channel	3,758	-	3,758
	99,241	-	99,241
Total asset revaluation reserve	110,413	-	110,413
2014			
Property			
Land	8,774	-	8,774
Buildings	2,398	-	2,398
	11,172	-	11,172
Infrastructure			
Roads	88,795	(8,277)	80,518
Bridges	10,567	222	10,789
Footpaths and cycleways	545	(32)	513
Drainage	3,663	-	3,663
Kerb and channel	3,530	228	3,758
	107,100	(7,859)	99,241
Total asset revaluation reserve	118,272	(7,859)	110,413

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Notes to the financial statements

for the year ending 30 June 2015

Note 26. Reconciliation of cash flows from operating activities to surplus (deficit)

	2015 \$'000	2014 \$'000
Surplus/ (deficit)	6,242	892
Depreciation/amortisation	3,287	3,561
Profit/ (loss) on disposal of property, infrastructure, plant and equipment	(8)	(97)
Financing activities included in operating result	17	37
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	77	(689)
(Increase)/decrease in prepayments	12	22
(Increase)/decrease in inventories	12	(147)
Increase/(decrease) in trade and other payables (operating)	(227)	189
Increase/(decrease) in provisions	288	60
Increase/ (decrease) in trust funds and deposits	78	(10)
Net cash provided by/(used in) operating activities	9,778	3,818

Note 27. Financing arrangements

	2015 \$'000	2014 \$'000
Bank overdraft	-	400
Used facilities	-	-
Unused facilities	-	400

Notes to the financial statements

for the year ending 30 June 2015

Note 28. Commitments

2015	Not later than 1 year	1 to 2 years	2 to 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Other waste disposal	19	20	66	24	129
Total	19	20	66	24	129
Capital					
Digouts/major patching	600	-	-	-	600
Colac Colac Caravan park	145	-	-	-	145
Bellbridge streetscape	146	-	-	-	146
Tallangatta Integrated Community Centre	1,443	-	-	-	2,120
Total	2,334	-	-	-	2,334

2014	Not later than 1 year	1 to 2 years	2 to 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Other waste disposal	18	19	58	49	144
Total	18	19	58	49	144
Capital					
Bridge replacements	187	-	-	-	187
Magorra Park Multi Purpose Centre	871	-	-	-	871
Road resealing	750	-	-	-	750
Total	1,808	-	-	-	1,808

Notes to the financial statements

for the year ending 30 June 2015

Note 29. Operating leases

At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of land for use within Council's activities (these obligations are not recognised as liabilities):

	2015 \$'000	2014 \$'000
Not later than one year	19	18
Later than one year and not later than five years	110	77
Later than five years	-	49
	129	144

Note 30. Contingent liabilities

a. Defined benefit superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Funding arrangements

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Council is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	7.5% pa
Salary information	4.25% pa
Price inflation (CPI)	2.75% pa.

Vision Super has advised that the estimated VBI at 30 June 2015 was 105.8%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

Notes to the financial statements

for the year ending 30 June 2015

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, Council makes employer contributions to the Fund's defined benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the defined benefit category is in an unsatisfactory financial position at actuarial investigation or the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Towong Shire Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

Notes to the financial statements

for the year ending 30 June 2015

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Council was notified of the results of the actuarial investigation during January 2015.

(a) Superannuation contributions

Contributions by Towong Shire Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

Scheme	Type of scheme	Rate	2015 \$'000	2014 \$'000
Vision Super	Defined benefits	9.5%	49	77
Vision Super	Accumulation	9.5%	181	194
Other funds	Accumulation	9.5%	173	165

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015.

Note 31. Financial Instruments

(a) Objectives and policies

Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Notes to the financial statements

for the year ending 30 June 2015

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. We manage interest rate risk by adopting an investment policy that ensures:

- diversification of investment product
- monitoring of return on investment
- benchmarking of returns and comparison with budget

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with
- we may require collateral where appropriate
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Notes to the financial statements

for the year ending 30 June 2015

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 30.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements we will not have sufficient funds to settle a transaction when required.

To help reduce these risks Council:

- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis

Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 24.

e) Fair value

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy.

Council's financial assets and liabilities are measured at amortised cost.

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Notes to the financial statements

for the year ending 30 June 2015

Note 32. Related party transactions

a) Responsible persons

Names of persons holding the position of a responsible person at Council at any time during the year are:

- Councillors
 - Cr Mary Fraser (Mayor - 1 July 2014 to 11 November 2014)
 - Cr David Wortmann (Mayor - 11 November 2014 to 30 June 2015)
 - Cr Debi Gadd
 - Cr Peter Joyce
 - Cr Aaron Scales
- Chief Executive Officer
 - Ms Juliana Phelps
 - Mr Jamie Heritage (acting from 16 March 2015 to 22 May 2015)

b) Remuneration of responsible persons

	2015 Number of responsible persons	2014 Number of responsible persons
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	1
	6	6
	\$'000	\$'000
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	347	344

c) Senior officers remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive or whose total annual remuneration exceeds \$136,000 (2013/14: \$133,000).

Notes to the financial statements

for the year ending 30 June 2015

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

	2015 Number of senior officers	2014 Number of senior officers
<\$136,000	2	2
\$140,000 - \$149,999	1	-
\$150,000 - \$159,000	-	1
\$160,000 - \$169,999	1	-
	4	3
	\$'000	\$'000
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	490	269

Note –due to change in organisational structure in 2014/15 from three Directors to two Directors, two Managers now report directly to the CEO as well as the two Directors.

d) Responsible persons retirement benefits

No retirement benefits have been made by Council to a Responsible Person (2013/14: nil).

e) Loans to responsible persons

No loans have been made, guaranteed or secured by Council to a Responsible Person during the reporting year (2013/14: nil).

f) Transactions with responsible persons

There were payments of \$2,998.41 (including GST) made to Dartmouth Pub Pty Ltd in 2014/15 (2013/14 \$2,923.90). Cr Aaron Scales has an interest in this business.

No other transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2013/14: nil).

Note 33. Events occurring after balance date

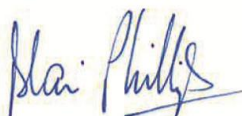
No matters have occurred after balance date that require disclosure in the financial report.

Notes to the financial statements

for the year ending 30 June 2015

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the Local Government Act 1989, the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards and other mandatory professional reporting requirements.



Mr Blair Phillips, Certified Practicing Accountant

Principal Accounting Officer

Tuesday 22 September 2015

Tallangatta

In our opinion the accompanying financial statements present fairly the financial transactions of Towong Shire Council for the year ended 30 June 2015 and the financial position of Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by Council and by the Local Government (Planning and Reporting) Regulations 2014 to certify the financial statements in their final form.



Cr David Wortmann

Mayor

Tuesday 22 September 2015

Tallangatta



Cr Debi Gadd

Councillor

Tuesday 22 September 2015

Tallangatta



Ms Juliana Phelps, Chartered Accountant

Chief Executive Officer

Tuesday 22 September 2015

Tallangatta

Auditor General's report

VAGO

Victorian Auditor-General's Office

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

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Towong Shire Council

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the Towong Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements has been audited.

The Councillors' Responsibility for the Financial Report

The Councillors of the Towong Shire Council are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditing in the Public Interest

Auditor General's report

Independent Auditor's Report (continued)

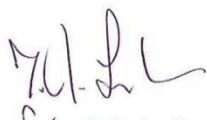
Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion the financial report presents fairly, in all material respects, the financial position of the Towong Shire Council as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE
25 September 2015


Dr Peter Frost
Acting Auditor-General

Shared Services

A 'win/win' solution Indigo and Towong Councils

Why the alternative approach?

When the Rates Officer at Indigo Shire Council resigned, the Council faced a problem that is not uncommon to other small rural Councils. In rural areas, the recruitment of suitably experienced and qualified staff can be very difficult and time consuming and result in significant interruption to service delivery. The lack of suitable candidates that is often experienced can possibly be linked to inability of smaller Councils to remunerate people at the same level as larger Councils as well as the more remote location of rural Councils. The area of property and rates services is no exception.

Indigo Shire Council sought an alternative solution – a shared service arrangement with neighbouring Towong Shire Council.

What is involved?

Towong is responsible for providing core property and rates services including rates notices, technical rates related queries and the recovery of unpaid rates. Indigo remains responsible for fielding initial queries but has the option of forwarding more complex enquiries to Towong if required.

The costing for the shared service arrangement is on an open-book shared basis. Costs are split on a pro-rata basis between the two Councils – including transaction costs, staffing and any investment in enhancements. Staff costs are currently similar in scale to those before the shared service, although these will reduce over time as the larger Towong team skill-up and become more efficient in service delivery. In addition, Towong has renegotiated printing costs based on the combined volume. The total cost of producing rates notices is forecast to drop from \$13.12 per assessment down to \$9.88 per assessment, a reduction of 25%.

Towong have employed a range of innovative technical solutions to overcome some of the challenges of implementing a shared service.

For example, a seamless phone service for ratepayers using a Voice Over Internet Protocol (VOIP) telephone connection was implemented. This cost effective option allows calls to be transferred between the two Councils without the expense of replacing existing telephony systems or other expensive system enhancements.

Another example is in relation to rates notices; Towong was also able to employ newer technology that enabled a move away from pre-printed base stock. This assists the Councils to implement changes to rates notices without the associated waste of redundant stock and has also resulted in a significant print cost reduction. Indigo were able to seamlessly access this new technology as part of the shared service arrangement. The technology also allowed for the redesign of rates notices so they are aligned across both Councils, providing further processing efficiencies.

The benefits so far

The arrangement has already delivered benefits to both Councils. In the short term, Indigo did not need to invest the time and effort required to find and train a new employee. In fact Towong were able to take the first Indigo queries within two weeks of getting the “go-ahead”. Shortly after, the first rates notices were issued on time for both Councils by Towong. Meeting those delivery timeframes was challenging enough and Towong met those with the added complexity of implementing the Fire Services Property Levy.

Into the future

Both Indigo and Towong have reduced their level of operational risk. Towong has moved from one part-time employee to a larger rates team which allows the work to be spread over more people. The flexible team structure also facilitates expanded customer service coverage across the week for both Councils. It also means that if there is staff movement, there is a larger team to train new starters. The larger team environment has also produced new ideas and service improvements, including the implementation of electronic rates notices which are scheduled to be implemented in 2015. Whilst Towong will undertake the analysis to identify and implement these changes, Indigo will share in the benefits. Having Towong do the “heavy lifting” on service improvements allows the Indigo team to focus on other high priority areas within their organisation.

The shared service arrangement is constantly being reviewed to refine its operation, however both Councils agree that it is a ‘win/win’. This has spurred them and other local Councils to investigate further opportunities to identify how they may benefit from working in collaboration.

Further Information

Further information in relation to this initiative can be obtained by contacting:

Mrs Jo Shannon
 Director Community and Corporate Services
 E: jo.shannon@towong.vic.gov.au

Shared Services – Rates and Property

06/01/0036: Service Review
June 2015 (Final)

Prepared by Blair Phillips and Jo Shannon

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Overview

In July 2013, Towong Shire Council and Indigo Shire Council commenced a shared service arrangement for the provision of Core Property and Rates services. The nature of the arrangement is a shared team basis rather than a customer/supplier relationship. Under the arrangement, Towong Shire Council provides services on behalf of Indigo Shire Council and shares agreed costs on a pro-rata basis.

The service also produces the annual animal registration notices.

The focus of the team over the first two years of operations has been on establishing robust processes and templates, building a cohesive high performing team and cleansing data to improve accuracy. A number of manual processes have now been automated. There have been challenges that the partners have been willing to accept and find quick and effective solutions. The team is now in a position to produce accurate, timely rates notices and provide appropriate advice to ratepayers.

This Service Review covers the period 1 July 2014 to 30 June 2015.

Key recommendations

The attached report details a range of recommendations to improve service delivery and reduce risk to both partnering Councils. The key recommendations are

- Reviewing and implementing improvements to debt collection and payment plan processes
- Implementing electronic rates notices and animal registration notices
- Streamlining administrative process around low value transactions
- Establishing clear processes for supplementary valuations
- Considering options for reporting on customer service performance
- Adopting a resourcing model of 1.73FTE.

Service performance

1. Legislative Compliance

The Local Government Act 1989 provides Councils with a range of responsibilities when applying rates and charges on land within a Local Government Area. The Valuation of Land Act 1960 also imposes responsibilities on Council with respect to the valuation of land for rating purposes.

The key compliance obligations delivered by the shared rates and property service are in relation to:

- Declaring rates and charges, particularly the content required in the rates notice (s158 LGA 1989)
- Payment of rates and charges (s167 LGA 1989)
- Forwarding of valuation objections to the valuation authority or valuer (s21 VLA 1960).

Notices	Reference	Legislative requirement	Result	Achieved	Comment
Rates notice contains prescribed content	LGA 1989 S158(4)			✓	
Rates notice issued 14 days prior to due date	LGA 1989 S158(4)(d)	16-Sep	26-Sep	✗	Refer note 1 overleaf
Where the rates notice issued less than 14 days prior to due date, the payment date is extended for ratepayers	LGA 1989 S158(4B)			✓	Refer note 1 overleaf
Instalment notice issued 14 days prior to due date: Second Instalment	LGA 1989 S158(4A)	16-Nov	6-Nov	✓	Notices issued 27 Oct 2014 (posted 6 Nov)
Third Instalment		14-Feb	6-Feb	✓	Notices issued 29 Jan 2015 (posted 6 Feb)
Fourth Instalment		17-May	7-May	✓	Notices issued 4 May 2015 (posted 7 May)
Animal Registration Notices		27-Mar	11-Mar	✓	Notices issued 1 March 2015 (posted 11 March)
Forwarding valuation objections	VLA 1960 s21			✓	100% of objections were forwarded to valuer within required time frames

Notes

1. The 2014/15 Rates and Valuation notice was issued later than the legislated date (16 September 2014) due to changes in layout and formatting, changes in staffing and lack of clarity in terms of lines of authority.

The new format provides a clearer layout which enables ratepayers to better understand the rates and charges applicable for the relevant rating year (sample attached at Appendix A). Notices were issued on 17 September 2014 and posted on 26 September 2014. Where the rates notice is issued less than 14 days prior to the legislative due date, the Act provides for the payment date to be extended for affected ratepayers. The revised date was included on the issued rates notices.

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
1	Develop and circulate a calendar with cut-off dates and allocation of responsibility for key activities	Blair Phillips	Sep 2015	Draft developed and awaiting feedback
2	Finalise Service Level Agreement	Jo Shannon / Greg Pinkerton	Sep 2015	Draft developed. Awaiting finalisation of above calendar.

2. Operational performance

2.1. Rates notice production

In 2014/15 the rates team produced the following notices for Indigo and Towong Shire ratepayers:

- Rates and Valuation Notice
- Instalment Two Notice
- Instalment Three Notice
- Instalment Four Notice.

The team also produced animal registration notices for registered cat and dog owners in the Indigo and Towong Shires.

Currently all notices are distributed using Australia Post's mail service. In total, 42,238 mail packs were distributed to ratepayers / residents of the two Shires.

	Actual 2014/15	Budget 2014/15	Var. 2014/15	Var. 2014/15 %	Actual 2013/14	Change 2014/15 to 2013/14	Note
Number of impressions*	74,070	45,000	(29,070)	65%	74,835	765	1
Number of mail packs	42,238	40,000	(2,238)	6%	43,821	1,583	
Number of assessments	13,552	12,586	(966)	8%	12,586	(966)	
Number of municipal charges	11,490	11,371	(119)	1%	11,371	(119)	

* impressions refers to the number of printed pages (for example, a double sided sheet would be counted as two impressions)

Notes

1. The budget for the number of impressions came from the original analysis for the shared rates service. The original analysis was based on printing the property and rate details on pre-printed stock however this was changed to a single print run process to achieve cost efficiencies. The revised process prints both the front and rear of a rates or instalment notice.

Supplementary rates notices are also issued throughout the financial year. Existing system reporting does not readily identify the volume of supplementary notices that are issued. There are currently different processes utilised for the two Councils with respect to subdivisions and supplementary notices. Harmonisation of business processes would likely result in a more efficient service.

Over 2014/15 the quality of data in the Lynx rating system has been improved. All properties have a rate schedule in the rating system. A thorough review of the rate schedules has been conducted to identify discrepancies. For example, properties that are charged a municipal charge but do not have a waste management charge (or vice versa). Discrepancies are then individually assessed and where appropriate, the rate schedule updated to reflect the charges that should be applied to the property. This results in more accurate billing of ratepayers and thus more rates and charges revenue to councils.

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
3	Consider harmonisation of supplementary rates notice processes	Blair Phillips / Greg Pinkerton	Oct 2015	
4	Identify current options for electronic delivery of rates notices and animal registration notices	Blair Phillips	Oct 2015	
5	Implement electronic delivery of rates notices	Blair Phillips	Jan 2016	
6	Implement electronic delivery of animal registration notices	Blair Phillips	Mar 2016	
7	Consider harmonisation of business practices for pro-rata bin charges (particularly after final instalment has been issued)	Blair Phillips / Greg Pinkerton	Mar 2016	
8	Activate land parcel data for Indigo	TBC	TBC	Land parcel info is not currently active in Indigo database. Major project required with help from Ibis/Lynx to implement this and to also align with mapping.

2.2. Ratepayer communication (inward) and issue resolution

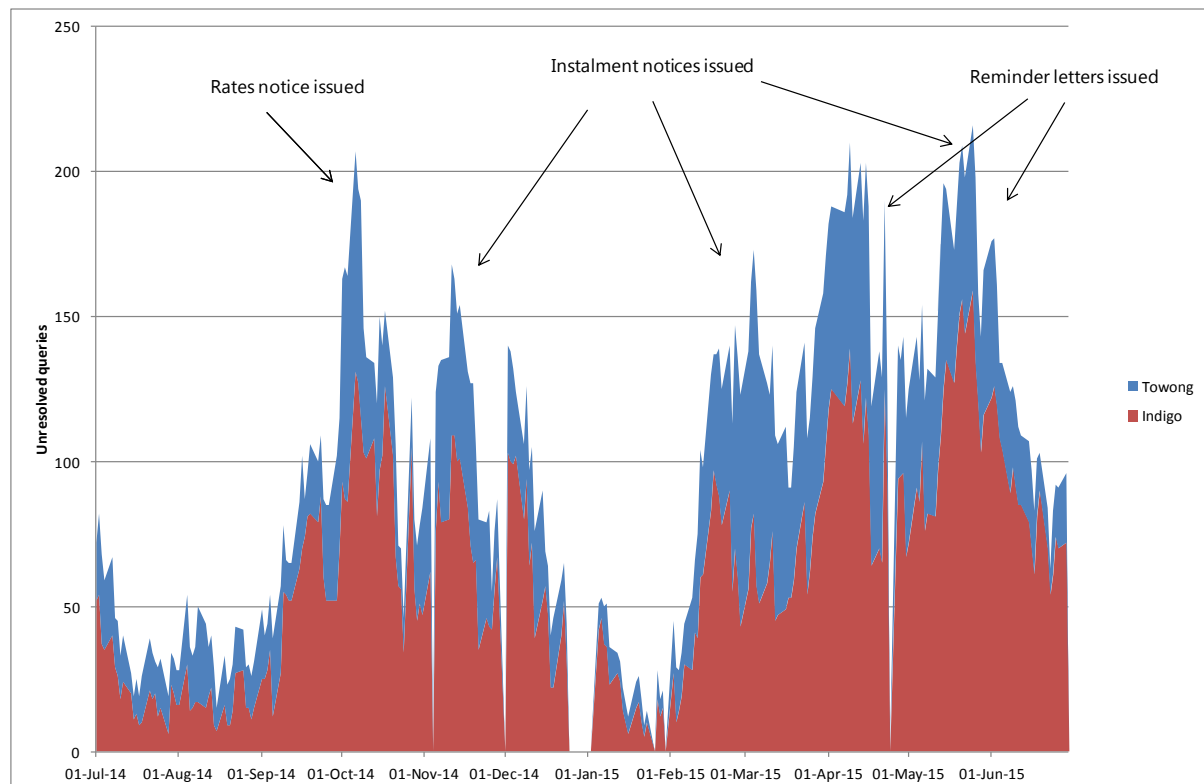
The rates team respond to inward ratepayer requests over the phone, email, letters and in person.

Ratepayer inward communications cover a range of topics including:

- Waste collection charges
- Municipal charge
- Waste Management/Environmental charge/levy
- Rate objections
- Payment plans
- Land information certificates
- Solicitor queries.

There is currently no data readily available on the number of issues resolved by the rates team.

There is regular reporting and monitoring of issues awaiting resolution. The chart below details issues outstanding for each day of the year. This is reported in the regular monthly snapshot.



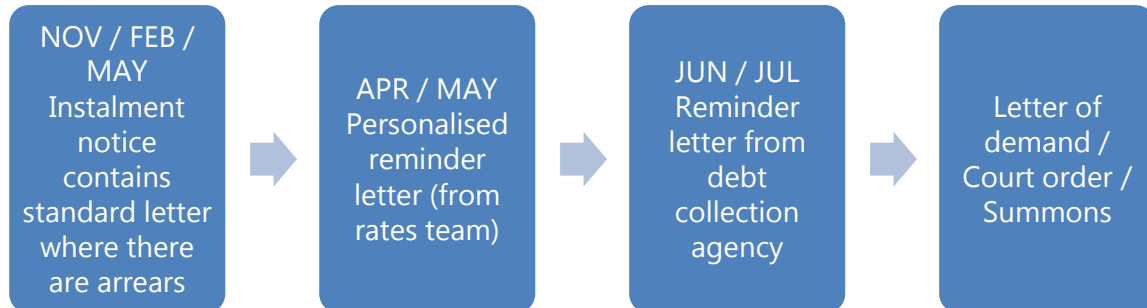
Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
9	Work together to identify options for reporting on customer service performance (given existing system limitations)	Blair Phillips/ Jo Holt / Indigo Finance Manager	Dec 2015	

2.3. Debt collection

The rates team delivers agreed rate debt collection processes for both Councils.

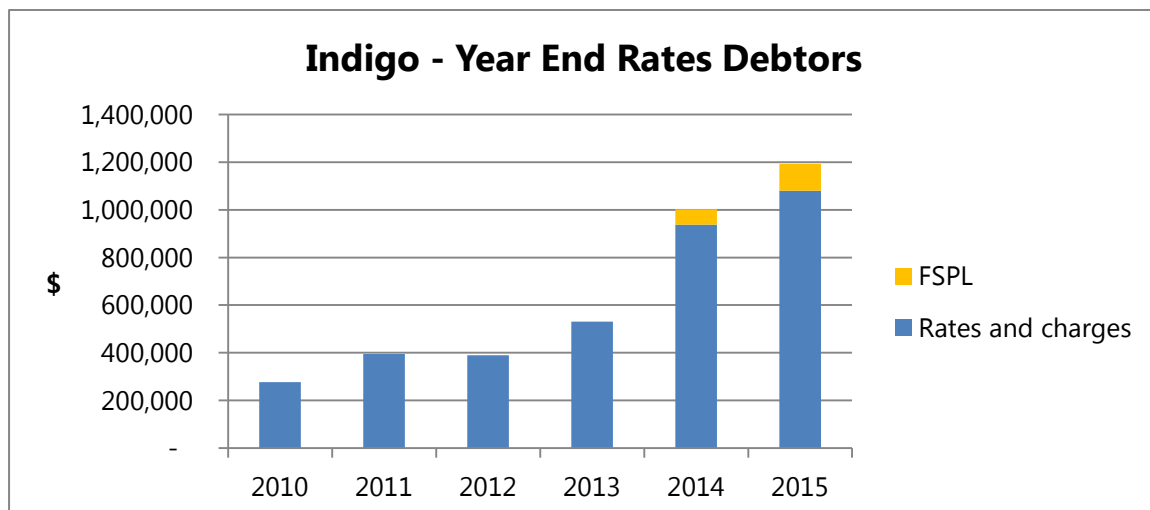
In summary the current debt collection process is as follows:



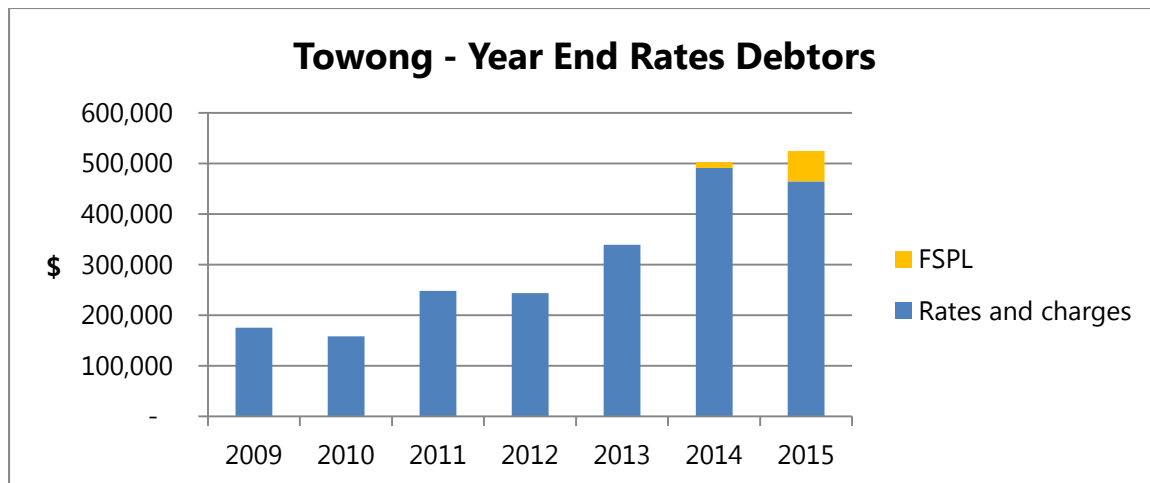
With changes of staff in the last financial year, the reminder letter was not sent to ratepayers with outstanding rates and charges. This had the unfortunate result of the end of year debtors at 30 June 2014 being higher than it otherwise may have been.

As previously stated over 2014/15 the quality of data in the Lynx rating system has been improved. All ratepayers with outstandings have been reviewed and are now electronically flagged if they have a direct debit or payment plan in place or if they have been referred to a debt collection agency. Processes have been changed to ensure that the electronic flagging remains relevant as the status of ratepayers changes. This has enabled the replacement of a laborious, manual ratepayer reminder letter process with efficient electronic letter generation.

At 30 June 2015 there were 146 Indigo properties with arrears relating to 2013/14 or earlier financial years, totalling \$289,493. Of these properties 28 are subject to payment plans or direct debit arrangements and 103 are being progressed by Midstate CreditCollect Pty Ltd debt collection agency.



At 30 June 2015 there were 103 Towong properties with arrears relating to 2013/14 or earlier financial years, totalling \$126,341. Of these properties 63 are being progressed by Midstate CreditCollect Pty Ltd debt collection agency.



Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
10	Review debt collection processes for improvement opportunities (also consider hardship provisions)	Blair Phillips/ Rhonda Ramsdale / Greg Pinkerton	Nov 2015	
11	Identify options for improved reporting of ratepayers at debt collection	Blair Phillips	Dec 2015	
12	Review direct debit module in Lynx	Blair Phillips	Oct 2015	
13	Review authorisation limit for interest removal – current limit \$3	Blair Phillips / Greg Pinkerton	Sep 2015	
14	Develop process and conduct annual review of payment plans	Blair Phillips/ Sharon Phillips	Oct 2015	

3. Financial performance

The financial performance for the shared service model includes the following direct costs of providing the service:

- Wages and direct oncost for the shared service team
- Overheads and training allowance
- Printing of notices and postage

The model does not currently include:

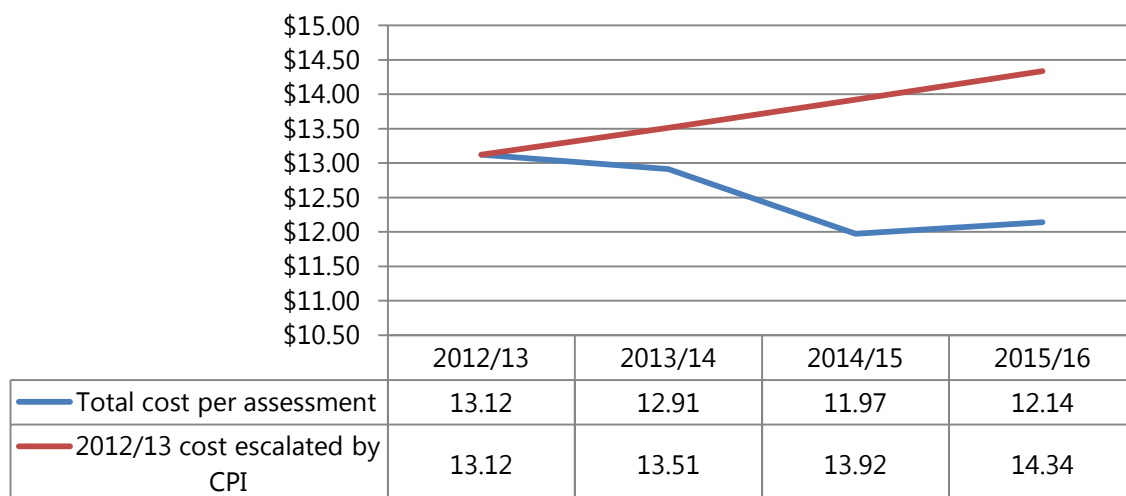
- Valuation contract
- Software costs
- Wages and direct oncost for Customer Service Officers

The following table details the financial expenditure for the service for the 2014/15 financial year, compared to budget and compared to the previous year.

	Actual 2014/15 \$	Budget 2014/15 \$	Var. 2014/15 \$	Actual 2013/14 \$	Change 2014/15 to 2013/14 \$	Comment
Direct labour (incl on-costs)	118,411	110,398	(8,013)	114,163	(4,248)	Refer 3.1 below
Notice costs	34,434	21,375	(13,059)	43,536	9,102	Refer 3.2 below
Training and overheads	9,361	6,732	(2,630)	4,817	(4,544)	Refer 3.3 below
Total Service Costs	162,206	138,505	(23,702)	162,516	4,558	
Total cost per assessment	\$11.97	\$11.00		\$12.91		

It is pleasing to see the cost of the shared service reducing over the years that the service has been operating, as demonstrated in the following table.

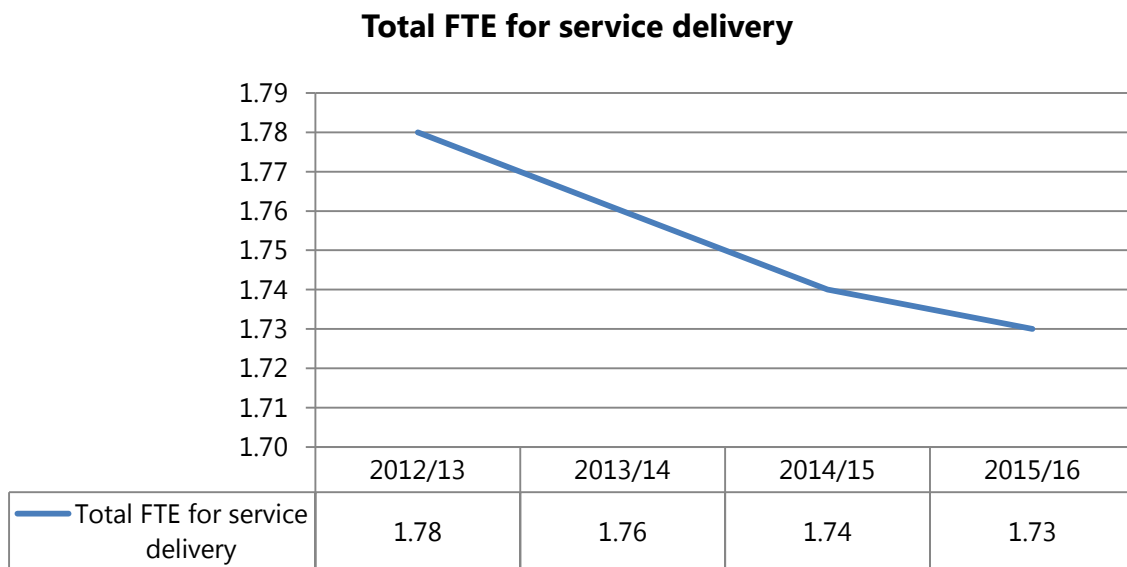
Total cost per assessment



3.1. Resourcing

Direct labour FTE

The service operated with 1.74 full time equivalents (FTE) in 2014/15 down slightly from 1.76 in 2013/14. The following table demonstrates the reduced resourcing that is now delivering the shared service.



This reduction in resourcing has been achieved through the implementation phase of the shared service arrangement and now provides a significant reduction in the risk exposure previously facing both Councils. Prior to this shared service both Councils were operating with 'sole operators' delivering the rates and property services and bearing the inherent risks that are associated with such practices including:

- Staff turnover
- Service errors
- Fraudulent behaviour
- Unplanned leave
- Coverage for planned leave.

When comparing to budget the service operated with 1.74 full time equivalents (FTE) in 2014/15 compared to a budget of 1.67 FTE, as detailed in the table overleaf.

The Towong Shire Council Finance Manager (who managed this service) left in early May 2014. His replacement commenced on 30 June 2014. There has been a steep learning curve for the team with this change. Through 2015 there has been an increase in staff confidence as they have become more skilled in delivering the property and rates function and are better able to contribute to service improvements. This has also resulted in the more timely completion of work.

	Officers (Band 4) FTE	Senior Officer (Band 5) FTE	Senior Officer (Band 6) FTE	Manager (Band 8) FTE	AL & SL Cover (Band 5) FTE	Total FTE
Actual (2013/14)	1.16	0.65	0.10	0.10	-	2.01
Service Budget (2014/15)	0.84	0.63	0.10	0.10	-	1.67
Actual (2014/15)	0.84	0.70	0.10	0.10	-	1.74

The key factors that resulted in increased staff time compared to the service budget can be attributed to:

- Developing and training the senior officer to undertake the rate notice production process (in conjunction with the Finance Manager)
- Setting up and implementation of reporting:
 - Monthly snapshot (refer Appendix B)
 - Arrears tracking
- Progressing the following identified projects:
 - AVPCC analysis
 - Land parcels
 - Indigo unidentified properties (GIS/mapping)
 - Indigo Council owned properties
- Migration of Towong valuation data to VG software

The original analysis provided an initial implementation year with operational FTE of 2.10, followed by an ongoing operational model with 1.38 FTE. When the manager's time (0.11 FTE) is included the estimated requirement was 1.49 FTE. When completing the 2013/14 review it was evident that the service was not ready to move to the operational level of 1.49 FTE. Significant data cleansing work has been required and the implementation of the service efficiency initiatives listed above. The 2014/15 budget was based on a transitional year with 1.67 FTE to deliver the service and consolidate processes, before reconsidering the move to an operating model of 1.49 FTE.

Further analysis has now been undertaken of the resourcing level required to deliver an acceptable service. The original model provided 1.49 FTE or 2,944 hours. These hours were productive hours and did not include allowance for annual, sick (or other) leave relief. It is now recommended that the shared rates service operate with the following staffing levels:

	Officers (Band 4)	Senior Officer (Band 5)	Senior Officer (Band 6)	Manager (Band 8)	AL & SL Cover (Band 5)	Total FTE
Actual (2014/15)	0.84	0.70	0.10	0.10	-	1.74
Recommended Service Budget (2015/16)	0.84	0.63	-	0.10	0.16	1.73

Whilst 1.73 FTE is more than the original proposal (1.49 FTE) this level of resourcing is recommended to:

- provide coverage for each business day of the year (excepting between Christmas Day and New Years Day)
- provide an acceptable level of overlap between the two finance officers (maximum two days per week)

This resourcing model will also consolidate debt collection into the workload of the two finance officers at Band 4 and 5 (rather than a Band 6 Assistant Accountant).

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
15	Adopt resourcing model of 1.73 FTE for 2015/16	Jo Shannon / Greg Pinkerton	Jul 2015	Agreed

3.2. Direct labour costs

The following table details the expenditure on direct resourcing of the shared service for the 2014/15 financial year, compared to budget and compared to the previous year. It includes annual, sick and other leave entitlements and wage oncosts such as superannuation and Workcover.

	Actual 2014/15 \$	Budget 2014/15 \$	Var. 2014/15 \$	Actual 2013/14 \$	Change 2014/15 to 2013/14 \$
Direct labour	102,967	94,306	(8,661)	83,846	(19,121)
Direct labour – on-costs	15,445	16,092	647	30,317	14,872
Total direct labour (incl. on-costs)	118,411	110,398	(8,013)	114,163	(4,248)

Actual direct labour (and on-costs) was 7% greater than budgeted. This was primarily due to the increased resourcing required to deliver the service, as discussed at 3.1.

A 3% wage increase was paid from 1 August 2014 in line with Council's Enterprise Agreement.

3.3. Notice costs

The notice costs covers all expenditure associated with the production and posting of rates notices, instalment notices and animal registrations. It includes:

- Stock supply (paper and envelopes)
- Programming and updates of rates notice template
- Printing
- Postage
- Insertion of newsletters

The following table details the expenditure on producing notices for the service for the 2014/15 financial year, compared to budget and compared to the previous year.

	Actual 2014/15 \$	Budget 2014/15 \$	Var. 2014/15 \$	Actual 2013/14 \$	Change 2014/15 to 2013/14 \$
Stock Supply	1,297	3,366	2,068	1,955	658
Notice – Programming	4,681	-	(4,681)	7,440	2,759
Notice – Printing	7,193	747	(6,446)	8,308	1,115
Notice – Postage	21,014	17,262	(3,752)	24,306	3,292
Indigo only – Informer related costs	249	-	(249)	1,527	1,278
Total Notice Costs	34,434	21,375	(13,059)	43,536	9,102

As detailed in the table above, expenditure on producing notices has been significantly more than planned when the budget was prepared. This results from changes that have been made to the rate notices production process. When the original budget was prepared, programming (design/ layout) and printing was to be carried out in-house for \$0.06/impression x 45,000 impressions. Through the implementation phase it was identified that there were difficulties with the quality of the barcodes when printing in-house. The failure rate of scanned barcodes was not acceptable and the parties agreed to move the production of the notices to an external printer.

To keep the cost of using an external printer as cost effective as possible, the printing process changed from printing the property and rate details on pre-printed stock to a single print run process.

Printing is currently costing approximately \$0.10/impression x 75,000 impressions. This includes reminder letters as part of the rates notice printing process for any property that has an arrears balance.

Postage is pre-sorted to take advantage of the most cost effective postage rates.

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
16	Review printing costs	Blair Phillips	Oct 2015	
17	Implement recovery of merchant fees from ratepayers paying by credit card	Blair Phillips	Mar 2016	
18	Analyse impact of Australia Post price changes proposed from 1 January 2016	Blair Phillips	Oct 2015	
19	Analyse extent of duplicate notices and the ability to introduce service charge	Blair Phillips	Jan 2016	Consider feasibility of introducing administrative charge for duplicate notices

3.4. Training

	Actual 2014/15 \$	Budget 2014/15 \$	Var. 2014/15 \$	Actual 2013/14 \$	Change 2014/15 to 2013/14 \$
Training and physical overheads	9,361	6,732	(2,630)	4,817	(4,544)

Training expenditure is greater than budget for 2014/15 with two days of Crystal Report training being provided to the rates team and Manager Finance (cost \$5,000). This will allow new reports to be written (or existing reports modified) and will enable written correspondence with ratepayers (e.g. reminder notices, objections, debt collection etc) to be streamlined.

It should be noted that the training and physical overheads actual expenditure for 2013/14 was \$4,817 against a budget of \$8,301 (\$3,484 under budget). It would have been ideal to have the Crystal report training conducted in the earlier financial year however this was not possible whilst the team was establishing business processes for the new shared service.

3.5. Service Budget 2015/16

The following service budget is proposed for 2015/16:

	Actual 2014/15 \$	Service budget 2015/16 \$	Change 2015/16 to 2014/15%
Direct labour (incl on-costs)	118,411	120,878	2.1%
Notice costs	34,434	37,222	8.1%
Training and overheads	9,361	7,145	-23.7%
Total Service Costs	162,206	165,245	1.9%
Total cost per assessment	\$11.97	\$12.14	

Note: A 7% increase in postage costs has been allowed for in 2015/16 based on the actual increase in 2014/15. This equates to a \$0.036 increase per mailpack or \$2,636 for the year.

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
20	Adopt the above service budget for 2015/16 with total service costs of \$165,245.	Jo Shannon / Greg Pinkerton	Jul 2015	Informally adopted
21	Valuation contracts - combined	Jo Shannon / Greg Pinkerton	Jul 2018	Review for 2020 valuation year

4. Funding model

Since the commencement of the shared rates and property service, the agreed operating costs have been split based upon the number of municipal charges for each Shire.

This has resulted in costs being split 33%/67% for Towong / Indigo Council.

Benefits:

- Measurable
- Known amount each year
- Stable

Disadvantages:

- Does not take into account transactional volume

	Indigo	Towong	Total
No of properties charged a municipal charge (2014/15)	7,683	3,807	11,490
	66.9%	33.1%	100%

Recommendations for improvement

No	Recommendation	Responsible Officer	Due date	Current status
22	Maintain existing funding model with 33% / 67% split	Jo Shannon / Greg Pinkerton	Jul 2015	

Service improvements

The following table provides an update on the implementation of service improvements agreed in March 2014:

Action	Status	Comment
Notice improvements	✓ completed	Layout changes for clearer understanding of rates and charges for relevant year
Introduce monthly performance reporting	✓ completed	Monthly Snapshot Report has been provided since August 2014. This has included updates on issuing of notices, debt collection, rates debtors, outstanding queries and upcoming items
Data integrity improvements	✓ completed	Rate schedule review of all properties to identify and address discrepancies. Results in more accurate billing of ratepayers and thus more rates and charges revenue to councils. Flagging of ratepayers to streamline debt collection processes.
Implement agreed debt collection process	✓ completed	Reminder letters issued as agreed
Implement document retention improvements to comply with Concessions Agreement	✓ completed	Changes implemented prior to conduct of audit
Develop Frequently Asked Questions (FAQ) document	✓ completed	FAQs developed and presented to CSOs
Electronic delivery of rates notices	✗ delays in implementation	With changes of staffing this has been difficult to progress, Further investigation required for 2015/16.
Lynx software review – combine databases	✗ unable to proceed	Software provider confirmed that this is currently not possible
Governance and reporting agreed upon	✓ completed	Agreed in principle with draft SLA

Recommendations for improvement

The following table provides a summary of improvement recommendations contained within this report:

No	Recommendation	Responsible Officer	Due date	Current status
1	Develop and circulate a calendar with cut-off dates and allocation of responsibility for key activities	Blair Phillips	Sep 2015	Draft developed and awaiting feedback
2	Finalise Service Level Agreement	Jo Shannon / Greg Pinkerton	Sep 2015	Draft developed. Awaiting finalisation of above calendar.
3	Consider harmonisation of supplementary rates notice processes	Blair Phillips / Greg Pinkerton	Oct 2015	
4	Identify current options for electronic delivery of rates notices and animal registration notices	Blair Phillips	Oct 2015	
5	Implement electronic delivery of rates notices	Blair Phillips	Jan 2016	
6	Implement electronic delivery of animal registration notices	Blair Phillips	Mar 2016	
7	Consider harmonisation of business practices for pro-rata bin charges (particularly after final instalment has been issued)	Blair Phillips / Greg Pinkerton	Mar 2016	
8	Activate land parcel data for Indigo	TBC	TBC	Land parcel info is not currently active in Indigo database. Major project required with help from Ibis/Lynx to implement this and to also align with mapping.
9	Work together to identify options for reporting on customer service performance (given existing system limitations)	Blair Phillips/ Jo Holt / Indigo Finance Manager	Dec 2015	
10	Review debt collection processes for improvement opportunities (also consider hardship provisions)	Blair Phillips/ Rhonda Ramsdale / Greg Pinkerton	Nov 2015	

No	Recommendation	Responsible Officer	Due date	Current status
11	Identify options for improved reporting of ratepayers at debt collection	Blair Phillips	Dec 2015	
12	Review direct debit module in Lynx	Blair Phillips	Oct 2015	
13	Review authorisation limit for interest removal – current limit \$3	Blair Phillips / Greg Pinkerton	Sep 2015	
14	Develop process and conduct annual review of payment plans	Blair Phillips/ Sharon Phillips	Oct 2015	
15	Adopt resourcing model of 1.73 FTE for 2015/16	Jo Shannon / Greg Pinkerton	Jul 2015	Agreed
16	Review printing costs	Blair Phillips	Oct 2015	
17	Implement recovery of merchant fees from ratepayers paying by credit card	Blair Phillips	Mar 2016	
18	Analyse impact of Australia Post price changes proposed from 1 January 2016	Blair Phillips	Oct 2015	
19	Analyse extent of duplicate notices and the ability to introduce service charge	Blair Phillips	Jan 2016	Consider feasibility of introducing administrative charge for duplicate notices
20	Adopt the above service budget for 2015/16 with total service costs of \$165,245.	Jo Shannon / Greg Pinkerton	Jul 2015	Informally adopted
21	Valuation contracts - combined	Jo Shannon / Greg Pinkerton	Jul 2018	Review for 2020 valuation year
22	Maintain existing funding model with 33% / 67% split	Jo Shannon / Greg Pinkerton	Jul 2015	

Appendix A

Sample rates notice

Rates and Valuation Notice

Tax invoice issued on 19 September 2014
ABN 76 887 704 310

Enquiries?



03 5728 8000 or 1300 365 003



rates@indigoshire.vic.gov.au
www.indigoshire.vic.gov.au

128216/A/010078

Property Number

Carried Forward Balance

\$1,289.93

Arrears due now

+

This Instalment

\$409.15

Due 10 Oct 2014

=

Amount Payable

\$1,699.08

Your rates and charges

For 1 July 2014 to 30 June 2015

Recycling Collection Service (240 litre)	\$75.15
Municipal Charge	\$280.20
Waste Management Facility Levy	\$65.30
Garbage Collection Service	\$164.70
Commercial/Industrial @ 0.47941% of CIV	\$709.55
CFA Commercial Charge	\$205.00
CFA Commercial Levy Rate @ 0.00088 x CIV	\$130.25
Rates and charges	\$1,630.15

Balance of arrears and interest as at 30th June	\$1,266.63
Payments/adjustments since 30th June	\$23.30
Total Account	\$2,920.08

Your property

Address:	12B Foord Street Wahgunyah
Area:	0.0791 hectares
Valuation code (AVPCC):	210, Retail Premises (single occupancy)
Capital Improved Value:	\$148,000
Site Value:	\$58,000
Net Annual Value:	\$9,620
Valuation at:	1 January 2014
Valuation effective from:	1 July 2014

Description:
Lot 2 128098

Amount Payable									
\$1,699.08	+	Instalment 2	\$407.00	+	Instalment 3	\$407.00	+	Instalment 4	\$407.00
		30 November 2014			28 February 2015			31 May 2015	
									Total
									\$2,920.08

How to pay



Billers code: 1867
Ref: 422223

Contact your bank or financial institution to make this payment from your cheque, savings, debit card, credit card or transaction account.



Billers code: 1867
Ref: 422223

To make this payment from your Visa or MasterCard, visit www.indigoshire.vic.gov.au or phone 1300 276 468.



Pay in person at any Post Office with eftpos, Visa, MasterCard, cash or cheque.



*3109 422223



Council office: Pay with eftpos, Visa, MasterCard, cash or cheque at:

- 101 Ford Street, Beechworth
- 153 High Street, Rutherglen
- 40 Conness Street, Chiltern
- 34 High Street, Yackandandah



Mail: Detach and return this section with a cheque to:

- PO Box 28 Beechworth VIC 3747

The repeal of the carbon tax means Council has been able to pass on some savings to you.
See www.indigoshire.vic.gov.au for more information.

Appendix B

Monthly snapshot report

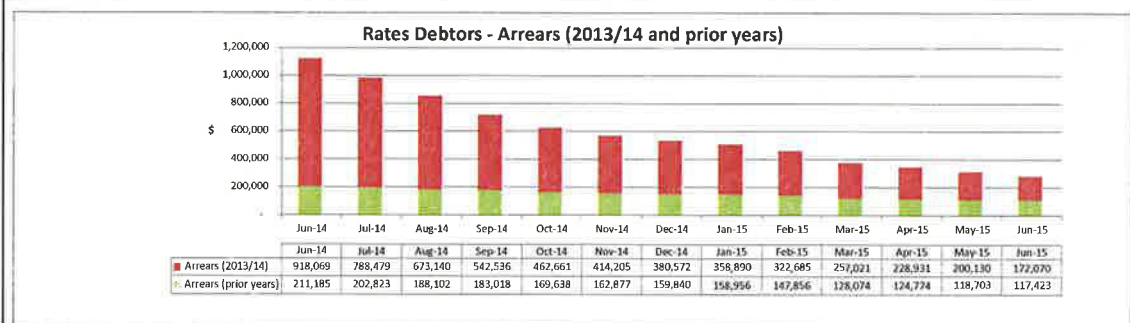
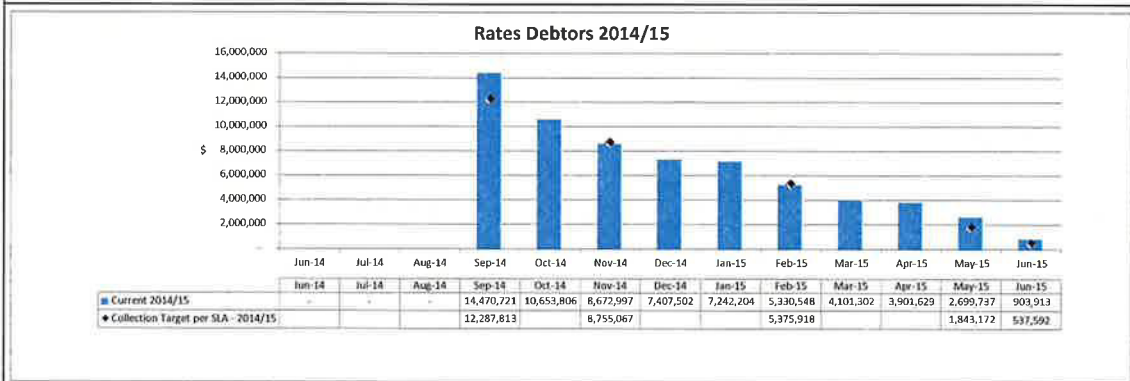
Measurement

Issuing of notices	Measure	Target	Result	Comment
First Instalment (Legislated Issue Date 16 Sep)	Date Issued	16-Sep	26-Sep	Notices issued 17 Sep 2014 (posted 26 Sep 2014)
Second Instalment (Legislated Issue Date 16 November)	Date Issued	16-Nov	6-Nov	Notices issued 27 Oct 2014 (posted 5 & 6 November)
Third Instalment (Legislated Issue Date 14 February)	Date Issued	14-Feb	6-Feb	Notices issued 29 Jan 2015 (posted 6 February)
Animal Registrations	Date Issued	27-Mar	11-Mar	Notices issued 01 March 2015 (posted 11 March)
Fourth Instalment (Legislated Issue Date 17 May)	Date Issued	17-May	7-May	Notices issued 04 May 2015 (posted 7 May)

Debt Collection

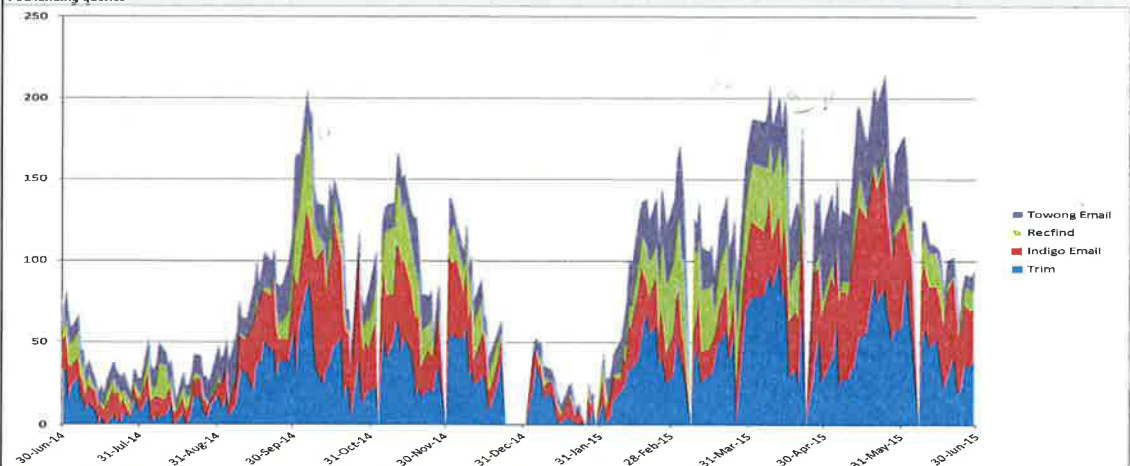
Midstate recommendations	Comment
Reminder Letters	196 x Final letters, 3 x soft letters (per Greg re mayday Hills) and 24 x letters re instalments 2-4 not being generated by Lynx due to non rateable category sent in June. 51 x properties listed with Debt Collection agency (Midstate) in June.

Arrears (Prior years only - not current Financial Year)	11/06/2015	30/06/2015	Movement	Comment
Arrears (Number of Properties)	146	1,126	980	All properties that have outstanding amounts for 2014/15 are now in arrears as of 30 June 2015.
Arrears \$ Balance	318,077	1,349,671	1,031,594	The arrears balance is higher than Total Outstanding, as the arrears report does not include properties with credit balances. The graphs below represent all property balances including credit balances.
Midstate (Number of Properties) - with arrears	103	154	51	
Midstate \$ Balance	226,255	517,209	290,954	The significant increase is due to the listing of 51 properties in June as well as the amounts of 2014/15 rates on these properties rolling into arrears figure, 2014/15 rates are not included in the numbers at 11 June 15.



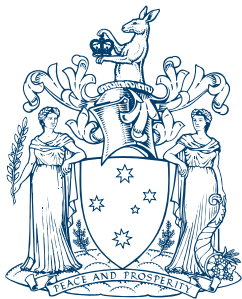
Statutory Obligations	Target	Result	Comment
% of objections submitted by due date	100%	100%	number of objections received and sent - 35

Outstanding queries



Coming up

Rates and Valuation Notice layout/feedback/amendments for 2015/16 rates



Local Government: Results of the 2013–14 Audits



VICTORIA

Victorian
Auditor-General

Local Government: Results of the 2013–14 Audits

Ordered to be published

VICTORIAN
GOVERNMENT PRINTER
February 2015

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The Hon. Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Telmo Languiller 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 the *Local Government: Results of the 2013–14 Audits*.

This report presents the outcomes and observations from the 2013–14 financial audits of the 79 local councils, 11 regional library corporations and 13 associated entities. Parliament can have confidence that the 2013–14 financial, and standard statements where applicable, presents the entity's results fairly.

This report informs Parliament about significant issues identified during our audits and complements the assurance provided through individual audit opinions included in the entities' annual reports.

The report highlights that improvements can be made both to creditor and grant management policies and practices. The report also notes that 61 per cent of previous year audit findings relating to internal control deficiencies are yet to be rectified and that local councils need to accelerate the rate at which they are resolving our audit findings.

Yours faithfully

A handwritten signature in black ink, appearing to read "John Doyle", is placed above the printed name.

John Doyle
Auditor-General

26 February 2015

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Auditor-General's comments



John Doyle
Auditor-General

Victoria's local government sector is recognised in Victoria's constitution as the third tier of government. My report provides an analysis of the 2013–14 financial results of the 79 local councils and their financial sustainability risks. It also comments on local councils' management of creditors and grants.

Local councils continue to face the challenges of delivering quality services to their community, maintaining their existing assets and funding future capital works. To do this effectively, local councils will need to effectively prioritise spending and determine sustainable rates for services provided within the government's proposed rate capping policy, effective from 2016–17.

Twenty-one local councils reported underlying operating deficits in 2013–14 (eight in 2012–13). A key reason for this change was the Commonwealth Government's decision not to pay financial assistance grants in advance. Had the grants continued to be paid in advance, only 12 councils would have reported underlying operating deficits. Further, as the Commonwealth Government has also paused indexation of financial assistance grants over the next three years, this will challenge all local councils, particularly shire councils. The changed timing of financial assistance grants in 2013–14 has had a greater impact on small and large shire councils, as they have a greater reliance on Commonwealth grant funding to support their operations. Future operating results should not be similarly adversely impacted as the new timing of grant payments will have been in place for the entire year.

This year has also seen an increase in financial sustainability risks, with five local councils assessed as high risk in 2013–14 compared to two in 2012–13. Three out of the five local councils with a high financial sustainability risk were in part due to delays in accessing borrowings via the Local Government Funding Vehicle (LGFV). Local councils had anticipated that longer-term debt would be available prior to year end to enable them to refinance some short-term debt sooner.

The LGFV was established by the Municipal Association of Victoria to provide longer-term debt financing for local councils, and originated as a result of the \$406 million shortfall in defined benefit superannuation plans in 2011–12. A total of \$240 million was borrowed by 30 local councils. These borrowings require interest only repayments until maturity of the debt in five or seven years. This means the total interest paid will be higher than they would have paid had the principal been gradually reduced over the term of the loan. There is also a risk that local councils will not have the funds available to fully repay the loan when the debt matures.

Audit team

Tim Loughnan
Sector Director

Jan-Michael Perez
Team Leader

Ivy Ly
Team Leader

Patrick Chan
Team member

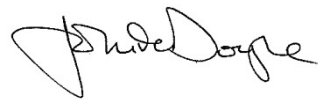
Engagement Quality Control Reviewer

Craig Burke

My report also highlights that improvements can be made both to creditor and grant management policies and practices. In particular, attention is required to strengthen the processes around community grants issued by local councils. This requires a structured program to be in place to effectively and efficiently administer the distribution of grants, including an overarching grants administration policy and procedure, and recording of any conflicts of interest by assessment panel members.

Disappointingly, 61 per cent of our previous year audit findings relating to high and medium risk internal control deficiencies are yet to be rectified. That these control deficiencies should remain unremedied is a very poor reflection on both the management and governance of these councils. Local councils need to accelerate the rate at which they are resolving our audit findings. My audit team will again follow up the status of the outstanding internal control deficiencies as part of the 2014–15 audit cycle.

I note that from 1 July 2014, local councils must prepare performance statements in accordance with the Local Government Performance Reporting Framework. The framework requires extensive financial and non-financial information to be disclosed. Local councils will need to ensure they have appropriate systems in place to completely and accurately report on these performance indicators.

A handwritten signature in black ink, appearing to read 'John Doyle', with a stylized, cursive script.

John Doyle

Auditor-General

February 2015

Audit summary

The Victorian local government sector comprises 79 local councils, 11 regional library corporations (RLC) and 13 associated entities. Local government is recognised in Victoria's constitution as the third tier of government. Local councils are governed by democratically elected councillors and their operations are administered by the council-appointed chief executive officer. While administered under the *Local Government Act 1989* (the Act), each council operates autonomously and is directly accountable to its constituents.

This report informs Parliament about significant issues identified during our audits and complements the assurance provided through individual audit opinions included in the entities' annual reports.

Conclusion

Parliament can have confidence in the 2013–14 financial, and standard statements where applicable, of local councils, RLCs and associated entities. Clear audit opinions were issued for each of the 103 financial statements and the 90 standard statements, meaning that the 2013–14 financial reports of the audited entities were reliable, and fairly presented the results of the entities' operations and their assets and liabilities as at 30 June 2014.

Clear audit opinions were issued in 2013–14 on all 79 local council performance statements.

Financial reporting quality

Material errors identified during the financial report preparation and audit need to be corrected before a clear audit opinion can be issued. Our expectation is that all entities will adjust errors identified during an audit, other than those errors that are clearly trivial as defined under the auditing standards. This expectation is consistent with our principle that the public is entitled to expect financial statements bearing the Auditor-General's opinion to be accurate and of the highest quality possible.

Material adjustments to financial statement account balances reduced in 2013–14. However, the number of adjustments made to note disclosures increased as a result of incorrect or incomplete disclosures on commitments and the application of the new Australian Accounting Standard *AASB 13 Fair Value Measurement* on non-financial assets. All audit recommended adjustments were made in 2013–14.

Performance reporting by councils

From 1 July 2014, local councils must prepare performance statements in accordance with the Local Government Performance Reporting Framework. The new regime requires extensive financial and non-financial information to be disclosed.

While local councils have been able to provide assurance around financial performance information for some time, the reporting of non-financial performance information on services and outcomes has not historically been as robust. Local councils need to review their systems for capturing financial and non-financial data to determine whether they result in sufficient and appropriate information to completely and accurately report on performance.

Financial sustainability risks

To be financially sustainable, local councils need to be able to meet current and future expenditure as it falls due. They must also be able to absorb foreseeable changes and the effect of financial risks materialising, without significantly changing their revenue and expenditure policies. In particular, the government has announced that it will introduce a rate capping policy for the 2016–17 financial year. Local councils will need to review and update their budgets to respond to this change.

The six financial sustainability indicators, analysed for the five years from 2009–10 to 2013–14 were:

- the underlying result
- liquidity
- indebtedness
- self-financing
- capital replacement
- renewal gap.

Appendix E describes the financial sustainability indicators and risk assessment criteria we use in this report.

The local government sector as a whole has maintained its financial sustainability year on year. Analysis of the six indicators shows that local councils as a whole had a low financial sustainability risk assessment. Notwithstanding, some local councils continue to face the ongoing challenge of maintaining spending on capital works and existing assets at sufficient levels. In particular:

- five local councils were assessed as a high financial sustainability risk in 2013–14 compared to two in 2012–13
- twenty-one local councils reported an underlying deficit in the 2013–14 financial year compared to eight in 2012–13
- thirty-three local councils were rated as high or medium self-financing risk compared to 27 in 2012–13.

The results for 2013–14 were adversely affected by the Commonwealth Government's decision not to pay part of the 2014–15 financial assistance grants in advance and delays associated with local council borrowings via the Local Government Funding Vehicle (LGFV), which was established by the Municipal Association of Victoria to provide debt financing to local councils. It originated largely as a result of the \$406 million shortfall in defined benefit superannuation plans in 2011–12. A total of \$240 million was borrowed by 30 local councils. These borrowings require interest only repayments until maturity of the debt in five or seven years. Local councils who participated in the LGFV will not be making principal repayments until the debt matures. This means the total interest paid over the five or seven years will be higher than they would have paid had the principal been gradually reduced over the term of the loan, where interest is paid on the reduced principal. There is also a risk that local councils will not have the funds available to make the full repayment when the debt matures.

The changed timing of financial assistance grants in 2013–14 had a greater impact on the large and small shire councils. Small shire councils are the most dependent on grant funding to sustain their operations. Our 2013 audit report, *Organisational Sustainability of Small Councils*, found that small shire councils reliance on government grants had increased substantially over a five-year period. Ten small shire councils reported an underlying deficit in 2013–14 (four in 2012–13). Future operating results of local councils should not be similarly adversely impacted by the changed timing of grants as the new arrangements will have been in place for the entire year.

In the prior period, 79 high and moderate risk internal control deficiencies were reported to management for immediate rectification. However, only 31 had been actioned and completed within the past 12 months. That these control deficiencies should remain unremedied is a very poor reflection on both the management and governance of these councils. Local councils need to accelerate the rate at which they are resolving our audit findings. We will again follow up the status of these deficiencies as part of the 2014–15 audit cycle.

Internal controls over creditors and grants

While management of creditors and grants was generally sound it was noted that:

- less than half of local councils maintain and report performance statistics on creditor management to their council and/or management
- thirty-seven local councils (46 per cent) did not clearly articulate in their policy the conditions under which they negotiated their payment terms with creditors
- forty-four local councils (56 per cent) did not undertake routine cleansing of their vendor masterfiles for creditors
- only 42 local councils (53 per cent) had an overarching grant administration policy and procedure in place
- twenty-six local councils (33 per cent) did not record conflicts of interest of the members of their grant assessment panels.

Recommendations

Number	Recommendation	Page
That local councils, regional library corporations and associated entities:		
1.	continue to refine their financial reporting processes by strengthening procedures over the accuracy of data needed for financial statement preparation	10
2.	continue to adjust all errors identified during audits to ensure their financial statements are of the highest possible quality.	10
That local councils:		
3.	familiarise themselves with the guidance material developed by Local Government Victoria and assess their readiness for the new performance reporting framework which is effective from 1 July 2014	13
4.	review their systems and processes in place for capturing financial and non-financial data to determine whether there are sufficient processes in place to completely and accurately report on performance	13
5.	review and update their policies and procedures on creditors to include all key elements incorporated in better practice creditor management frameworks	50
6.	establish comprehensive overarching grant administration policies and procedures that are periodically reviewed	50
7.	ensure conflicts of interests declarations are completed by all staff undertaking grant assessments	50
8.	reinforce and ensure grant payments are appropriately acquitted	50
9.	rigorously monitor grants issued and establish periodic reporting to council	50
10.	periodically review grant administration practices and related policy compliance	50
11.	through audit committees, implement appropriate monitoring mechanisms to ensure our audit findings are addressed by management on a timely basis.	50

Submissions and comments received

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

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

1 Background

1.1 Introduction

Local government is recognised in Victoria's constitution as the third tier of government. Local councils are governed by democratically elected councillors and their operations are administered by the council-appointed chief executive officer. While administered under the *Local Government Act 1989*, each council operates autonomously and is directly accountable to its constituents.

The Victorian local government sector consists of 103 entities, comprising 79 local councils, 11 regional library corporations (RLC) and 13 associated entities.

This report informs Parliament about significant issues arising from the financial audits and adds to the assurance provided through audit opinions on financial, standard and performance statements included in the respective entities' annual reports. It comments on the financial sustainability risks of local councils, their general internal controls, creditor management and grant management.

This report is one of a suite of reports on the results of the 2013–14 financial audits conducted by the Victorian Auditor-General's Office (VAGO). The full list of reports can be found in Appendix A. The local government entities audited by VAGO are listed in Appendix B.

1.2 Reporting framework

The principal legislation governing the statutory reporting of councils, RLCs and their associated entities is the *Local Government Act 1989* (the LG Act), as set out in Figure 1A.

Figure 1A
Local government sector reporting requirements

Statement	Details	Local councils	RLCs	Other
Financial	General purpose financial statements prepared in accordance with Australian Accounting Standards and applicable legislative framework comprising a: - comprehensive income statement - balance sheet - cash flow statement - statement of changes in equity.	✓	✓	✓

Figure 1A
Local government sector reporting requirements — *continued*

Statement	Details	Local councils	RLCs	Other
Standard	The standard statements mirror the first three general purpose financial statements (above) with the addition of columns showing the original approved budget and the difference between actual and budget. A standard statement of capital works is also prepared to report actual against planned capital expenditure. A supporting narrative is also included explaining any material variances between actual and budgeted results.	✓	✓	–
Performance	Key performance indicators set by each local council for each strategic activity specified in the annual budget are set out in the performance statement. It reports actual results against targets for each performance indicator, with an explanation of material variances.	✓	–	–

Source: Victorian Auditor-General's Office.

Audit of financial and standard statements

The financial audit of certain local government entities requires the Auditor-General to issue an opinion on the financial and standard statements as applicable.

An annual financial and standard statements audit has two aims:

- to give an opinion consistent with section 9 of the *Audit Act 1994*, on whether the financial statements, and standard statements as applicable, are fairly stated in accordance with Australian Accounting Standards and the LG Act (or applicable legislative framework).
- to consider whether there has been waste of public resources or a lack of probity or financial prudence in the management or application of public resources, consistent with section 3A (2) of the *Audit Act 1994*.

Audit of performance statements

Section 132 of the LG Act requires councils to prepare performance statements annually, and section 133 requires the auditor to prepare a report to the Minister for Local Government on those performance statements.

1.2.1 Audit of internal controls relevant to the preparation of the financial and standard statements

Internal controls are systems, policies and procedures that help an entity to reliably and cost-effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely internal and external reporting.

An entity's governing body is responsible for developing and maintaining an effective internal control environment. Our audits can assess the adequacy of the internal control framework and the governance processes that relate to an entity's financial reporting. In making this assessment, consideration is given to the internal controls relevant to the entity's preparation and fair presentation of the financial and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

1.3 Legislative reforms

The *Local Government Amendment (Performance Reporting and Accountability) Act 2014* commenced in April 2014 and sets out the new financial planning and reporting requirements from 1 July 2014 onwards. It requires local councils to report against prescribed performance indicators in the report of operations and performance statement in the local councils' annual reports. These amendments were largely driven by our previous reports highlighting deficiencies in the performance reporting by local councils.

1.4 Audit conduct

The audits of the 103 local government entities were undertaken in accordance with Australian Auditing Standards. Pursuant to section 20(3) of the *Audit Act 1994*, unless otherwise indicated, any persons named in this report are not the subject of adverse comment or opinion.

The cost of preparing and printing this report was \$215 000.

1.5 Structure of this report

The structure of this report is set out in Figure 1B.

Figure 1B
Report structure

Part	Description
Part 2: Financial reporting	This Part covers the results of the 2013–14 audits of the: • general purpose financial statements of 79 local councils, 11 RLCs and 13 associated companies, trusts and joint ventures • standard statements of 79 local councils and 11 RLCs • grant acquittals related to the Nation Building Program. It also comments on the changes to the financial reporting framework, quality of financial reporting and timeliness against legislated time lines.
Part 3: Performance reporting	This Part covers the results of the audits of the performance statements of 79 local councils for 2013–14. It also details the recent legislative changes with respect to performance reporting effective 1 July 2014.
Part 4: Financial results	This Part summarises and analyses the financial results of the 79 local councils and 11 RLCs for 2013–14. It also analyses local council trend data for the preceding five years and forecast data for three years for selected revenue and expense streams and capital spend.
Part 5: Financial sustainability risks	This Part provides insight into the financial sustainability risks of the 79 local councils based on the trends in six financial sustainability indicators over a five-year period.
Part 6: Internal controls	This Part presents the results of our assessment of the internal controls associated with the preparation of financial statements, creditor management and grant management.

Source: Victorian Auditor-General's Office.

2 Financial reporting

At a glance

Background

This Part covers the results of the 2013–14 financial statement audits, and standard statements' audits, of the 79 local councils, 11 regional library corporations and 13 associated entities.

Conclusion

Clear audit opinions were issued for each of the 103 financial statement audits and 90 standard statements audits, meaning that the 2013–14 financial reports and standard statements of the audited entities were reliable, and fairly presented the results of the entities' operations and their assets and liabilities as at 30 June 2014.

Findings

- Four entities did not meet the legislated time frame for finalising their financial statements and standard statements on or before 30 September 2014. Each was granted an extension and were finalised as follows:
 - Buloke Shire Council on 1 October 2014
 - Southern Grampians Shire Council on 21 October 2014
 - Yarriambiack Shire Council on 24 October 2014
 - West Wimmera Shire Council on 30 October 2014.
- An 'emphasis of matter' paragraph was included on the clear audit opinion of Buloke Shire Council to highlight that conditions existed at 30 June 2014 that cast doubt on its ability to continue as a going concern.

Recommendations

That local councils, regional library corporations and associated entities:

- refine their financial reporting processes by strengthening their review and assurance procedures over the accuracy of data needed for financial statement preparation
- continue to adjust all errors identified during audits to ensure their financial statements are of the highest possible quality.

2.1 Introduction

This Part covers the results of the 2013–14 audits of 79 local councils, 11 regional library corporations (RLC) and 13 associated entities, and our observations regarding the quality of financial report preparation.

Independent audit opinions add credibility to financial and standard statements by providing assurance that the information in the statements is reliable and presents the entity's results fairly.

A clear audit opinion on the financial statements confirms that the statements have been prepared according to applicable accounting standards and the financial reporting requirements of the *Local Government Act 1989* (the LG Act), where appropriate.

A clear audit opinion on the standard statements confirms that the standard statements have been prepared in accordance with the requirements of the LG Act.

A qualified audit opinion means that the statements are materially different to the requirements of the relevant reporting framework, and is less reliable and useful as an accountability document.

2.2 Conclusion

Financial and standard statements prepared by local councils, RLCs and associated entities for 2013–14 were reliable as clear audit opinions were issued on all financial and standard statements.

2.3 Financial statements

For 2013–14, 103 clear audit opinions were issued on financial statements of councils, RLCs and associated entities (102 clear in 2012–13).

An auditor can draw a reader's attention to a matter or disclosure in the financial report to provide important context. Audit opinions that include an 'emphasis of matter' (EoM) paragraph still conclude that the entity's financial information is presented fairly and can be relied upon by users.

In 2013–14, Buloke Shire Council received a clear audit opinion containing an EoM paragraph to highlight that conditions existed at 30 June 2014 that cast doubt on its ability to continue as a going concern.

2.4 Standard statements

Local councils and RLCs are required to prepare standard statements under section 131 of the LG Act. These standard statements are 'special purpose financial reports', which report actual expenditure against budget for the financial year. Consistent with auditing standards, our unqualified audit opinions on special purpose financial reports include an EoM drawing the users' attention to the fact that they are prepared to meet the requirements of the LG Act and may not be suitable for another purpose.

For 2013–14, 90 clear audit opinions with an EoM were issued on all the standard financial statements of councils and RLCs (90 clear in 2012–13).

2.5 Grant acquittals

At times, councils are required to report on the use of specific grants provided to them. For example, conditions of grants provided by the Commonwealth Government may require the council to report back on, or acquit, the use of that funding. An acquittal report generally consists of an income and expenditure statement based on a prescribed template provided by the funding body.

Audits of grants are usually a funding condition and may be a prerequisite for continued funding. A grant acquittal audit provides assurance to the funding body that grant conditions have been met, and that grant expenditure was incurred in accordance with the grant agreement, including any special conditions and payment requirements. Grant acquittal audits are conducted in accordance with the Australian Auditing Standards and the requirements of the relevant grant agreement or grant conditions.

In 2013–14 we issued 75 clear opinion acquittals (85 in 2012–13), which related to the road and rail investment programme managed by the Commonwealth Government's Department of Infrastructure and Regional Development. The details of acquittal opinions issued during the year are provided in Appendix D.

2.6 Quality of financial reporting

The quality of an entity's financial reporting can be measured by the accuracy and timeliness of the preparation and finalisation of its financial and standard statements.

2.6.1 Accuracy

The frequency and size of errors in financial statements are direct measures of the quality of the financial reports submitted to audit. Ideally, there should be no errors or adjustments required as a result of an audit. When we detect errors in the financial statements they are raised with management.

Material errors identified during the financial report preparation and audit need to be corrected before a clear audit opinion can be issued. Other errors should also be corrected. While some errors may appear immaterial in isolation, in aggregate, a series of small errors may have a significant impact on the statements or an entity's operating result.

Our expectation is that all entities will adjust errors identified during an audit, other than those errors that are clearly trivial as defined under the auditing standards. This expectation is consistent with our principle that the public is entitled to expect that financial statements that bear the Auditor-General's opinion are as accurate and of the highest quality possible.

The number of material adjustments decreased from 39 in 2012–13 to 32 in 2013–14. Inner and outer metropolitan councils accounted for 53 per cent of the material adjustments (13 per cent in 2012–13).

Material adjustments were required to correct errors due to:

- inappropriate basis for estimating the value of landfill provisions
- incorrect classification of investments as cash and cash equivalents
- transactions not reported in the correct accounting period
- incorrect accounting treatment of asset disposals and found assets
- inadequate quality assurance over the reasonableness of asset revaluation data.

The number of adjustments to disclosures increased from 13 in 2012–13 to 21 in 2013–14. Both small and large shire councils accounted for 57 per cent of these adjustments (69 per cent in 2012–13).

Disclosure adjustments were mainly required to correct errors due to:

- incorrect or incomplete disclosures on the fair values of non-financial assets in line with the requirements of the new Australian Accounting Standard *AASB 13 Fair Value Measurement* standard
- incorrect or incomplete disclosures of operating and capital commitments.

2.6.2 Timeliness

Timely financial reporting is key to accountability to stakeholders and enables them to make well-timed and informed decisions. The later a financial report is produced and published after year end, the less useful it is.

Local councils and RLCs are required to finalise their audited financial statements and submit them to the Minister for Local Government by 30 September each year. In 2013–14, 75 councils (95 per cent) met the time frame compared with 76 councils (96 per cent) in 2012–13. West Wimmera Shire Council again failed to meet its statutory reporting time frame and was provided with an extension by the former minister.

Buloke Shire Council's draft financial statements, standard statements and performance statement were provided to VAGO immediately following its audit advisory committee meeting of 15 August 2014. The council cooperated with VAGO and made a number of amendments to the draft statements—finalising and signing its financial statements on 24 September 2014. We further considered the council's going concern status and our audit opinion was not issued until 1 October 2014, with an emphasis of matter paragraph. Buloke Shire Council's going concern status had been adversely impacted by the delays associated with the new Local Government Funding Vehicle (LGFV). It had expected to access funds from the LGFV prior to the end of September 2014 in order to extinguish its bridging finance (overdraft facility), which was originally due to expire on 30 September 2014.

Figure 2A shows the entities that missed their reporting time line and were granted extensions.

Figure 2A
Entities that missed the statutory reporting time line, 2013–14

Entity	Details
Buloke Shire Council	An extension to 31 October was granted. The financial report was signed 24 September 2014. Audit opinion with an emphasis of matter was issued 1 October 2014.
Southern Grampians Shire Council	An extension to 31 October 2014 was granted. The financial report was signed 20 October 2014. Audit opinion was issued 21 October 2014.
West Wimmera Shire Council	An extension to 31 October 2014 was granted. The financial report was signed 30 October 2014. Audit opinion was issued 30 October 2014.
Yarriambiack Shire Council	An extension to 31 October 2014 granted. The financial report was signed 24 October 2014. Audit opinion was issued 24 October 2014.

Source: Victorian Auditor-General's Office.

All RLCs met the reporting time frame in 2013–14 (100 per cent in 2012–13).

Changes to the local government reporting framework

The *Local Government Amendment (Performance Reporting and Accountability) Act 2014* commenced in April 2014 and sets out the new financial planning and performance reporting requirements that will apply from 1 July 2014 onwards.

The *Local Government (Planning and Reporting) Regulations 2014* replaced the *Local Government (Finance and Reporting) Regulations 2004* which expired in April 2014. These new regulations support the amendments made to the LG Act and dictate how its associated provisions are applied.

The revised regulations related to financial reporting include:

- mandatory reporting in compliance with the Local Government Model Financial Report for local councils and RLCs
- a statement of capital works for the financial year as part of local council and RLC general purpose financial statements
- expanded financial note disclosures in the financial statements for local councils and RLCs.

Changes to the performance reporting framework are detailed in Part 3 of this report.

Recommendations

That local councils, regional library corporations and associated entities:

1. continue to refine their financial reporting processes by strengthening procedures over the accuracy of data needed for financial statement preparation
 2. continue to adjust all errors identified during audits to ensure their financial statements are of the highest possible quality.
-

3 Performance reporting

At a glance

Background

This Part covers the results of the 2013–14 audits of local council performance statements. It also details recent amendments to the *Local Government Act 1989* which introduces a new performance reporting framework designed to ensure all local councils are measuring and reporting on their performance in a consistent way.

Conclusion

Parliament can have confidence in the fair presentation of the performance statements of all 79 local councils as they all received clear audit opinions for 2013–14.

Findings

From 1 July 2014, local councils must prepare performance statements in accordance with the Local Government Performance Reporting Framework. The new regime requires extensive financial and non-financial information to be disclosed.

While local councils have a mature environment in place to provide assurance around financial performance information, the environment for reporting non-financial performance information about services and outcomes has not historically been as robust.

Recommendations

That local councils:

- familiarise themselves with the guidance material developed by Local Government Victoria and assess their readiness for the new performance reporting framework
- review their systems and processes in place for capturing financial and non-financial data to determine whether there are sufficient processes in place to completely and accurately report on performance.

3.1 Introduction

This Part covers the results of the audits of the 2013–14 performance statements of local councils and details recent amendments to the *Local Government Act 1989* that are designed to enhance performance reporting by local councils.

3.2 Conclusion

Performance statements continue to be audited on a fair presentation basis, with all 79 local councils receiving a clear audit opinion.

From 1 July 2014, local councils must prepare performance statements in accordance with the Local Government Performance Reporting Framework (LGPRF). The new regime requires extensive financial and non-financial information to be disclosed. Local councils must have appropriate systems and processes in place to enable complete and accurate performance reporting.

3.3 Performance audit opinions issued

By the statutory reporting date of 30 September 2014, 75 clear audit opinions were issued on local council performance statements for 2013–14 (75 clear in 2012–13).

Clear audit opinions were issued after the statutory deadline to Buloke Shire Council on 1 October 2014, Southern Grampians Shire Council on 21 October 2014, Yarriambiack Shire Council on 24 October 2014 and West Wimmera Shire Council on 30 October 2014. The four local councils were granted reporting deadline extensions by the former Minister for Local Government.

3.4 Local Government Performance Reporting Framework

The *Audit Act 1994* empowers the Auditor-General to audit any performance indicators in the report of operations of an audited entity to determine whether they are:

- relevant to any stated objectives of the entity
- appropriate for the assessment of the entity's actual performance
- a fair representation of the entity's actual performance.

Our audit report *Performance Reporting by Local Government (2011–12)* identified shortfalls in performance reporting by local councils and recommended that all local councils critically review the performance information in their annual reports for relevance, appropriateness and for alignment with their council plan strategic objectives. In response to our report, Local Government Victoria initiated the development of a performance reporting framework in 2011 that sought to enable performance reporting that is relevant, appropriate and meaningful to the community.

The *Local Government Amendment (Performance Reporting and Accountability) Act 2014* and associated regulations set out the new mandatory performance reporting framework applicable from 1 July 2014 onwards. This framework is designed to ensure that all councils are measuring and reporting on their performance in a consistent and meaningful way.

3.4.1 Preparing for the audit

From 1 July 2014, local councils must prepare performance statements in accordance with the LGPRF. The new regime requires extensive financial and non-financial information to be disclosed.

While local councils have a mature environment in place to provide assurance around financial performance information, the environment for reporting non-financial performance information about services and outcomes has not historically been as robust.

In preparation for the new requirements, local councils should ensure they have adequate processes and systems in place to support the completeness and accuracy of data used to report on performance. Complete and accurate data sources, well designed data collection arrangements and appropriate measurement systems will provide local councils with confidence in the integrity and validity of the results that will be reported. Sound systems will also ensure local councils are well placed to demonstrate and provide evidence for their performance statement.

In June 2014, Local Government Victoria issued its *Local Government Performance Statement – Better Practice Guide*. The guide is a useful resource to assist preparers of the performance statement that complies with the Act and the *Local Government (Planning and Reporting) Regulations 2014*.

Recommendations

That local councils:

3. familiarise themselves with the guidance material developed by Local Government Victoria and assess their readiness for the new performance reporting framework which is effective from 1 July 2014
 4. review their systems and processes in place for capturing financial and non-financial data to determine whether there are sufficient processes in place to completely and accurately report on performance.
-

4 Financial results

At a glance

Background

This Part covers the financial results of the 79 local councils and 11 regional library corporations for 2013–14.

Conclusion

The overall operating result for local councils deteriorated from a surplus of \$1.2 billion in 2012–13 to \$923.6 million in 2013–14. This was mainly driven by the Commonwealth Government's re-phasing of the payment of financial assistance grants—no longer forward paying grants into the preceding financial year. Future operating results of local councils should not be similarly adversely impacted by the changed grant arrangements as these arrangements will have been in place for the entire year.

Findings

- Twenty-one local councils reported underlying operating deficits for the year (eight in 2012–13) of which nine would not have otherwise reported a deficit if the financial assistance grant had not been re-phased.
- Outer metropolitan councils' rates and charges have increased by 7 per cent across the five years to 2013–14—the highest average rate of increase of all local council cohorts. This has been offset by a 6 per cent increase in capital expenditure and a 7 per cent increase in employee benefits.
- Large shire councils are more reliant on government grant funding than regional city councils to sustain operations and fund capital works, but also have a greater capacity to utilise rate revenue as an alternative source of income compared with small shire councils.
- Small shire councils are the most sensitive to changes in their revenue and expenditure streams. They are also the most dependent on grant funding to sustain their operations as they have a lower population base to generate rate revenue from.
- Regional library corporations remain heavily dependent on local council support for their ongoing operations. Without continued support regional library corporations will struggle to provide their services.

4.1 Introduction

Accrual-based financial statements enable an assessment of whether entities generate sufficient surpluses from their operations to maintain services, fund asset maintenance and retire debt.

The financial objective for local councils and regional library corporations (RLC) should be to generate sufficient resources from operations to meet their financial obligations, and fund asset replacement and acquisitions. The ability of local councils and RLCs to do this depends largely on how they manage their expenditure and maximise revenue.

4.2 Financial results—local councils

The overall operating result for local councils decreased 25 per cent from a surplus of \$1.23 billion in 2012–13 to a surplus of \$923.6 million in 2013–14. Twenty-one local councils reported an underlying operating deficit in 2013–14 compared with eight in 2012–13.

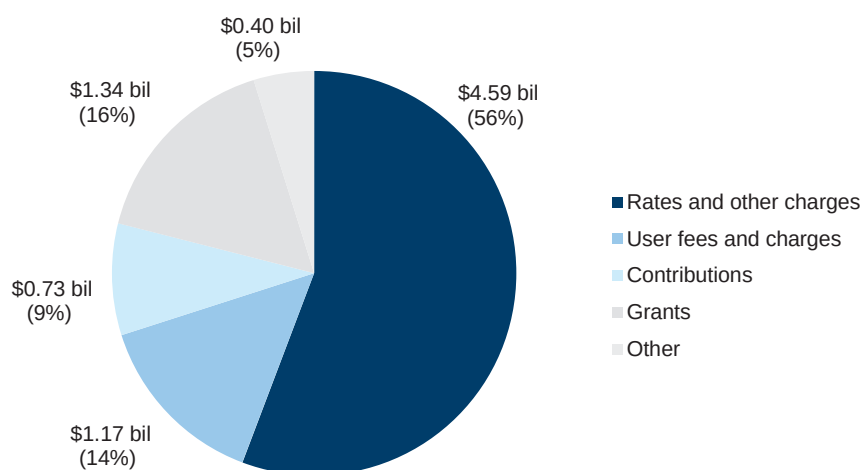
The reduced surplus was largely attributed to the Commonwealth Government's announcement in its May Budget that it would not bring forward any payments of 2014–15 grants into the 2013–14 year. This followed five years in which some payments were brought forward. The underlying operating results for small and large shire councils were the most impacted by this announcement, accounting for 17 of the 21 local councils that reported an underlying operating deficit in 2013–14. Future operating results of local councils should not be similarly adversely impacted by the changed grant arrangements as these arrangements will have been in place for the entire year.

4.2.1 Operating revenue

Local councils generated operating revenue of \$8.24 billion in 2013–14, a decrease of 1 per cent on the \$8.34 billion collected in 2012–13. This included an increase in rates and user fees and charges of \$292 million, offset by a decrease in grants, developer contributions and interest yields of \$437 million.

Figure 4A shows the composition of council operating revenue for 2013–14.

Figure 4A
Local council revenue composition, 2013–14



Source: Victorian Auditor-General's Office.

Rates and government grants continue to be the primary sources of revenue for councils—accounting for 72 per cent (72 per cent in 2012–13) of total revenue generated for the year. All other revenue categories remained similar to 2012–13.

The government has announced that it will introduce a rate capping policy for the 2016–17 financial year. Local councils will need to review and update their budgets to respond to this change.

The proportion of grant revenue decreased from 20 per cent in 2012–13 to 16 per cent in 2013–14. This is partly offset by an increase in the proportion of revenue generated from rates and other charges underscoring councils' reliance on rates to address shortfalls in alternative revenue streams.

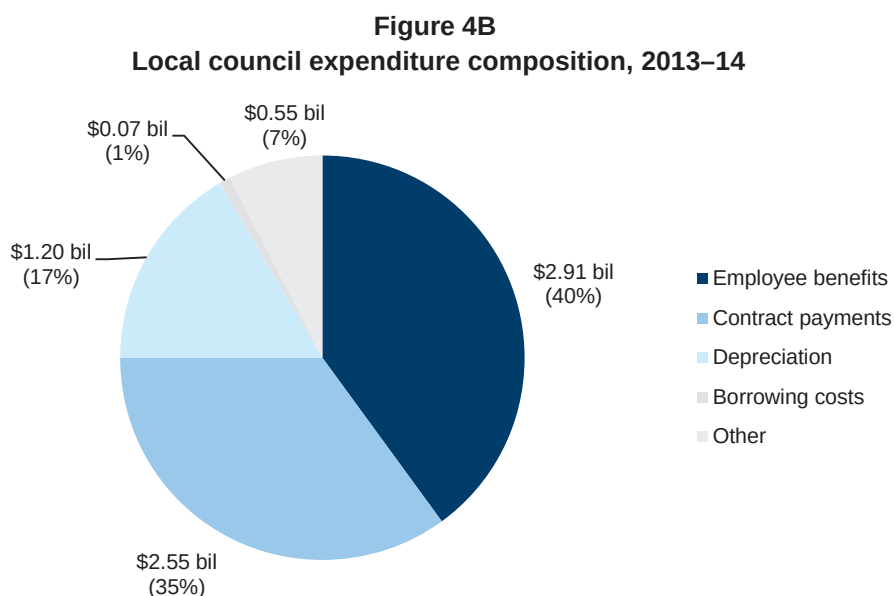
The decrease in grant revenue was driven by the Commonwealth Government's re-phasing of the payment of financial assistance grants—no longer forward paying grants into the preceding financial year. This had an immediate short-term impact on local council's underlying result, particularly with small and large shire councils, where 17 small and large shire councils reported an underlying deficit in 2013–14.

While the re-phasing of financial assistance grants has impacted the current year's results for some local councils, the Commonwealth's decision to pause indexation of financial assistance grants will have a greater impact on small and large shire councils that rely on Commonwealth grant funding to support their operations. These shires will need to monitor, control and constrain expenditure growth if grant revenue is unlikely to increase in the foreseeable future.

4.2.2 Operating expenditure

Total operating expenditure of local councils was \$7.3 billion in 2013–14 (\$7.1 billion in 2012–13), an increase of 3 per cent. An increase of \$200 million in employee benefits and \$50 million in depreciation offset by a reduction of \$71 million in material and supplies contributed to the result.

Figure 4B shows the composition of operating expenditure for 2013–14.



Source: Victorian Auditor-General's Office.

Employee benefits represented 40 per cent of total expenditure and were the key driver in the increase in expenditure in 2013–14.

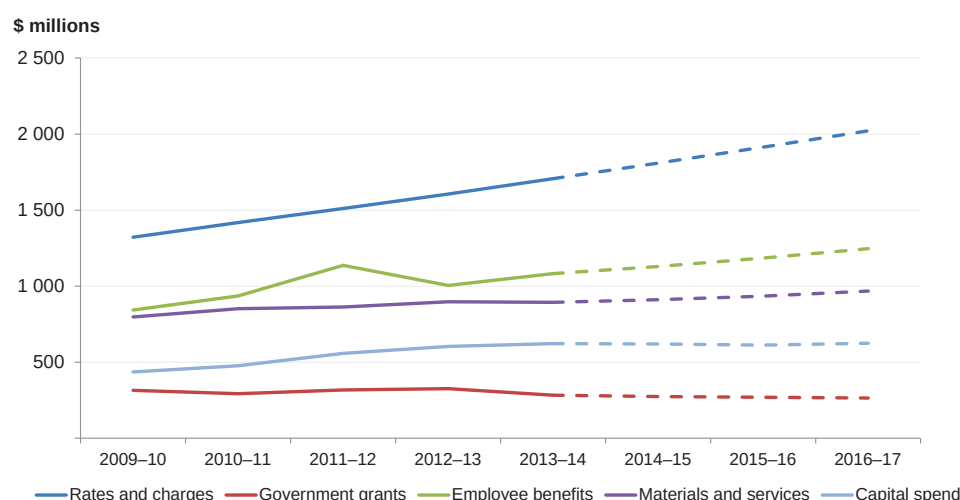
4.3 Trend analysis and outlook

The analysis presented is based on the audited financial data from 2009–10 to 2013–14 for all local councils. The 2014–15 to 2016–17 forecasts are based on 2014–15 local council published budgets.

4.3.1 Inner metropolitan councils

Figure 4C shows the five-year trend from 2009–10 to 2013–14 and forecast (2014–15 to 2016–17) for rates and charges, grants, employee benefits, materials and services and capital spend.

Figure 4C
Trend and forecast results for inner metropolitan councils



Source: Victorian Auditor-General's Office.

Rates and charges for this cohort have increased by an average of 5 per cent from 2009–10 to 2013–14. These increases have been largely negated by an average annual increase of 5 per cent in employee benefits for the same period. Materials and services have increased at an average of 2 per cent per annum, broadly in line with the consumer price index.

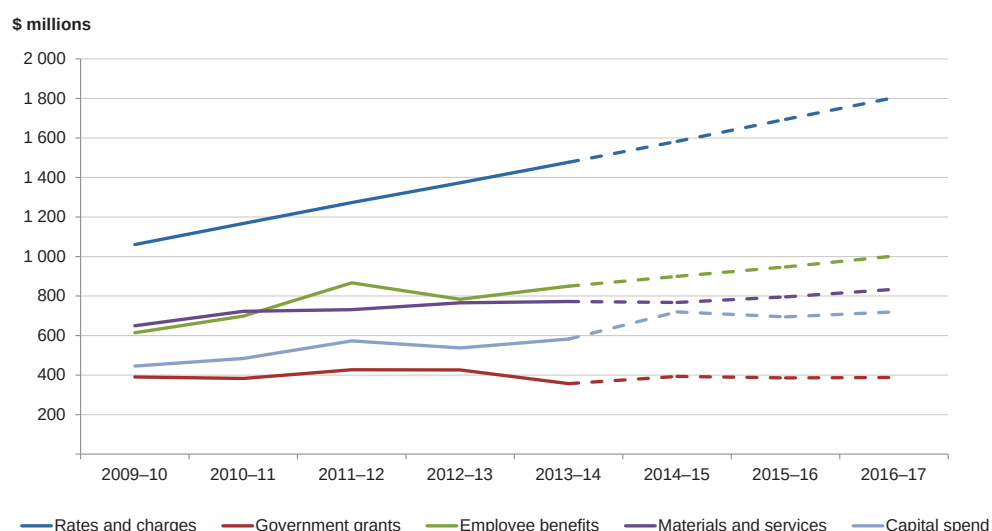
With the year on year increase in rates nullified by corresponding increases in employee benefits, inner metropolitan councils have instead relied on alternative revenue sources such as user fees and charges and borrowings to supplement their revenue and maintain their capital spend.

The forecast from 2014–15 to 2016–17 shows rate revenue, employee benefits and materials and services increase broadly in line with historical trends. Capital spend is forecast to plateau with no discernible increase across the forward estimates.

4.3.2 Outer metropolitan councils

Figure 4D shows the five-year trend from 2009–10 to 2013–14 and forecast (2014–15 to 2016–17) for rates and charges, grants, employee benefits, materials and services and capital spend.

Figure 4D
Trend and forecast results for outer metropolitan councils



Source: Victorian Auditor-General's Office.

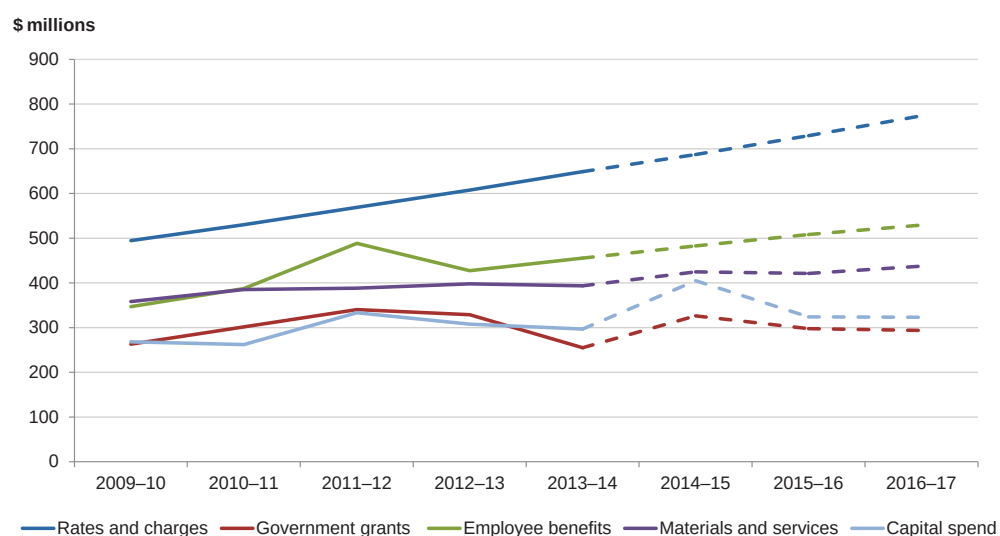
Rates and charges for outer metropolitan councils averaged 7 per cent across the five years to 2013–14—the highest average rate of increase of all local council categories. This category contains councils that form part of Melbourne's growth corridors and as a result their average increases in capital spend of 6 per cent and employee benefits of 7 per cent to service their growing populations exceeded most other council categories.

Annual increases to rates and employee benefits are projected to reduce across the next three years to 5 per cent and 4 per cent respectively while capital spend is projected to remain above 5 per cent.

4.3.3 Regional city councils

Figure 4E shows the five-year trend from 2009–10 to 2013–14 and forecast (2014–15 to 2016–17) for rates and charges, grants, employee benefits, materials and services and capital spend.

Figure 4E
Trend and forecast results for regional city councils



Source: Victorian Auditor-General's Office.

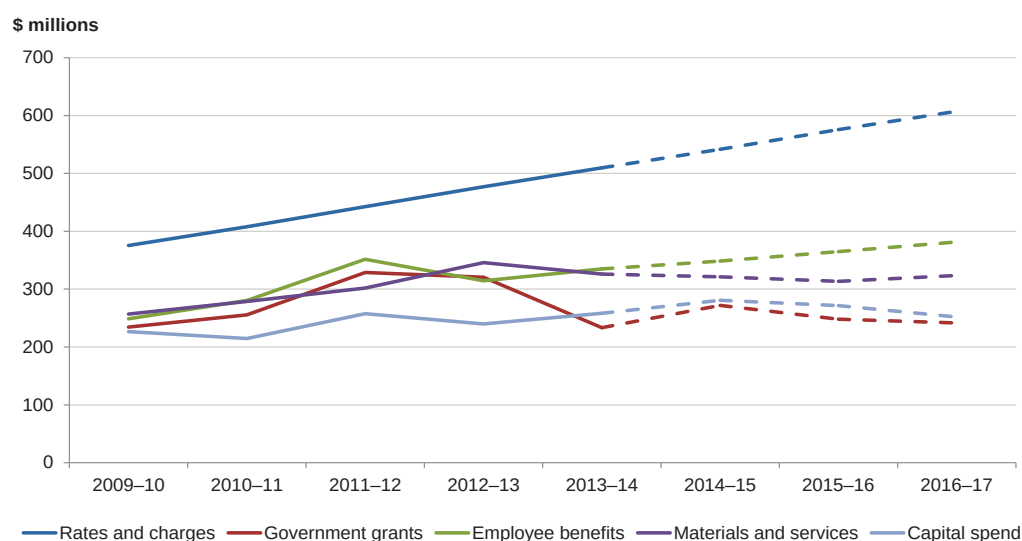
Employee benefits and rates have broadly increased in line with each other across the five-year period after allowing for the spike in 2011–12 for the defined benefit superannuation funding call.

Regional city councils, similar to large shire and small shire councils, have a higher reliance on government grants to fund operations and their capital works programs as evident in the similar trend from 2014–15 onwards.

4.3.4 Large shire councils

Figure 4F shows the five-year trend from 2009–10 to 2013–14 and forecast (2014–15 to 2016–17) for rates and charges, grants, employee benefits, materials and services and capital spend.

Figure 4F
Trend and forecast results for large shire councils



Source: Victorian Auditor-General's Office.

Rates and charges for this cohort have increased by an average of 6 per cent from 2009–10 to 2013–14. These increases have been largely negated by an average annual increase of 6 per cent in employee benefits and 5 per cent in materials and services.

Large shire councils are more reliant on government grant funding than regional city councils to sustain operations and fund capital works but also have a greater capacity to utilise rate revenue as an alternative source of income compared with small shire councils.

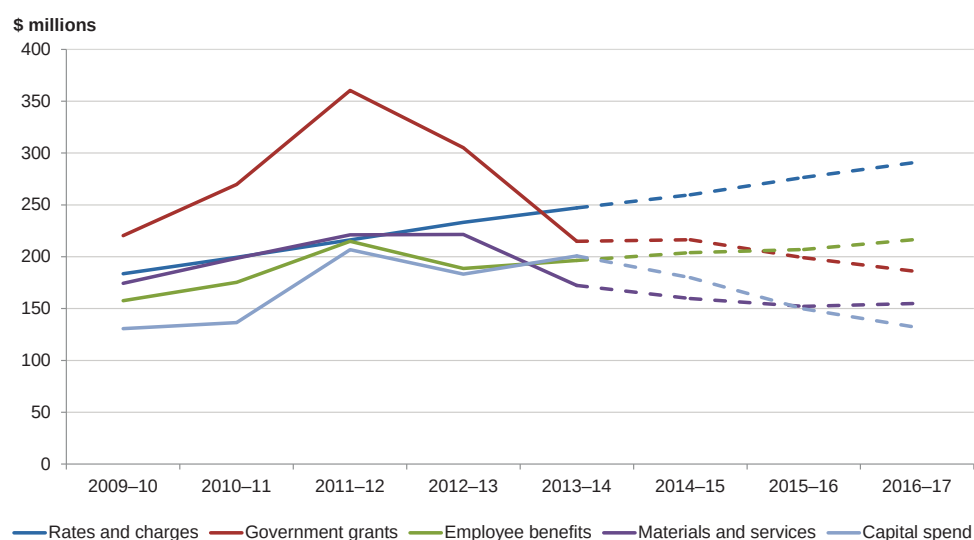
Rate revenue and employee benefits are forecast to increase by an average of 4 per cent and 3 per cent for the period 2014–15 to 2016–17 respectively. Increases in capital spend and materials and services for the same period are forecast to plateau or decrease.

4.3.5 Small shire councils

Small shire councils are located in rural areas and cover 40 per cent of Victoria's total area with populations of less than 20 000 people. These councils are the most sensitive to changes in their revenue and expenditure streams.

Figure 4G shows the five-year trend from 2009–10 to 2013–14 and forecast (2014–15 to 2016–17) for rates and charges, grants, employee benefits, materials and services and capital spend.

Figure 4G
Trend and forecast results for small shire councils



Source: Auditor-General's Office.

Small shires are the most dependent on grant funding to sustain their operations as they have a lower population base to generate rate revenue from. Until 2013–14, it was the only council category whereby revenue generated from government grants exceeded rates and charges. Consequently 10 councils in this category reported an underlying deficit for the 2013–14 year (four in 2012–13). Without adequate grant funding, these councils are unable to meet their employee benefits, supplier obligations and capital spend.

Small shire councils project a rapid decline in receipts of government grants across the forward estimates and will continue the trend whereby rates and charges overtake government grants as the primary source of revenue. Consequently growth in major council expenditure categories have been curbed or forecast to decrease. Capital spend is projected to deteriorate by 10 per cent as natural disaster reconstruction works near completion and a greater emphasis is placed on maintaining those assets.

Our audit report *Organisational Sustainability of Small Councils*, tabled in June 2013, identified that small shire councils' reliance on government grants had increased substantially over a period of five years. This exposes these local councils to significant financial risks if the number and value of grants are reduced or the timing of grant payments change. Small shire councils should have a sound understanding of the issues and challenges impacting their sustainability and develop appropriate strategies to mitigate their impact as much as possible.

4.4 Financial result—regional library corporations

The overall operating result for RLCs improved from a surplus of \$3.11 million in 2012–13 to a surplus of \$4.56 million in 2013–14. This improvement was due to increases in council contributions partly offset by increases in employee benefits.

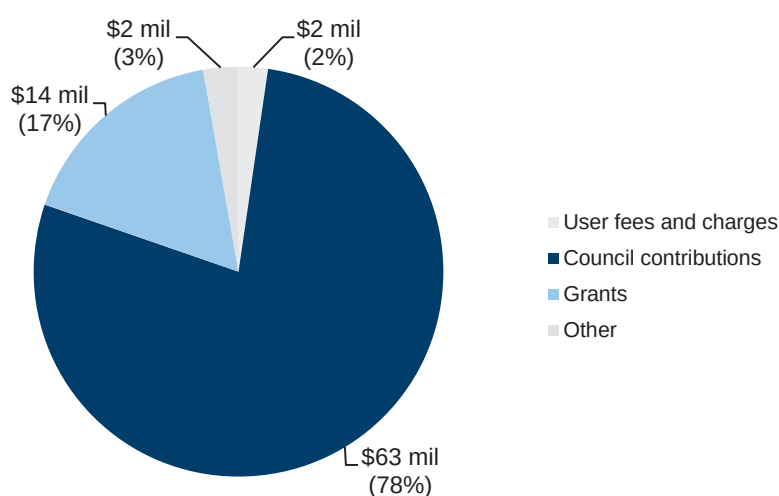
Seventy-five per cent of RLCs total revenue comes from councils, so they remain heavily dependent upon council support to fund their ongoing operations. Without this level of continuing support RLCs will struggle to provide the services that they were set up to deliver.

4.4.1 Operating revenue

In 2013–14, revenue for RLCs amounted to \$80 million (\$77 million in 2012–13). Government grants marginally increased from \$13.4 million in 2012–13 to \$14.0 million in 2013–14.

Figure 4H shows the overall composition of operating revenue for RLCs in 2013–14.

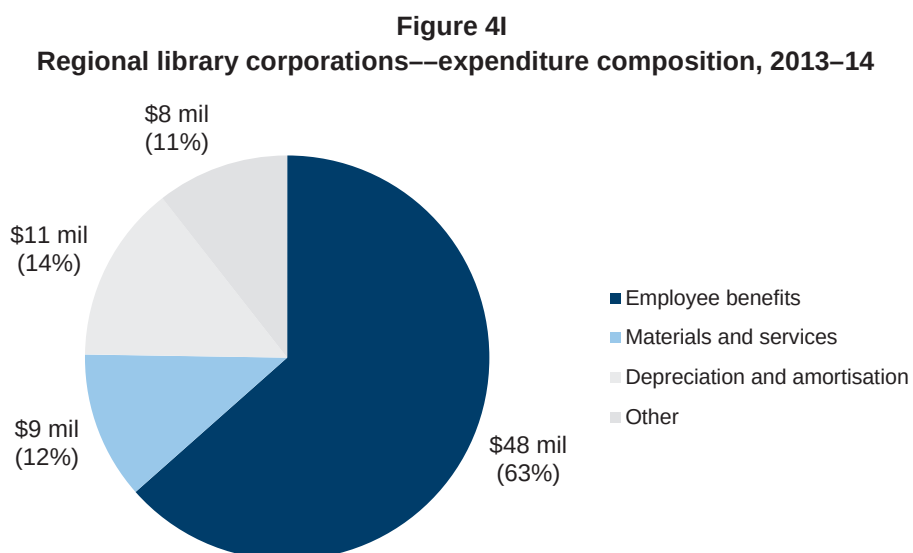
Figure 4H
Regional library corporations—revenue composition, 2013–14



Source: Victorian Auditor-General's Office.

4.4.2 Operating expenditure

In 2013–14, RLCs had expenditure of \$75 million (\$73 million in 2012–13). Figure 4I shows the composition of expenditure for the year.



Source: Victorian Auditor-General's Office.

The largest component of expenditure was employee benefits of \$48 million which had increased from \$45 million in 2012–13, a 6.7 per cent increase from the previous year. All other expenditure components had remained consistent with 2012–13.

5 Financial sustainability risks

At a glance

Background

To be financially sustainable, entities need to be able to meet current and future expenditure as it falls due, and to absorb foreseeable changes and financial risks without significantly changing their revenue and expenditure policies. This Part provides insight into the financial sustainability risks of the 79 local councils.

Conclusion

Five local councils were assessed as a high financial sustainability risk in 2013–14 (two in 2012–13), three due to delays associated with the Local Government Funding Vehicle (LGFV) to raise debt.

Findings

- The LGFV was a facility established by the Municipal Association of Victoria to provide debt financing to local councils. It originated as a result of the \$406 million shortfall in defined benefit superannuation plans in 2011–12. A total of \$240 million was borrowed by 30 local councils. These borrowings require interest-only repayments until maturity of the debt in five or seven years. Local councils who participated in the LGFV will not be making principal repayments until the debt matures. This means the total interest paid over the five or seven years will be higher than they would have paid had the principal been gradually reduced during the term of the loan, where interest is paid on the reduced principal amount. There is also a risk that local councils will not have the funds available to make the full repayment when the debt matures.
- Forty-two per cent of local councils were rated as high or medium self-financing risk compared to 34 per cent in 2012–13.
- Twenty-one local councils reported an underlying deficit compared with eight in 2012–13. The deterioration in the underlying results and self-financing ratios were predominantly driven by the Commonwealth Government decision not to pay financial assistance grants in advance. Small and large shire councils were most affected with 17 reporting underlying deficits for the year (seven in 2012–13).

5.1 Introduction

To be financially sustainable, entities need to be able to meet their current and future expenditure as it falls due. They also need to absorb foreseeable changes and financial risks that materialise without significantly changing their revenue and expenditure policies.

Financial sustainability should be viewed from both the short-term and long-term perspective. Short-term indicators relate to the ability of an entity to maintain positive operating cash flows, or the ability to generate an operating surplus in the next financial year. Long-term indicators focus on strategic issues such as the ability to fund significant asset replacement or reduce long-term debt.

In this Part, insight is provided into the financial sustainability of local councils as at 30 June 2014 using six key financial sustainability indicators, and trends in the indicators over the past five years. This analysis identifies trends that warrant attention or highlight positive results for individual local councils and the five local council categories—inner metropolitan, outer metropolitan, regional city, large shire and small shire.

Appendix E describes the sustainability indicators, the risk assessment criteria used, and their significance.

5.2 Financial sustainability

5.2.1 Assessment by council category

Figure 5A shows that the number of local councils with a high financial sustainability risk assessment increased from two in 2012–13 to five in 2013–14. The number of local councils with a medium sustainability risk decreased from 11 in 2012–13 to seven in 2013–14.

Figure 5A
Two year financial sustainability risk assessment, by council category

Council	2013–14			2012–13		
	High	Medium	Low	High	Medium	Low
Inner metropolitan	1	1	15	1	2	14
Outer metropolitan	1	1	12	–	4	10
Regional city	–	1	10	–	1	10
Large shire	1	3	12	–	3	13
Small shire	2	1	18	1	1	19
Total	5	7	67	2	11	66
Per cent	6	9	85	3	14	83

Source: Victorian Auditor-General's Office.

Figure 5B shows that from 2009–10 to 2011–12 the overall financial sustainability risk assessment was relatively consistent. Seventeen per cent of local councils in 2012–13 were rated as medium or high risk compared with 15 per cent in 2013–14.

Figure 5B
Five-year financial sustainability risk assessment



Source: Victorian Auditor-General's Office.

The number of local councils with a financial sustainability risk assessed as high increased from two to five. Having a liquidity ratio of less than one at 30 June 2014 was the main driver behind the high financial sustainability risk assessments. Of the five local councils assessed as high risk, three were impacted by the delay in refinancing debt into the new Local Government Funding Vehicle (LGFV).

The LGFV was a facility established by the Municipal Association of Victoria to provide debt financing to local councils. It originated as a result of the \$406 million shortfall in defined benefit superannuation plans in 2011–12. A total of \$240 million was borrowed by 30 local councils. These borrowings require interest only repayments until maturity of the debt in five or seven years. Local councils who participated in the LGFV will not be making principal repayments until the debt matures. This means the total interest paid over the five or seven years will be higher than they would have paid if the principal was gradually reduced during the term of the loan, where interest is paid on the reduced principal amount. There is also a risk that local councils will not have the funds available to make the full repayment when the debt matures.

Our report *Effectiveness of Support for Local Government*, to be tabled in Parliament in February 2015, assessed the economy, efficiency and effectiveness of support provided to local councils, including that provided by the Municipal Association of Victoria.

Eight local councils previously assessed as high or medium risk improved and were assessed as low in 2013–14. The sustainability assessments of these local councils in 2012–13 were largely impacted by the higher self-financing ratios following repayment of their defined benefit superannuation funding call liability. However the sustainability assessments of another three local councils deteriorated in 2013–14 due to lower self-financing ratios.

5.2.2 Assessment of financial sustainability risk by council category

The overall risk assessments for each of the five categories of local councils are discussed below. Detailed results of our sustainability risk assessments for each category and each council can be found in Appendix E.

Inner metropolitan councils

The overall 2013–14 financial sustainability risk for the 17 inner metropolitan councils was assessed as low. One local council was assessed as high risk and one local council was assessed as medium risk in the year compared to three in both categories in 2012–13.

Yarra City Council's financial sustainability risk improved from high risk in 2012–13, because of a liquidity ratio less than 1.00, to low in 2013–14 with a liquidity ratio of 1.07.

Hobsons Bay City Council's was assessed as having a high risk assessment as its liquidity ratio fell below 1.00 on 30 June 2014 following long-term debt becoming current in anticipation of the council's entry into the LGFV for debt procurement. The council's three-year forecast indicates a liquidity ratio above 1.00 from 2014–15 onwards.

Port Phillip City Council was assessed as having a medium financial sustainability risk (low in 2012–13) due to a high self-financing ratio risk. This was driven by an increase of 12 per cent in payments to employees largely caused by the full year's operation of the redeveloped and expanded Bup Nairn family and children's centre.

Outer metropolitan councils

The overall 2013–14 financial sustainability risk for the 14 outer metropolitan councils was assessed as low.

Four local councils were assessed as medium risk in 2012–13 with Nillumbik Shire Council and Yarra Ranges Shire Council's sustainability risk assessments impacted by repaying their defined benefit superannuation funding call liability in that year. In 2013–14 these two local councils were assessed as low financial sustainability risk.

Brimbank City Council was assessed as having a high financial sustainability risk in 2013–14 because its liquidity ratio fell below 1.00 on 30 June 2014 following long-term debt becoming current in anticipation of the council's entry into the LGFV for debt procurement. The council's three-year forecast indicates a liquidity ratio above 1.00 from 2014–15 onwards.

The renewal gap continues to be a challenge for this cohort of local councils, with no demonstrable improvement from the previous year. Eight local councils were rated as medium risk (eight local councils or 57 per cent in 2012–13).

Outer metropolitan councils service the growth corridors of Melbourne. While their primary focus is more on meeting new infrastructure needs rather than on maintaining assets at serviceable levels, the asset renewal gap is a challenge for them.

Regional city councils

The overall 2013–14 financial sustainability risk for the 11 regional city councils was assessed as low. However, as has been the case since 2007–08, Wodonga City Council was again assessed as medium risk. The council nevertheless continues to pay off borrowings incurred to fund its manufacturing, transport and logistics precinct known as LOGIC.

Similar to inner metropolitan councils, regional city councils have established assets. But uniquely, they serve as proxy centres to the large and small shire councils geographically located around them. As a consequence they will need to continue to focus on spending on renewing and maintaining their existing assets while looking to stimulate economic growth in the area. This is evidenced by 36 per cent of local councils in this cohort having a renewal gap ratio of less than 1.00.

Large shire councils

The overall financial sustainability risk for the 16 large shire councils was assessed as low for 2013–14. Three local councils in this cohort were assessed as medium risk in 2013–14 (three local councils or 19 per cent in 2012–13). One council, Moorabool Shire Council, was assessed as high risk owing to a liquidity ratio less than 1.00.

Moorabool Shire Council's liquidity ratio fell below 1.00 on 30 June 2014 following long-term debt becoming current in anticipation of the council's entry into the LGFV for debt procurement. The council's three-year forecast indicates a liquidity ratio above 1.00 from 2014–15 onwards.

Moira Shire Council's medium sustainability risk assessment remained the same because of a high self-financing risk ratio largely driven by the timing of cash receipts and payments of natural disaster funding and associated works.

Surf Coast Shire Council was a medium risk in 2013–14 (low in 2012–13) because of its high indebtedness ratio after recognising additional landfill provisions associated with its Anglesea landfill site.

Small shire councils

The overall financial sustainability risk for the 21 small shire councils was assessed as low for 2013–14. Buloke Shire Council was again assessed as high risk (also high in 2012–13).

Buloke Shire Council reported a positive underlying operating result for 2013–14 due to the receipt of significant non-recurrent capital grant funding. However, at balance date the council had a poor liquidity position and had used its overdraft facility to meet its short-term commitments associated with flood recovery works. The council's poor liquidity position had been exacerbated by its earlier borrowings to meet its defined benefit superannuation obligations. The audit opinion on the 2013–14 financial statements continues to emphasise the material uncertainty that may cast doubt over this council's ability to continue as a going concern for financial reporting purposes.

The underlying results for 10 small shire councils deteriorated significantly in 2013–14 (four in 2012–13) due to the Commonwealth not providing its financial assistance grants in advance. Yarriambiack Shire Council's liquidity ratio, which fell below 1.00 on 30 June 2014, was significantly impacted by this re-phasing. Notwithstanding the timing adjustment, the re-phasing that occurred in 2013–14 should not result in an impact to local councils in future years as the new timing for grants will have been in place for the entire year.

Part 4 of this report highlights the reliance by local councils in this cohort on grant funding to support their continued operations, and their vulnerability to changes in federal and state government funding policy or decision-making. This exposes them to the potential for higher financial risks in the future.

5.3 Five-year sustainability trend analysis

This section analyses and comments on the trends for six sustainability indicators over the past five years.

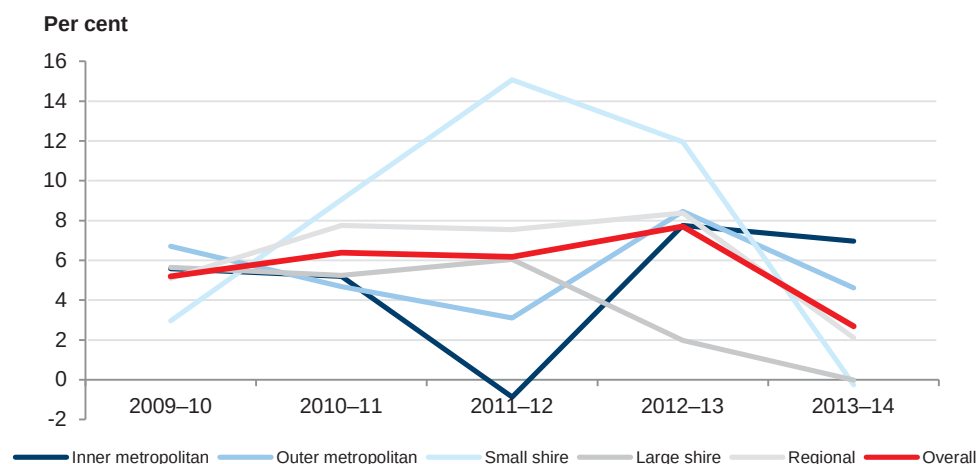
5.3.1 Underlying result

A continuous positive underlying operating result means that an entity has the capacity to expand services, reduce debt and/or facilitate capital works.

The underlying result for the sector across the five years was positive, fluctuating between 5 per cent and 8 per cent indicating no immediate concerns at the sector level. However in 2013–14 four of the five local council categories experienced a decline in their average underlying results due to local councils not receiving advance payments of 2014–15 financial assistance grants in the current year.

Figure 5C shows the average underlying result for all local councils since 2009–10.

Figure 5C
Average underlying result



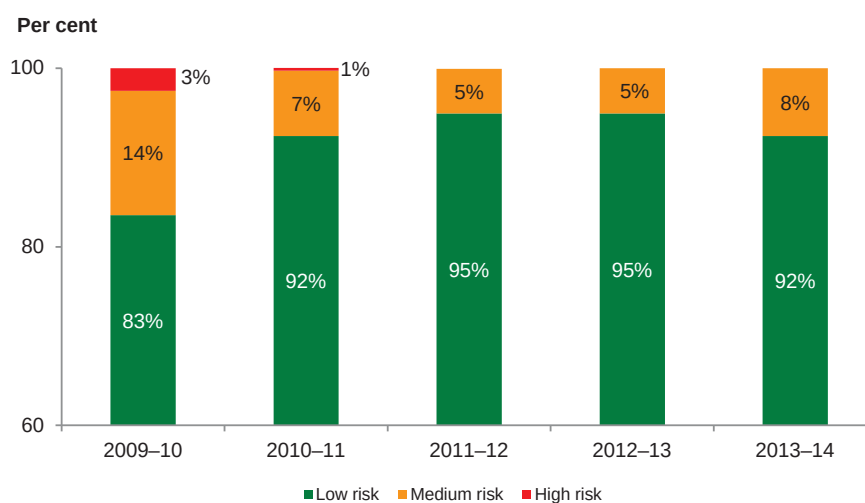
Source: Victorian Auditor-General's Office.

The decline in the average underlying results for all local council categories was primarily due to the Commonwealth Government's announcement in its May Budget that it would not pay 2014–15 financial assistance grants in the 2013–14 financial year, contrary to previous practice. As a consequence, 21 local councils reported an underlying deficit, compared with eight in 2012–13.

Inner metropolitan councils, who are the least reliant on financial assistance grants, displayed no change in the average underlying result from the prior period.

Figure 5D shows that the underlying result of 8 per cent of local councils was assessed as medium risk in 2013–14 (5 per cent in 2012–13).

Figure 5D
Underlying result risk assessment



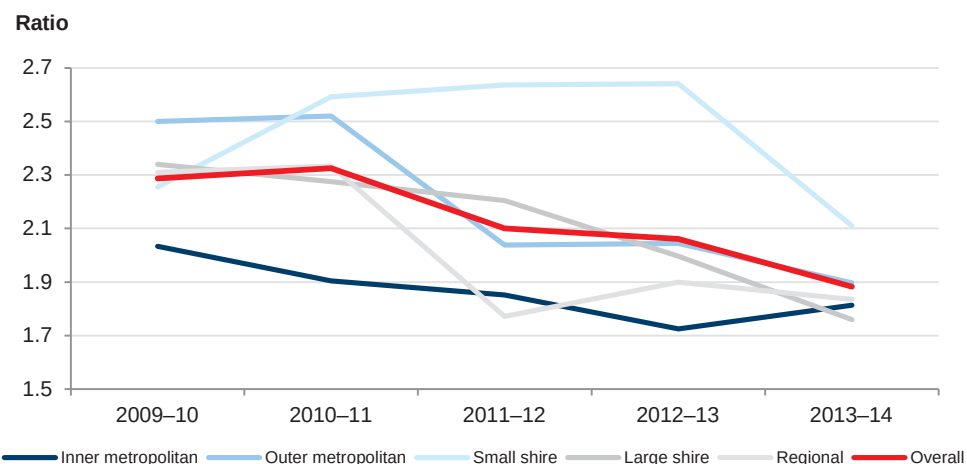
Source: Victorian Auditor-General's Office.

The proportion of local councils assessed as medium or high risk has decreased from 17 per cent to 8 per cent since 2009–10, with no high-risk assessments in 2011–12 to 2013–14. The proportion of local councils assessed as low risk has remained stable over the past four years.

5.3.2 Liquidity

Figure 5E shows that the average liquidity ratio for the sector was above 1.50 for 2013–14, indicating no immediate concerns at the sector level. However, the ability of local councils to repay their short-term financial obligations has declined in all but the inner metropolitan cohort.

Figure 5E
Average liquidity ratio by local council category



Source: Victorian Auditor-General's Office.

The average liquidity ratio decreased from 2.10 in 2011–12 to 1.88 in 2013–14. All cohorts except for inner metropolitan councils experienced declines in their average liquidity ratios since 2012–13 in part due to the Commonwealth Government no longer bringing forward the payment of financial assistance grants into the previous financial year. The withdrawal of forward payments, normally paid in June, did not give local councils adequate time to adjust to the revised payment schedule.

Small shire councils were the most affected by the Commonwealth Government's decision with the average liquidity ratio decreasing from 2.64 in 2012–13 to 2.11 in 2013–14. Small shire councils have a higher reliance on financial assistance grants averaging 15 per cent of total revenue across five years. Notwithstanding, this cohort has the highest average liquidity ratio meaning it has adequate cash flow for repaying short-term debt.

Figure 5F shows that the proportion of local councils assessed as high risk increased from 3 per cent in 2012–13 to 6 per cent in 2013–14. Local councils assessed as medium risk also increased from 20 per cent in 2012–13 to 22 per cent in 2013–14.

Figure 5F
Liquidity risk assessment

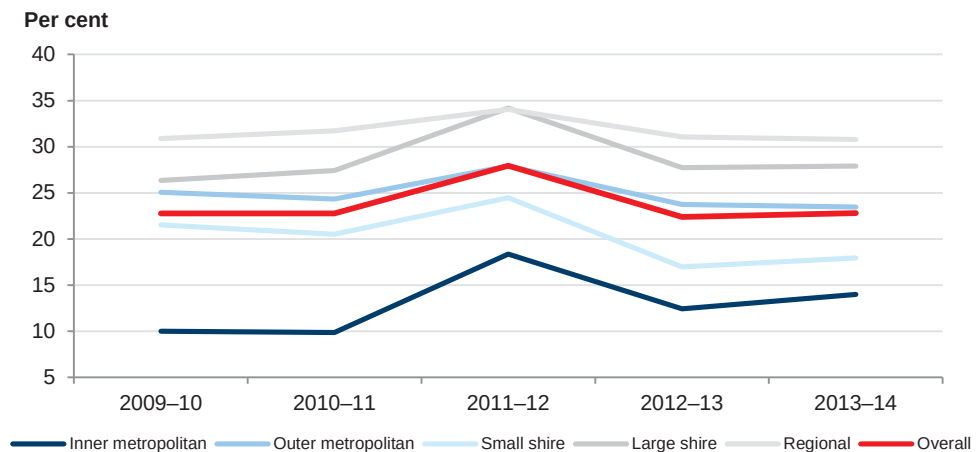


Source: Victorian Auditor-General's Office.

5.3.3 Indebtedness

Figure 5G shows the average indebtedness of local councils over the five-year period.

Figure 5G
Average indebtedness by local council category



Source: Victorian Auditor-General's Office.

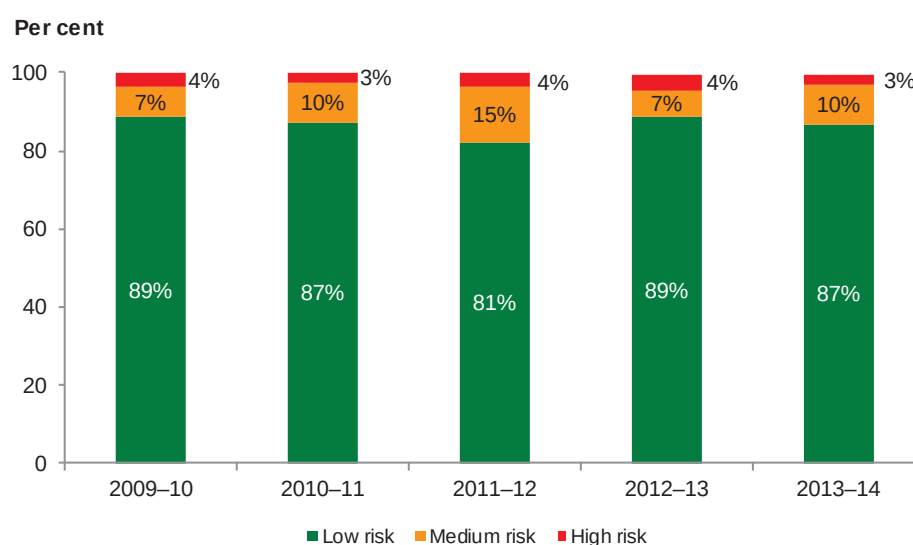
Average indebtedness for the sector which peaked in 2011-12 was affected by the payment options afforded to the local councils for the defined benefit superannuation funding call. The improvement in 2012-13 was due to a reduction in obligations for those local councils that chose to defer payments to 2012-13. Average indebtedness for all council cohorts remained stable between 2012-13 and 2013-14.

Inner metropolitan councils continue to have the lowest indebtedness of all categories and the greatest capacity to increase revenue through fees and charges. As a result, the risk that inner metropolitan councils will not service their debt is low.

Conversely, large and regional councils continue to have the highest indebtedness. These local councils have limited discretionary revenue options and should continue to actively manage and monitor their debt.

Figure 5H shows that the proportion of local councils in the medium- and high-risk categories is comparable to the indebtedness risk assessments prior to 2012–13. Nevertheless local councils need to remain focused on maintaining their debt at sustainable levels.

Figure 5H
Indebtedness risk assessment

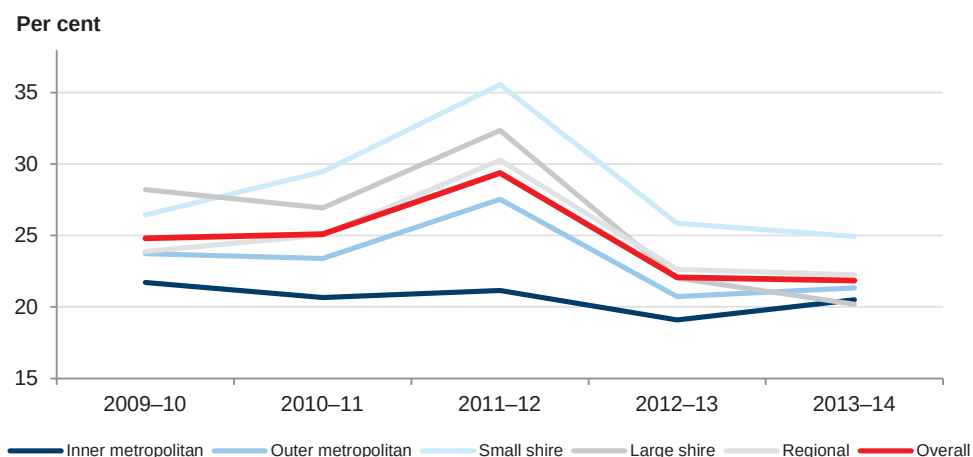


Source: Victorian Auditor-General's Office.

5.3.4 Self-financing

The self-financing ratio gives an indication of whether local councils have generated sufficient operating cash flows to invest in asset renewal and repay any debt that may have been incurred in the past.

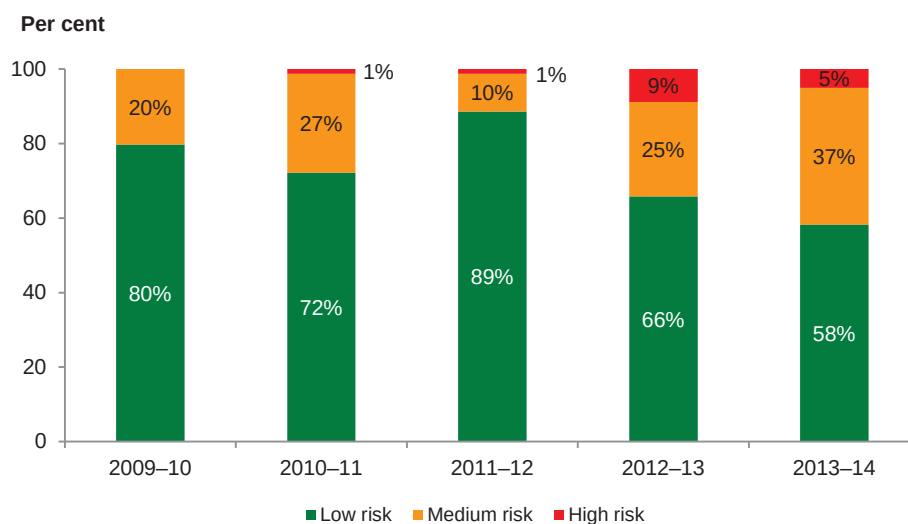
Figure 5I
Average self-financing by local council category



Source: Victorian Auditor-General's Office.

Figure 5I shows a substantial decrease in the overall self-financing ratio from 2011-12 to 2012-13 due to the timing of payments associated with the defined benefit superannuation funding call. From 2012-13 to 2013-14 the overall self-financing ratio remained stable.

Figure 5J
Self-financing risk assessment



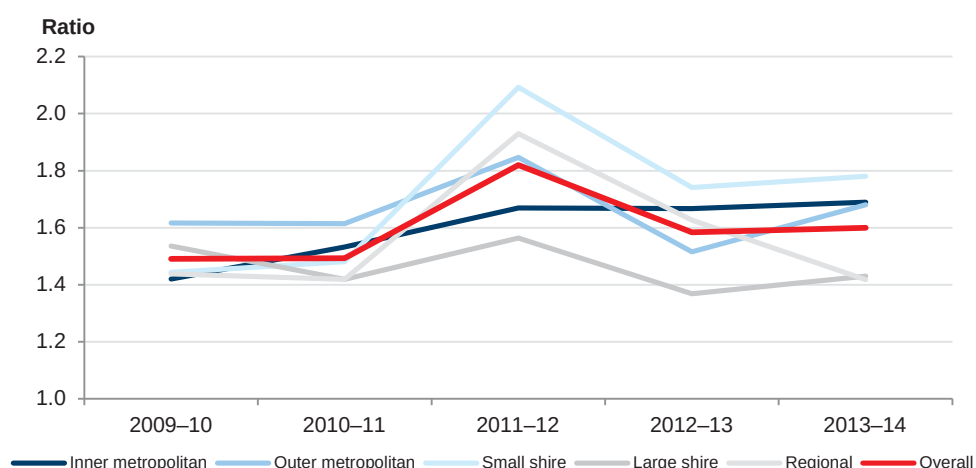
Source: Victorian Auditor-General's Office.

Figure 5J shows an increase in self-financing risk, with 42 per cent of local councils rated as high or medium risk compared with 34 per cent in 2012-13. The deterioration is due to the lower receipts of cash associated with the financial assistance grants.

5.3.5 Capital replacement

Figure 5K shows that the average capital replacement ratio across all council categories.

Figure 5K
Average capital replacement by local council category



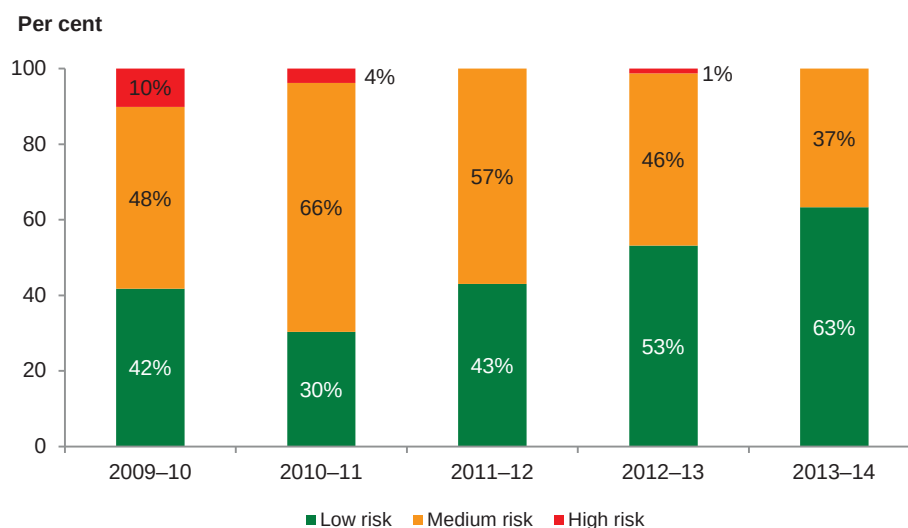
Source: Victorian Auditor-General's Office.

Across five years the overall trend for the sector shows that capital spending on infrastructure, property, plant and equipment is at least one and a half times greater than aggregate depreciation and amortisation. This shows that local councils are assessed as low risk overall. Higher aggregate capital expenditure of \$1.9 billion in 2013–14 (\$1.8 billion in 2012–13) compared with minimal increases in aggregated depreciation contributed to the overall improvement.

The capital replacement indicator for regional city councils deteriorated, differing from the other council cohorts, indicating that the rate of capital spending in 2013–14 did not match the consumption of its assets—as represented by depreciation and amortisation.

Figure 5L shows an improvement in the capital risk assessment with 63 per cent of local councils rated as low in 2013–14 compared with 42 per cent in 2009–10. Nevertheless 37 per cent of local councils are still assessed as a medium risk on this indicator.

Figure 5L
Capital replacement risk assessment



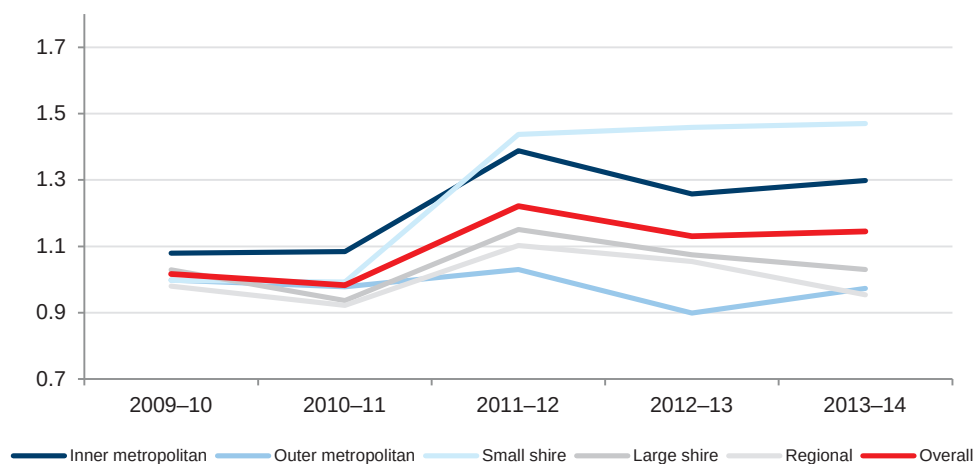
Source: Victorian Auditor-General's Office.

5.3.6 Renewal gap

The renewal gap compares the rate of spending through renewing, restoring and replacing existing assets with the rate that they depreciate. Spending more than the rate an asset is used indicates that an entity is sufficiently renewing its assets.

Figure 5M shows that the sector average renewal gap has improved over the five-year period, though there is a decline for regional and large shire councils.

Figure 5M
Average renewal gap by council category



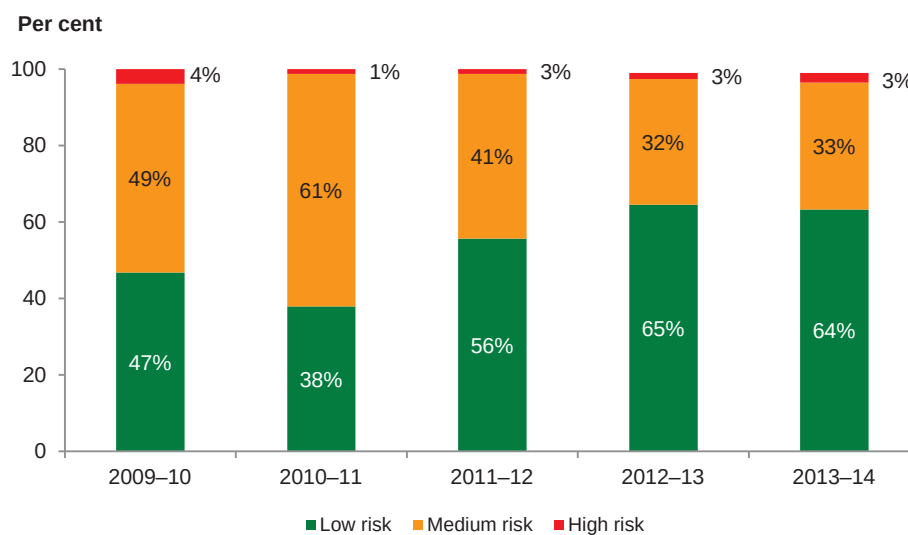
Source: Victorian Auditor-General's Office.

Between 2012–13 and 2013–14, the renewal gap indicator trended similarly to the capital replacement indicator, with local councils exceeding their rate of asset renewal spending compared with the rate assets are depreciated.

Regional city and large shire councils reported a decline in their average renewal gap from 2011–12 to 2013–14. These cohorts must actively monitor their rate of spend and remain focused on maintaining their assets at serviceable levels as they age.

Figure 5N shows that the renewal gap risk assessment has improved from 2010–11 to 2012–13 and has remained stable since.

Figure 5N
Renewal gap risk assessment



Source: Victorian Auditor-General's Office.

6 Internal controls

At a glance

Background

This Part presents the results of our assessment of the internal controls associated with the preparation of financial statements, creditor management and grant management.

Conclusion

Internal controls at councils were adequate for maintaining the reliability of financial reporting. Nevertheless, we identified a number of instances where important internal controls need to be strengthened. These matters were reported to the local councils and their management teams and included 99 high risk and medium risk-rated matters (79 in 2012–13).

The management of creditors and grants by local councils was generally sound, however, controls could be strengthened by developing comprehensive policies, introducing more effective management practices, and enhancing policy compliance monitoring.

Findings

- Sixty-one per cent of previous year audit findings relating to high- and medium-risk internal control deficiencies are yet to be rectified.
- On average, local councils did not have all key elements of an effective creditor management framework in place.
- Better practices can be incorporated into local councils current grant management framework.

Recommendations

That local councils:

- through audit committees, implement appropriate monitoring mechanisms to ensure our audit findings are addressed by management on a timely basis
- review and update their policies and procedures on creditors to include all key elements incorporated in better practice creditor management frameworks
- review and update their policies and procedures on grants management to include all better practice elements incorporated in the effective grant management frameworks.

6.1 Introduction

Poor internal controls diminish council's ability to achieve an entity's objectives, deliver agreed service levels and comply with relevant legislation. Poor internal controls also increase the risk of fraud, error, irregularities and financial report misstatements. Reliable internal controls are a prerequisite for accurate and timely financial reporting.

The councillors and management of each local council are responsible for developing and maintaining adequate systems of internal control to enable:

- preparation of accurate financial records and other supporting information
- timely and reliable external and internal reporting
- safeguarding of public assets
- prevention or detection of fraud, errors and other irregularities.

Integral to the annual financial audit is an assessment of the adequacy of the internal control framework—and the governance processes—related to an entity's financial reporting.

Internal controls are systems, policies and procedures that help an entity to reliably and cost-effectively meet its objectives. Sound internal controls enable delivery of reliable, accurate and timely external and internal reports.

This Part comments on the general internal controls associated with the preparation of financial and standard statements of the 79 local councils, and their management of creditors and grants.

6.2 General internal controls

Internal controls at local councils were adequate for maintaining the reliability of financial reporting. Nevertheless, we identified a number of instances where important internal controls need to be strengthened. These matters were reported to the local councils and their management teams.

General internal controls

Weaknesses in internal controls that are found during the audit of an entity are reported to its mayor or administrator (on behalf of the council), chief executive officer and audit committee in a management letter.

In 2013–14, there were 160 control-related issues reported in local councils' interim and final management letters (115 in 2012–13). Figure 6A shows the reported issues by area and by risk rating.

Figure 6A
2013–14 reported issues by area and risk

Area	2013–14			Total
	High	Medium	Low	
Supplier payments	–	29	17	46
Payroll	2	15	13	30
General ledger	2	9	8	19
IT controls	9	14	11	34
Revenue	–	11	7	18
Governance	2	3	2	7
Assets	–	3	3	6
Total	15	84	61	160
Per cent	9	53	38	

Source: Victorian Auditor-General's Office.

Of the 160 reported control-related issues 76 (48 per cent) related to supplier payments and payroll control deficiencies. Adequate internal controls should exist for the processing and monitoring of supplier payments and payroll to mitigate the risk of error, fraud or mismanagement.

Fifteen high-risk issues were identified and reported to management. Nine of these issues related to inadequate IT disaster recovery or business continuity plans and inadequate review of access rights and security profile at five local councils. The other risks were in relation to the inadequate review of journals, segregation of duties and inadequate financial preparation process.

Status of prior period issues

Internal control deficiency issues identified in prior periods are presented and communicated to councils and their audit committees through the current years' interim management letters. These issues are monitored to ensure weaknesses identified in the control environments identified by previous audits are resolved promptly. Figure 6B shows the internal control deficiency issues identified in the prior period with the resolution status by risk.

Figure 6B
Prior period internal control deficiency issues—resolution status by risk

Status	2013–14			Total	Per cent
	High	Medium	Low		
Not yet commenced	–	1	1	2	2
Ongoing	4	43	16	63	55
Completed	6	25	19	50	43
Total	10	69	36	115	100

Source: Victorian Auditor-General's Office.

In the prior period, 79 high- and moderate-risk internal control deficiency issues were reported to management for immediate rectification with only 31 actioned and completed within the past 12 months.

A high or moderate risk rating indicates that the issues identified pose a control weakness which could have adverse effects on the ability of a local council to:

- achieve its process objectives
- comply with relevant legislation
- identify material misstatements if the control weaknesses are not addressed.

To provide local councils with adequate time to action identified 2013–14 internal control issues, a follow up will be conducted by VAGO as part of the planning for 2014–15 audits. A status update will also be provided to local councils as part of the 2014–15 interim management letters.

6.3 Creditor management

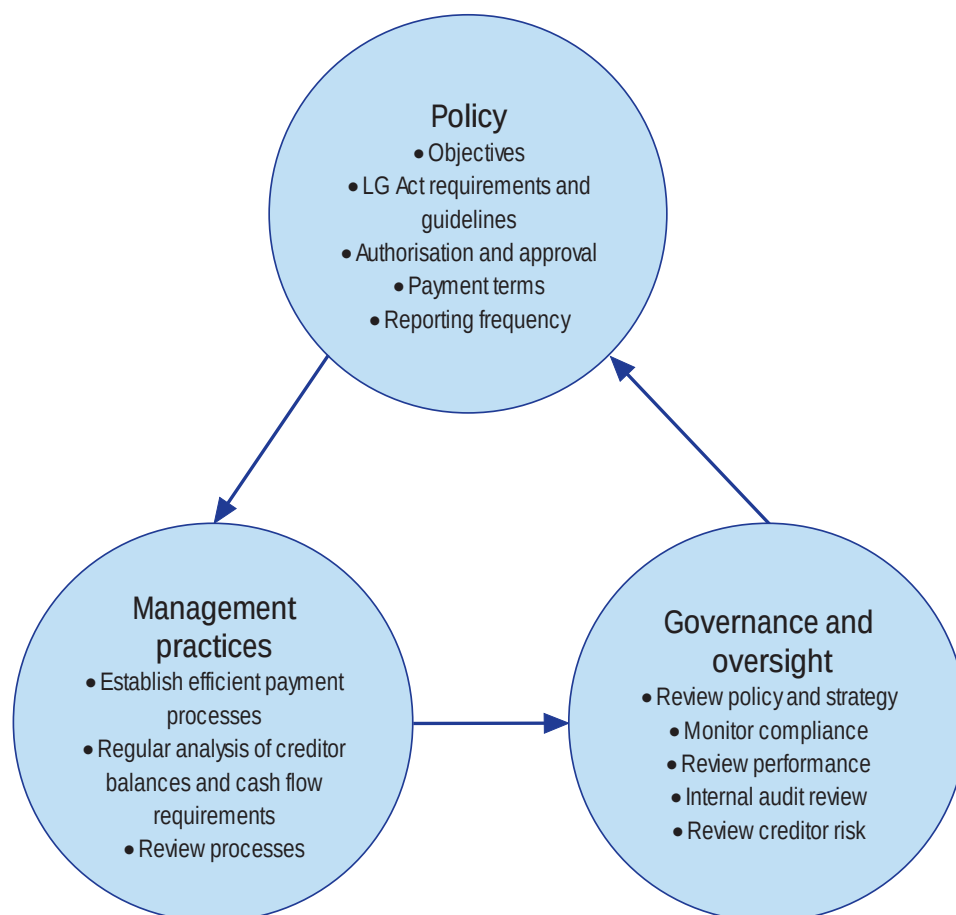
In 2013–14, Victoria's 79 local councils spent \$2.4 billion procuring materials and services and \$1.9 billion in payments for capital works. The effective management of creditors is vital as the volume and value of invoices processed increases.

The *Local Government Act 1989* requires sound financial management to be exercised by local councils. This includes the effective management of current and future liabilities.

Effective creditor management results in lower transaction processing costs, improved efficiency and control.

The key elements of an effective creditor management framework are detailed in Figure 6C, which draws on the Standing Directions of the Minister for Finance. While the directions are not mandatory for local government, it provides and outlines the components of effective creditor management controls and processes.

Figure 6C
Key elements of an effective creditor management framework



Source: Victorian Auditor-General's Office.

6.3.1 Policies and procedures

The existence of policies and procedures is an important reference point so that tasks are completed in a consistent manner and result in valid transactions being recorded and reported.

Most local councils did not have a dedicated creditor management policy in place, instead having key elements incorporated into their procurement policies. Nevertheless it was pleasing to note that 10 local councils were in the process of drafting dedicated creditor management policies.

While most of the elements of better practice were included in local council policies and procedures, 37 local councils (46 per cent) did not clearly articulate the conditions under which they negotiated their terms of trade with creditors. Without clear guidance about how to manage terms of trade, councils can miss opportunities to better manage and utilise their cash flows more effectively.

6.3.2 Management practices

The administration of creditor payments is an important responsibility of local councils, and the technology supporting this is constantly evolving. The more efficient systems have at least some of the following features—automatic ageing analysis, system-based matching of invoices for authorisation, and payment by electronic funds transfer (EFT).

Figure 6D shows the payment method, by volume, used by local councils.

Figure 6D
Payment methods of local councils (percentage)

Cohort	EFT	Cheque	Corporate card and/or purchasing card
Inner metropolitan	82%	11%	6%
Outer metropolitan	73%	14%	13%
Regional city	83%	7%	10%
Small shire	86%	9%	4%
Large shire	84%	9%	7%
Total	82%	10%	8%

Source: Victorian Auditor-General's Office.

Local councils use EFT more than other payment methods. The use of cheques has diminished over the years as local councils capitalise on the use of EFT because it is more efficient and secure as local councils can reliably control accounting and authorisation procedures.

The use of corporate cards and/or purchasing cards provides local councils with reduced administrative costs, and greater convenience and flexibility for staff compared to using cash or cheques. It can, however, expose entities to different risks of inappropriate or unauthorised expenditure if appropriate controls are not in place. Controls should be established to ensure corporate cards and/or purchasing cards are used appropriately for local council purposes.

In our *Local Government: Results of Audits 2014–15* report we plan to assess local council controls and security over credit and debit card transactions and data.

Ageing of creditors

Creditors set payment terms of varying time frames, generally from immediate payment to within 30 days. Delays in paying suppliers can have repercussions, including the loss of early payment discounts, impacts on cash flow projections and potential damage to the council's reputation. Conversely, paying in advance of the due date results in opportunities missed to better utilise their cash for other council-related purposes.

While most local council finance systems have the capability to age their creditors, 33 per cent did not use the facility to effectively manage and monitor their payment performance. Using their systems effectively will allow local councils to better manage their cash flows.

Vendor masterfile maintenance

Financial systems, such as accounts payable, rely on the maintenance of standing data within masterfiles to enable the processing of individual payments. The standing data includes details such as the supplier's name, terms of trade, preferred payment methods, bank account details and payment history.

Changes made to standing data must be complete, accurate and legitimate or processing errors can occur and have the potential to be repeated many times. In addition, inappropriate or unauthorised changes may increase the risk of fraud. An independent review of masterfile changes is critical to the detection and timely correction of unintentional or fraudulent changes, to reduce the risk of payments to unauthorised or fictitious suppliers.

A regular cleanse of the masterfile enables the detection and removal of duplicated inaccurate and superfluous data. It can also improve the operational efficiency of the system and mitigate the risk of fraud. It was therefore disappointing that 56 per cent of local councils did not undertake routine cleansing of the vendor masterfile.

6.3.3 Governance and oversight

Key performance indicators over creditor management can relate to the achievement of payment terms, the number of late payments, duplicate payments, supplier complaints, active suppliers, the ageing of creditors and percentage of payments made by EFT.

Our review indicated that less than half of the 79 local councils maintain and report performance statistics on creditor management to their council and/or management.

Creditor management is a risk for all organisations. Inadequate systems can result in inefficient processing, duplicated payments and fraud. Poor cash flow management may result in additional interest expenses being incurred, loss of discount and an increase in supplier complaints. Sixty-two per cent of local councils did not have risks associated with the management of creditors and payment processing in their risk register.

6.4 Grant management

Local councils distributed approximately \$24 million in 2013–14 (\$27 million in 2012–13) towards supporting local community activities through community grants. These programs assist local councils to strengthen communities by empowering individuals and community organisations to respond collectively to community needs.

Community grants contribute to achieving the primary objective of a local council under the *Local Government Act 1989*, that is, 'to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions'.

Councillor discretionary funds, also often called ward funds, are budgetary allocations which set aside specific funds to councillors either as individuals or as groups allowing them to allocate council funds in their own right.

In October 2013, the Local Government Investigations and Compliance Inspectorate published a review of councillor discretionary funds. This review identified issues regarding the oversight and accountability of discretionary funds and recommended that they be abolished.

6.4.1 Effective grant management framework

Figure 6E outlines the key elements of an effective grant management framework. It draws on the requirements of *Local Government Act 1989*, the Australian National Audit Office's *Implementing better practice – grants administration* and the Local Government Investigations and Compliance Inspectorate's *Review of councillor discretionary funds*.

Figure 6E
Key elements of an effective grant management framework

Component	Key elements
Policy	A policy for grants management exists and: - contains an objective - specifies the scope of the policy - prescribes applicant assessment processes and selection criteria - specifies key principles, requirements, roles and responsibilities associated with evaluating applicants. Policy approved by the council.
Management practices	Conflicts of interest declared by assessors and are managed. Transparent processes around the assessment of applications. Requirement for acquittals, to ensure that grants are used for the purpose that council has granted the funds.
Governance and oversight	Reporting to senior management and the council on grant progress and outcomes of grant programs. Internal audit used to review policy, processes and practice periodically.

Source: Victorian Auditor-General's Office.

6.4.2 Policies and procedures

Local councils operate within an environment of legislation and government policy.

Ensuring that the relevant requirements are well understood and effectively incorporated into the design and administration of any grant activity is essential in order for local councils to fulfil their obligations in a transparent, accountable and cost-effective manner.

While most local councils had policies and procedures in place for individual grant programs they administer, only 42 (53 per cent) had an overarching grant administration policy and procedure in place.

Individual grant policies and procedures covered the majority of better practice elements—which included identifying the objective of the grant (84 per cent), the scope (77 per cent) and the selection criteria and applicant assessment process (75 per cent). However, some elements were not well incorporated in the grants management policies across local councils. These include:

- establishing the frequency the policy should be reviewed and updated (30 per cent)
- specifying the key principles, roles and responsibilities associated with evaluating the grant applications (27 per cent)
- articulating the approval arrangements for payment of grants (33 per cent).

6.4.3 Management practices

Management practices were consistent across the sector with all local councils having documented selection criteria to assess prospective applicants that were in line with the council's objectives.

The responsibility for assessing submissions by prospective applicants varied, with the majority of local councils convening a panel consisting either of local council members only (59 per cent) or a combination of council members and community representatives (28 per cent). Five local councils (6 per cent) used a single assessor.

An approved community grant was selected for each local council to determine whether the processes and procedures in place were sound. The assessments were made against the key elements outlined in Figure 6E.

Our review of the selected community grants identified:

- twenty-six (33 per cent) assessed grants did not record conflicts of interest of the members of the panel
- thirteen (16 per cent) assessed grants were not acquitted subsequent to payment to determine the legitimacy of the transactions for which the grants were being used and whether the objectives of the grant had been met.

The management of risks associated with conflict of interest is fundamental to the integrity of the grant management process. Failure to manage actual, potential or perceived conflicts gives rise to risks of:

- noncompliance with legal requirements
- misconduct, abuse of office or corruption, which can result in inaccurate financial information being disclosed in financial reports
- reputational damage.

6.4.4 Governance and oversight

A sound and well implemented governance and accountability framework for grants management is important for assuring programs meet governance needs. Throughout the life cycle of a grants program, the outcomes achieved should be evaluated against project-specific and program-related objectives. Performance measures to assess effectiveness should be determined during program planning.

Twenty-eight local councils (35 per cent) do not produce reports to senior management and council on the progress and outcomes of grants.

The tracking and reporting of grants distributed to senior management and council assures that the grants distributed are being used appropriately. This also allows local councils to evaluate the effectiveness of the grant program.

Internal audit oversight

Sixty-five (82 per cent) local councils' internal audit function had not undertaken a review of the management of grants within the past three years. Five other local councils have included a review of grant management in their future internal audit plans.

Although community grants issued by local councils are not as significant in dollar terms as some other council programs, local councils have an obligation to make appropriate use of rate payer resources. This requires a structured program to be in place to effectively and efficiently administer the distribution of grants. The internal audit function is particularly important to ensure that this is the case and reduces the risk of community grants being inappropriately made.

Recommendations

That local councils:

5. review and update their policies and procedures on creditors to include all key elements incorporated in better practice creditor management frameworks
 6. establish comprehensive overarching grant administration policies and procedures that are periodically reviewed
 7. ensure conflicts of interests declarations are completed by all staff undertaking grant assessments
 8. reinforce and ensure grant payments are appropriately acquitted
 9. rigorously monitor grants issued and establish periodic reporting to council
 10. periodically review grant administration practices and related policy compliance
 11. through audit committee, implement appropriate monitoring mechanisms to ensure our audit findings are addressed by management on a timely basis.
-

Appendix A.

VAGO reports on the results of audits

Figure A1
VAGO reports on the results of the 2013–14 financial audits

Report	Description
<i>Information and Communication Technology Controls Report 2013–14</i>	The report provides an analysis of common themes relating to IT audit findings and the maturity of IT controls across selected entities and highlights key and emerging issues observed as part of the IT audits. <i>Tabled in Parliament in October 2014.</i>
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2013–14</i>	The report provides the result of the audit of the state's annual financial report. It addresses the quality and timing of financial reporting and explains significant financial results for the state. <i>Tabled in Parliament in October 2014.</i>
<i>Water Entities: Results of the 2013–14 Audits</i>	The report provides the results of the audits of 20 entities in the water sector. The report addresses their financial and performance reporting and financial sustainability risks. It also addresses governance arrangements relating to gifts, benefits and hospitality, and audit committees. <i>Tabled in Parliament in February 2015.</i>
<i>Portfolio Departments and Associated Entities: Results of the 2013–14 Audits</i>	The report provides the results of the audits of 210 entities and comments on their timeliness and accuracy. The report also considers the financial sustainability risks of self-funded agencies, the internal audit function at portfolio departments, controls relating to infringement notices, the state's insurance agencies' compliance with the Prudential Insurance Standards and developments of significant projects and Private Public Partnerships during 2013–14. <i>Tabled in Parliament in February 2015.</i>
<i>Public Hospitals: Results of the 2013–14 Audits</i>	The report provides the results of the audits of approximately 110 entities in the public hospital sector. The report addresses their financial performance and financial sustainability risks, their internal audit functions, and their management of asset maintenance. <i>Tabled in Parliament in February 2015.</i>
<i>Local Government: Results of the 2013–14 Audits</i>	The report provides the results of the audits of 103 entities in the local government sector. The report addresses their financial and performance reporting, financial sustainability risks, oversight arrangements for grants, and creditor management practices and governance. <i>This report.</i>

Figure A1
VAGO reports on the results of the 2013–14 financial audits – *continued*

Report	Description
<i>Universities: Results of the 2014 Audits</i>	The report provides the results of the audits of 64 entities in the university sector. The report will address their financial reporting and financial sustainability risk, and internal controls relating to travel and accommodation expenditure. <i>To be tabled in Parliament in May 2015.</i>
<i>Technical and Further Education Institutes: Results of the 2014 Audits</i>	The report provides the results of the audits of 25 entities in the technical and further education institutes sector. The report will address their financial reporting and financial sustainability risks, and internal controls relating to risk management practices. <i>To be tabled in Parliament in May 2015.</i>

Source: Victorian Auditor-General's Office.

Appendix B.

Audit status

Inner metropolitan councils and associated entities

Entity	Audit types		Financial statements ^(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Banyule City Council	●		✓	22 Sep 2014	●	
Bayside City Council	●		✓	19 Sep 2014	●	
Boroondara City Council	●		✓	3 Sep 2014	●	
Darebin City Council	●		✓	4 Sep 2014	●	
Glen Eira City Council	●		✓	15 Sep 2014	●	
Hobsons Bay City Council	●		✓	12 Sep 2014	●	
Kingston City Council	●		✓	3 Sep 2014	●	
Maribyrnong City Council	●		✓	15 Sep 2014	●	
Maroondah City Council	●		✓	27 Aug 2014	●	
Melbourne City Council	●		✓	11 Sep 2014	●	
Citywide Service Solutions Pty Ltd		C	✓	11 Sep 2014	●	
Queen Victoria Market Pty Ltd		C	✓	10 Sep 2014	●	
Regent Management Company Pty Ltd		C	✓	5 Sep 2014	●	
Sustainable Melbourne Trust Fund		O	✓	11 Sep 2014	●	
City of Monash	●		✓	28 Aug 2014	●	
Moonee Valley City Council	●		✓	27 Aug 2014	●	
Moreland City Council	●		✓	17 Sep 2014	●	
Port Phillip City Council	●		✓	10 Sep 2014	●	
Stonnington City Council	●		✓	2 Sep 2014	●	
Prahran Market Pty Ltd		C	✓	16 Sep 2014	●	
Whitehorse City Council	●		✓	27 Aug 2014	●	

Entity	Audit types		Financial statements ^(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES – continued						
Yarra City Council	●		✓	22 Aug 2014	●	
2013–14 Total number of entities = 22	17	5		Per cent	22	0
2012–13 Total number of entities = 22	17	5		Per cent	22	0
				Per cent	100	0

(a) Councils – includes financial, standard and performance statements.

Note: Non-LG audit types: C – Corporations Act 2001 and O – other reporting framework.

Source: Victorian Auditor-General's Office.

Outer metropolitan councils and associated entities

Entity	Audit types		Financial statements ^(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Brimbank City Council	●		✓	11 Sep 2014	●	
Cardinia Shire Council	●		✓	19 Sep 2014	●	
Casey City Council	●		✓	10 Sep 2014	●	
Frankston City Council	●		✓	19 Sep 2014	●	
Frankston Regional Aquatic Centre Pty Ltd		C	✓	30 Sep 2014	●	
Greater Dandenong City Council	●		✓	10 Sep 2014	●	
Dandenong Market Pty Ltd		C	✓	26 Aug 2014	●	
Hume City Council	●		✓	18 Sep 2014	●	
Knox City Council	●		✓	29 Aug 2014	●	
Manningham City Council	●		✓	21 Aug 2014	●	
Melton City Council	●		✓	3 Sep 2014	●	
Mornington Peninsula Shire Council	●		✓	26 Sep 2014	●	
Nillumbik Shire Council	●		✓	28 Aug 2014	●	
City of Whittlesea	●		✓	19 Sep 2014	●	
Wyndham City Council	●		✓	22 Sep 2014	●	
Yarra Ranges Shire Council	●		✓	27 Aug 2014	●	
2013-14 Total number of entities = 16*	14	2		Per cent	16	0
2012-13 Total number of entities = 15	14	1		Per cent	100	0
					14	1
				Per cent	93	7

(a) Councils – includes financial, standard and performance statements.

Note: * The Frankston Regional Aquatic Centre Pty Ltd is a wholly owned subsidiary of Frankston City Council.

Note: Non-LG audit types: C – Corporations Act 2001 and O – other reporting framework.

Source: Victorian Auditor-General's Office.

Regional city councils and associated entity

Entity	Audit types		Financial statements(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Ballarat City Council	●		✓	25 Sep 2014	●	
Greater Bendigo City Council	●		✓	15 Sep 2014	●	
Greater Geelong City Council	●		✓	27 Aug 2014	●	
Greater Shepparton City Council	●		✓	24 Sep 2014	●	
Horsham Rural City Council	●		✓	16 Sep 2014	●	
Latrobe City Council	●		✓	17 Sep 2014	●	
Mildura Rural City Council	●		✓	26 Sep 2014	●	
Mildura Airport Pty Ltd		C	✓	19 Sep 2014	●	
Swan Hill Rural City Council	●		✓	17 Sep 2014	●	
Wangaratta Rural City Council	●		✓	18 Sep 2014	●	
Warrambrook City Council	●		✓	15 Sep 2014	●	
Wodonga City Council	●		✓	29 Sep 2014	●	
2013-14 Total number of entities = 12	11	1		Per cent	12	0
2012-13 Total number of entities = 12	11	1		Per cent	100	0
				Per cent	12	0
				Per cent	100	0

(a) Councils – includes financial, standard and performance statements.

Note: Non-LG audit types: C – Corporations Act 2001.

Source: Victorian Auditor-General's Office.

Large shire councils

Entity	Audit types		Financial statements(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Bass Coast Shire Council	●		✓	18 Sep 2014	●	
Baw Baw Shire Council	●		✓	12 Sep 2014	●	
Campaspe Shire Council	●		✓	29 Sep 2014	●	
Colac-Otway Shire Council	●		✓	12 Sep 2014	●	
Corangamite Shire Council	●		✓	24 Sep 2014	●	
East Gippsland Shire Council	●		✓	29 Sep 2014	●	
Glenelg Shire Council	●		✓	24 Sep 2014	●	
Macedon Ranges Shire Council	●		✓	29 Sep 2014	●	
Mitchell Shire Council	●		✓	10 Sep 2014	●	
Moira Shire Council	●		✓	23 Sep 2014	●	
Moorabool Shire Council	●		✓	8 Sep 2014	●	
Moynes Shire Council	●		✓	23 Sep 2014	●	
South Gippsland Shire Council	●		✓	25 Sep 2014	●	
Southern Grampians Shire Council	●		✓	21 Oct 2014*		●
Surf Coast Shire Council	●		✓	11 Sep 2014	●	
Wellington Shire Council	●		✓	18 Sep 2014	●	
2013–14 Total number of entities = 16	16	0		Per cent	15	1
2012–13 Total number of entities = 16	16	0		Per cent	94	6
				Per cent	15	1
				Per cent	94	6

(a) Councils – includes financial, standard and performance statements.

Note: * Reporting extension granted by the Minister for Local Government until 31 October 2014.

Source: Victorian Auditor-General's Office.

Small shire councils

Entity	Audit types		Financial statements(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Alpine Shire Council	●		✓	19 Sep 2014	●	
Ararat Rural City Council	●		✓	17 Sep 2014	●	
Benalla Rural City Council	●		✓	15 Sep 2014	●	
Buloke Shire Council	●		✓	1 Oct 2014*		●
Central Goldfields Shire Council	●		✓	23 Sep 2014	●	
Gannawarra Shire Council	●		✓	17 Sep 2014	●	
Golden Plains Shire Council	●		✓	11 Sep 2014	●	
Hepburn Shire Council	●		✓	25 Sep 2014	●	
Hindmarsh Shire Council	●		✓	18 Sep 2014	●	
Indigo Shire Council	●		✓	17 Sep 2014	●	
Loddon Shire Council	●		✓	12 Sep 2014	●	
Mansfield Shire Council	●		✓	17 Sep 2014	●	
Mount Alexander Shire Council	●		✓	17 Sep 2014	●	
Murrindindi Shire Council	●		✓	29 Sep 2014	●	
Northern Grampians Shire Council	●		✓	10 Sep 2014	●	
Pyrenees Shire Council	●		✓	15 Sep 2014	●	
Borough of Queenscliffe	●		✓	29 Sep 2014	●	
Strathbogie Shire Council	●		✓	24 Sep 2014	●	
Towong Shire Council	●		✓	29 Sep 2014	●	
West Wimmera Shire Council	●		✓	30 Oct 2014*		●
Yarriambiack Shire Council	●		✓	24 Oct 2014*		●

Small shire councils – continued

Entity	Audit types		Financial statements(a)		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES – continued						
2013–14 Total number of entities = 21	21	0			18	3
				Per cent	86	14
2012–13 Total number of entities = 21	21	0			20	1
				Per cent	95	5

(a) Councils – includes financial, standard and performance statements.

Note: * Reporting extension granted by the Minister for Local Government until 31 October 2014.

Source: Victorian Auditor-General's Office.

Regional library corporations

Entity	Audit types		Financial statements		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Casey-Cardinia Regional Library Corporation	●		✓	8 Sep 2014	●	
Corangamite Regional Library Corporation	●		✓	22 Sep 2014	●	
Eastern Regional Library Corporation	●		✓	11 Sep 2014	●	
Geelong Regional Library Corporation	●		✓	12 Aug 2014	●	
Goulburn Valley Regional Library Corporation	●		✓	25 Sep 2014	●	
High Country Library Corporation	●		✓	22 Sep 2014	●	
North Central Goldfields Regional Library Corporation	●		✓	4 Sep 2014	●	
West Gippsland Regional Library Corporation	●		✓	10 Sep 2014	●	
Whitehorse-Manningham Regional Library Corporation	●		✓	29 Aug 2014	●	
Wimmera Regional Library Corporation	●		✓	19 Sep 2014	●	
Yarra Plenty Regional Library Corporation	●		✓	15 Aug 2014	●	
2013–14 Total number of entities = 11	11	0		Per cent	11	0
2012–13 Total number of entities = 11	11	0		Per cent	11	0
Source: Victorian Auditor-General's Office.						

Associated companies

Entity	Audit types		Financial statements		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Clear opinion issued	Auditor-General's report signed	Before 30 Sep 2014	After 30 Sep 2014
COMPLETED AUDITS WITH 30 JUNE 2014 BALANCE DATES						
Clayton Landfill Joint Venture		O	✓	25 Sep 2014	●	
RFK Pty Ltd / Community Chef		C	✓	30 Sep 2014	●	
Regional Kitchen Pty Ltd		C	✓	30 Sep 2014	●	
Streetsahead Cleaning Services	●		✓	29 Aug 2014	●	
Wimmera Development Association		A	✓	16 Sep 2014	●	
2013–14 Total number of entities = 5	1	4			5	0
				Per cent	100	0
2012–13 Total number of entities = 5	1	4			5	0
				Per cent	100	0

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

Source: Victorian Auditor-General's Office.

Overall totals

Category	Audit types		Timeliness of audited financial statement completion	
	LG Act	Non-LG	Before 30 Sep 2014	After 30 Sep 2014
Inner metropolitan councils and associated entities	17	5	22	0
Outer metropolitan councils and associated entities	14	2	16	0
Regional city councils and associated entity	11	1	12	0
Large shire councils	16	0	15	1
Small shire councils	21	0	18	3
Regional library corporations	11	0	11	0
Associated companies	1	4	5	0
2013–14 Overall total number of entities = 103	91	12	99	4
			Per cent	
			96	4
2012–13 Overall total number of entities = 102	91	11	99	3
			Per cent	
			97	3

Source: Victorian Auditor-General's Office.

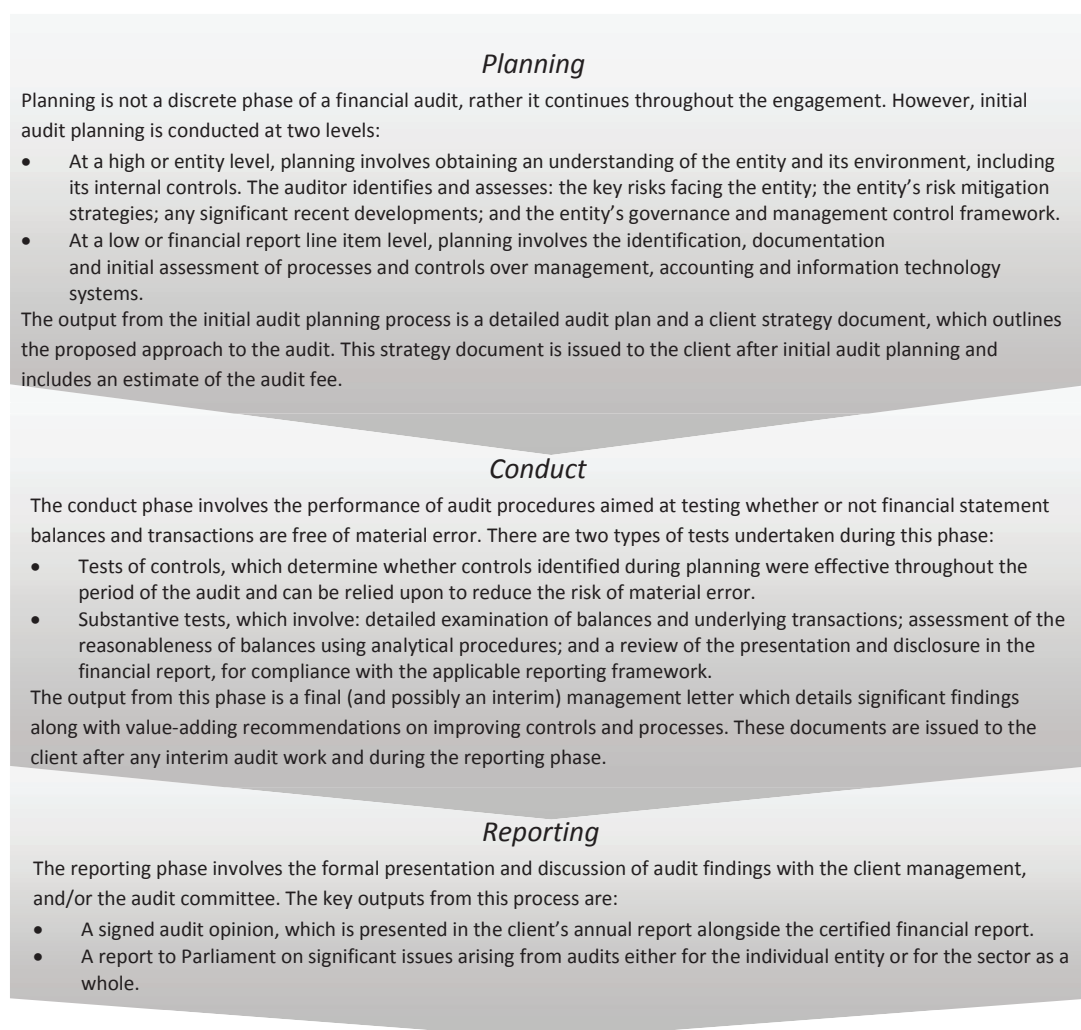
Appendix C.

Frameworks

Financial audit framework

The financial audit framework applied in the conduct of the 2013–14 audits of the local government sector is set out in Figure C1.

Figure C1
Financial audit framework

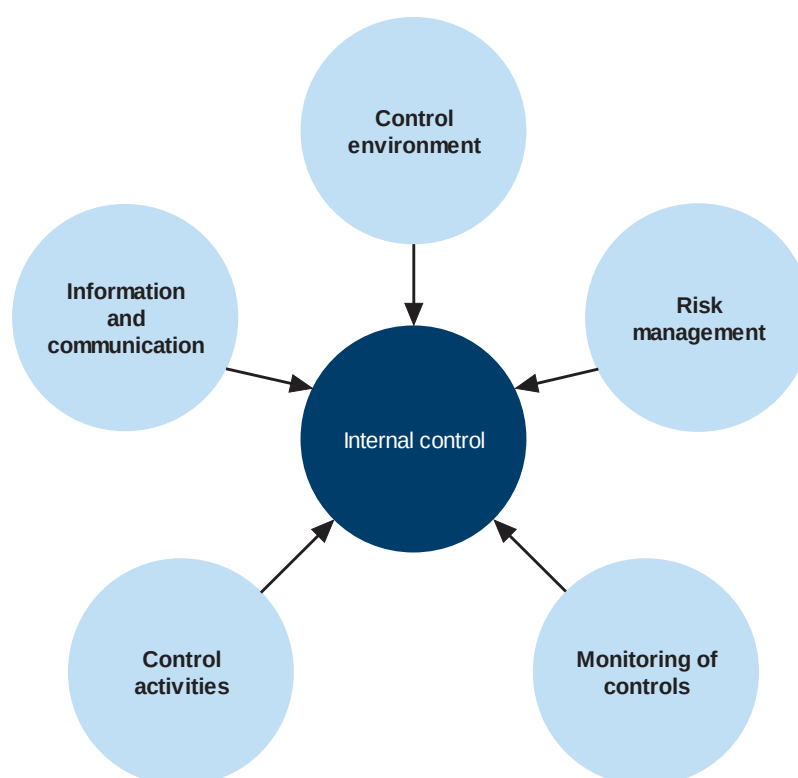


Source: Victorian Auditor-General's Office.

Internal control framework

Figure C2 identifies the main components of an effective internal control framework.

Figure C2
Internal control framework



Source: Victorian Auditor-General's Office.

Financial report preparation

Our assessment of council financial reporting performance against better practice was also based on criteria outlined in Figure C3.

Figure C3
Financial report preparation better practice

Key area	Better practice
Financial report preparation plan	Establish a plan that outlines the processes, resources, milestones, oversight, and quality assurance practices required in preparing the financial report.
Preparation of shell statements	Prepare a shell financial report and provide it to the auditors early to enable early identification of amendments, minimising the need for significant disclosure changes at year end.
Materiality assessment	Assess materiality, including quantitative and qualitative thresholds, at the planning phase in consultation with the audit committee. The assessment assists preparers to identify potential errors in the financial report.
Monthly financial reporting	Adopt full accrual monthly reporting to assist in preparing the annual financial report. This allows the year-end process to be an extension of the month-end process.
Quality control and assurance procedures	Require rigorous review of the supporting documentation, data and the financial report itself by an appropriately experienced and independent officer prior to providing it to the auditors.
Supporting documentation	Prepare high-standard documentation to support and validate the financial report and provide a management trail.
Analytical reviews	Undertake rigorous and objective analytical review during the financial report preparation process to help to improve the accuracy of the report.
Reviews of controls/self-assessment	Establish sufficiently robust quality control and assurance processes to provide assurance to the audit committee on the accuracy and completeness of the financial report.
Competency of staff	Preparers of the financial report have a good understanding of, and experience in, applying relevant accounting standards and legislation. They should also have project management and interpersonal skills.
Financial compliance reviews	Undertake periodic compliance reviews to identify areas of noncompliance or changes to legislation that impact the financial report.
Adequate security	Protect and safeguard sensitive information throughout the process to prevent inappropriate public disclosure.

Source: Victorian Auditor-General's Office, and Australian National Audit Office Better Practice Guide Preparation of Financial Statements, June 2009.

Appendix D.

Acquittal status

Figure D1
Acquittal opinions issued in 2013–14

Council	Acquittal opinion issued*
Alpine Shire Council	1
Ararat Rural City Council	1
Ballarat City Council	1
Banyule City Council	1
Bass Coast Shire Council	1
Baw Baw Shire Council	1
Bayside City Council	1
Benalla Rural City Council	1
Boroondara City Council	1
Borough of Queenscliffe	1
Brimbank City Council	1
Buloke Shire Council	1
Campaspe Shire Council	1
Cardinia Shire Council	1
Casey City Council	1
Central Goldfields Shire Council	1
City of Port Phillip	1
Colac Otway Shire Council	1
Corangamite Shire Council	1
Darebin City Council	1
East Gippsland Shire Council	1
Gannawarra Shire Council	1
Glen Eira City Council	1
Glenelg Shire Council	1
Golden Plains Shire Council	1
Greater Bendigo Shire Council	1
Greater Dandenong City Council	1
Greater Geelong City Council	1
Greater Shepparton City Council	1

Figure D1
Acquittal opinions issued in 2013–14 – continued

Council	Acquittal opinion issued*
Hepburn Shire Council	1
Hindmarsh Shire Council	1
Hobsons Bay City Council	1
Horsham Rural City Council	1
Indigo Shire Council	1
Kingston City Council	1
Knox City Council	1
Latrobe Shire Council	1
Loddon Shire Council	1
Macedon Ranges Shire Council	1
Manningham Shire Council	1
Mansfield Shire Council	1
Maribyrnong City Council	1
Maroondah City Council	1
Melbourne City Council	1
Melton City Council	1
Mildura Rural City Council	1
Mitchell Shire Council	1
Moira Shire Council	1
Monash City Council	1
Moonee Valley City Council	1
Moorabool Shire Council	1
Moreland City Council	1
Mornington Peninsula Shire Council	1
Mount Alexander Shire Council	1
Moyne Shire Council	1
Murrindindi Shire Council	1
Nillumbik Shire Council	1
Northern Grampians Shire Council	1
Pyrenees Shire Council	1
South Gippsland Shire Council	1
Southern Grampians Shire Council	1
Stonnington City Council	1
Strathbogie Shire Council	1
Swan Hill Rural City Council	1

Figure D1
Acquittal opinions issued in 2013–14 – *continued*

Council	Acquittal opinion issued*
Towong Shire Council	1
Wangaratta Rural City Council	1
Warrnambool City Council	1
Wellington Shire Council	1
West Wimmera City Council	1
Whitehorse City Council	1
Wodonga City Council	1
Wyndham City Council	1
Yarra City Council	1
Yarra Ranges Shire Council	1
Yarriambiack Shire Council	1
Total issued	75

Note: * Includes all opinions issued since 1 November 2013.

Source: Victorian Auditor-General's Office.

Appendix E.

Financial sustainability

Indicators used reflect short- and long-term sustainability, and are measured by:

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

Figure E1
Financial sustainability indicators for councils

Indicator	Formula	Description
Underlying result (per cent)	Adjusted net surplus/ total underlying revenue	A positive result indicates a surplus. 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	Measures the ability to pay existing liabilities in the next 12 months. A ratio higher than 1:1 means there is more cash and liquid assets than short-term liabilities.
Self-financing (per cent)	Net operating cash flows/ underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage, the more effectively this can be done.
Indebtedness (per cent)	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 the entity generates itself. Own-sourced revenue is used—rather than total revenue—because it does not include capital grants, which are usually tied to specific projects.
Capital replacement	Capital expenditure/ depreciation	Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicate that spending is faster than the depreciation 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.
Renewal gap	Renewal and upgrade expenditure/depreciation	Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 1:1 indicate that spending on existing assets is greater than the depreciation rate. Similar to the investment gap, this is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option.

Source: Victorian Auditor-General's Office.

Figure E2
Risk assessment criteria for financial sustainability indicators

Risk	Underlying result	Liquidity	Indebtedness	Self-financing	Capital replacement	Renewal gap
High	Less than negative 10% Insufficient revenue is being generated to fund operations and asset renewal.	Less than 1.0 Insufficient current assets to cover liabilities.	More than 60% Potentially long-term concern over ability to repay debt levels from own-source revenue.	Less than 10% Insufficient cash from operations to fund new assets and asset renewal.	Less than 1.0 Spending on capital works has not kept pace with consumption of assets.	Less than 0.5 Spending on existing assets has not kept pace with consumption of these assets.
Medium	Negative 10% to zero A risk of long-term run down to cash reserves and inability to fund asset renewals.	1.0–1.5 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	40–60% Some concern over the ability to repay debt from own-source revenue.	10–20% May not be generating sufficient cash from operations to fund new assets.	1.0–1.5 May indicate spending on asset renewal is insufficient.	0.5–1.0 May indicate insufficient spending on renewal of existing assets.
Low	More than zero Generating surpluses consistently.	More than 1.5 No immediate issues with repaying short-term liabilities as they fall due.	40% or less No concern over the ability to repay debt from own-source revenue.	20% or more Generating enough cash from operations to fund assets.	More than 1.5 Low risk of insufficient spending on asset renewal.	More than 1.0 Low risk of insufficient spending on asset base.

Source: Victorian Auditor-General's Office.

The overall financial sustainability risk assessment is calculated using the ratings determined for each indicator as shown in Figure E3.

Figure E3
Overall financial sustainability risk assessment

	High risk of short-term sustainability concerns indicated by either: • red underlying result indicator or • red liquidity indicator.
	Medium risk of longer-term sustainability concerns indicated by either: • red self-financing indicator or • red indebtedness indicator or • red capital replacement indicator or • red renewal gap indicator.
	Low risk of financial sustainability concerns—there are no high-risk indicators.

Source: Victorian Auditor-General's Office.

A trend analysis uses actual figures for the previous five years and a trend analysis using forecast figures for the following three years. The sustainability indicators are colour coded in line with the risk assessment criteria. The legend in Figure E4 is used in presenting the results of our assessments.

Figure E4
Legend for financial sustainability tables

	An improving trend.
	No substantial trend.
	A deteriorating trend.

Source: Victorian Auditor-General's Office.

Inner metropolitan councils

Figure E5
Financial sustainability risk assessment results 2013–14

Inner metropolitan councils	Average Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Banyule City Council	3.59	4.09	56.67	16.61	2.12	1.52	●
Bayside City Council	9.79	2.20	12.37	28.90	1.53	0.97	●
Boroondara City Council	8.68	1.76	33.66	23.58	2.09	1.76	●
Darebin City Council	3.58	1.64	1.24	17.63	1.17	1.08	●
Glen Eira City Council	8.38	1.38	17.97	23.53	2.23	1.77	●
Hobsons Bay City Council	5.62	0.99	0.88	24.61	1.50	1.33	●
Kingston City Council	7.85	1.68	14.00	24.32	1.71	1.45	●
Maribyrnong City Council	4.27	2.62	4.53	25.48	1.26	1.41	●
Maroondah City Council	2.61	1.61	1.65	25.00	1.53	1.03	●
Melbourne City Council	3.19	1.33	0.85	24.50	1.74	1.14	●
Monash City Council	-1.30	1.54	7.92	10.62	1.15	0.86	●
Moonee Valley City Council	3.02	1.61	6.99	16.66	1.25	0.87	●
Moreland City Council	4.39	1.49	35.74	14.90	1.55	0.96	●
Port Phillip City Council	0.24	1.59	2.52	7.89	1.37	0.73	●
Stonnington City Council	10.60	2.10	11.09	28.21	1.88	1.50	●
Whitehorse City Council	4.55	2.13	5.70	19.99	1.67	1.23	●
Yarra City Council	4.76	1.07	24.05	16.28	1.37	1.16	●
Category average	4.93	1.81	13.99	20.51	1.60	1.22	●
Category risk assessment	Low	Low	Low	Low	Low	Low	Low

Source: Victorian Auditor-General's Office.

Figure E6
Underlying result (per cent) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Banyule City Council	8.83	6.13	-2.28	3.69	1.58	3.59	▼	-4.74	6.14	1.33	▲
Bayside City Council	8.48	7.81	4.74	14.00	13.92	9.79	▲	15.68	14.21	14.26	▼
Boroondara City Council	10.39	8.76	0.62	12.37	11.26	8.68	▲	12.56	14.33	14.71	▲
Darebin City Council	6.95	5.04	-1.51	6.61	0.83	3.58	▼	4.43	4.42	4.54	-
Glen Eira City Council	16.85	7.77	-0.55	8.31	9.50	8.38	▼	7.05	7.69	6.79	-
Hobsons Bay City Council	9.06	4.50	0.01	7.55	6.96	5.62	-	5.55	5.60	6.20	▲
Kingston City Council	7.09	6.09	3.49	12.11	10.46	7.85	▲	8.12	7.87	7.16	▼
Maribyrnong City Council	9.70	6.92	-3.32	6.98	1.07	4.27	▼	7.13	8.63	4.11	▼
Maroondah City Council	3.23	5.82	-3.56	1.01	6.55	2.61	-	5.28	5.79	1.65	▼
Melbourne City Council	-12.80	9.59	5.33	7.86	5.97	3.19	▲	-0.79	-2.38	-1.28	-
Monash City Council	1.32	-9.31	-6.77	-0.72	8.96	-1.30	▲	5.44	5.61	7.72	▲
Moonee Valley City Council	9.38	2.72	-6.03	4.28	4.77	3.02	▼	5.25	5.48	6.01	▲
Moreland City Council	3.76	3.46	-3.31	9.74	8.31	4.39	▲	9.01	6.56	6.47	▼
Port Phillip City Council	-2.86	0.57	-0.28	6.59	-2.80	0.24	▲	7.00	8.08	9.27	▲
Stonnington City Council	7.17	9.60	4.59	16.65	14.98	10.60	▲	11.66	13.23	13.08	▲
Whitehorse City Council	3.48	4.57	-3.37	9.90	8.17	4.55	▲	8.56	9.19	9.92	▲
Yarra City Council	4.91	8.39	-2.50	4.98	8.02	4.76	▲	6.74	8.26	8.51	▲
Average underlying result (%)	5.58	5.20	-0.87	7.76	6.97	4.93		6.70	7.57	7.09	

Source: Victorian Auditor-General's Office.

Figure E7
Liquidity (ratio) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Banyule City Council	4.47	4.11	2.71	2.80	4.09	3.64	-	1.68	2.51	2.12	-
Bayside City Council	1.31	1.68	2.07	1.86	2.20	1.82	-	1.97	1.87	2.05	-
Boroondara City Council	1.52	1.47	1.62	1.45	1.76	1.56	-	1.56	1.49	1.54	-
Darebin City Council	1.95	1.77	2.10	1.80	1.64	1.85	-	1.50	1.50	1.53	-
Glen Eira City Council	1.99	0.95	1.55	1.17	1.38	1.41	-	1.11	1.09	1.13	-
Hobsons Bay City Council	1.56	1.34	1.07	1.22	0.99	1.24	-	1.37	1.47	1.57	-
Kingston City Council	1.32	1.47	1.81	1.66	1.68	1.59	-	1.07	1.10	1.10	-
Maribyrnong City Council	2.01	1.95	1.87	2.90	2.62	2.27	-	2.16	2.30	2.13	-
Maroondah City Council	2.65	2.41	2.53	2.60	1.61	2.36	-	1.49	1.33	1.28	-
Melbourne City Council	2.94	2.52	1.72	1.63	1.33	2.03	▼	1.15	1.14	1.19	-
Monash City Council	1.10	1.04	1.46	1.05	1.54	1.24	-	1.67	1.74	1.73	-
Moonee Valley City Council	1.71	1.66	1.35	1.37	1.61	1.54	-	1.29	1.43	1.72	-
Moreland City Council	1.25	1.26	1.71	1.39	1.49	1.42	-	1.47	1.52	1.57	-
Port Phillip City Council	2.24	2.55	2.86	1.71	1.59	2.19	-	1.86	1.80	1.86	-
Stonnington City Council	2.38	2.06	1.84	2.09	2.10	2.10	-	2.03	1.94	1.79	-
Whitehorse City Council	3.12	3.10	2.20	1.68	2.13	2.44	▼	2.43	2.63	2.92	-
Yarra City Council	1.06	1.04	1.02	0.96	1.07	1.03	-	1.09	1.16	1.27	-
Average liquidity	2.03	1.90	1.85	1.73	1.81	1.87		1.58	1.65	1.68	

Source: Victorian Auditor-General's Office.

Figure E8
Indebtedness (per cent) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Banyule City Council	41.81	35.12	45.30	32.82	56.67	42.34	▲	50.17	43.13	38.17	▼
Bayside City Council	22.03	20.03	24.39	15.47	12.37	18.86	▼	8.45	4.47	5.06	▼
Boroondara City Council	5.97	4.46	26.81	33.01	33.66	20.78	▲	30.16	26.73	23.54	▼
Darebin City Council	5.08	4.20	14.83	1.10	1.24	5.29	▼	0.80	0.66	0.67	-
Glen Eira City Council	12.95	12.16	32.26	22.74	17.97	19.62	▲	17.89	16.26	14.55	▼
Hobsons Bay City Council	2.59	3.96	11.79	10.10	0.88	5.86	▲	16.68	18.67	17.78	▲
Kingston City Council	2.74	19.02	24.44	14.97	14.00	15.03	▲	14.26	12.41	10.37	▼
Maribyrnong City Council	13.33	7.50	7.62	6.35	4.53	7.87	▼	4.59	3.84	3.17	▼
Maroondah City Council	1.66	1.16	10.96	1.24	1.65	3.33	-	26.21	22.30	20.22	▼
Melbourne City Council	3.28	2.02	0.75	0.76	0.85	1.53	▼	1.78	1.83	1.82	-
Monash City Council	8.93	8.14	21.83	10.72	7.92	11.51	-	9.76	7.68	2.45	▼
Moonee Valley City Council	15.66	14.38	17.67	12.03	6.99	13.34	▼	3.64	2.13	1.50	▼
Moreland City Council	20.29	23.99	42.27	32.49	35.74	30.96	▲	34.78	31.54	28.54	▼
Port Phillip City Council	4.37	2.44	10.19	1.52	2.52	4.21	▼	5.54	4.92	4.32	▼
Stonnington City Council	4.85	4.23	7.20	2.95	11.09	6.06	▲	10.58	8.18	14.18	▲
Whitehorse City Council	2.83	2.31	2.16	1.71	5.70	2.94	▲	8.74	7.64	6.64	▼
Yarra City Council	1.65	2.44	11.42	10.98	24.05	10.11	▲	18.58	15.57	12.88	▼
Average indebtedness (%)	10.00	9.86	18.35	12.41	13.99	12.92		15.45	13.41	12.11	

Source: Victorian Auditor-General's Office.

Figure E9
Self-financing (per cent) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Banyule City Council	21.35	14.50	20.23	10.63	16.61	16.66	▼	12.51	19.02	19.36	▲
Bayside City Council	21.57	20.88	24.47	23.74	28.90	23.91	▲	29.06	27.59	27.72	▼
Boroondara City Council	26.90	28.49	27.54	28.73	23.58	27.05	▼	32.21	33.05	32.72	▲
Darebin City Council	21.62	17.34	20.52	9.31	17.63	17.28	▼	17.75	17.70	17.64	-
Glen Eira City Council	28.76	26.34	21.16	23.60	23.53	24.68	▼	20.86	22.72	21.54	▲
Hobsons Bay City Council	22.93	24.01	21.39	25.80	24.61	23.75	▲	22.77	22.55	23.23	-
Kingston City Council	17.96	19.20	18.66	25.81	24.32	21.19	▲	20.59	20.52	20.01	▼
Maribyrnong City Council	23.62	23.84	17.69	13.11	25.48	20.75	▼	20.80	20.03	17.13	▼
Maroondah City Council	17.92	19.54	20.61	17.20	25.00	20.06	▲	21.69	20.41	16.89	▼
Melbourne City Council	20.61	26.49	21.88	20.02	24.50	22.70	-	22.29	20.77	20.68	▼
Monash City Council	16.42	13.62	18.10	7.13	10.62	13.18	▼	22.68	22.74	24.21	▼
Moonee Valley City Council	22.76	19.48	23.50	21.81	16.66	20.84	▼	21.52	21.81	21.96	-
Moreland City Council	23.17	19.53	17.17	21.46	14.90	19.24	▼	25.39	22.56	21.97	▼
Port Phillip City Council	15.38	12.07	19.30	17.77	7.89	14.48	▼	17.46	18.24	19.16	▲
Stonnington City Council	27.98	24.38	24.19	21.36	28.21	25.23	▼	25.58	26.95	27.14	▲
Whitehorse City Council	22.31	18.14	22.04	16.70	19.99	19.84	▼	23.06	23.22	23.60	▲
Yarra City Council	17.75	23.27	20.86	20.21	16.28	19.68	▼	22.86	23.70	23.38	▲
Average self-financing (%)	21.71	20.65	21.14	19.08	20.51	20.62		22.30	22.56	22.25	

Source: Victorian Auditor-General's Office.

Figure E10
Capital replacement (ratio) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Banyule City Council	1.24	1.96	3.39	1.56	2.46	2.12	-	1.57	1.21	1.90	-
Bayside City Council	1.77	1.18	1.45	1.70	1.53	1.53	-	2.08	1.93	2.06	-
Boroondara City Council	1.70	1.65	2.38	2.73	1.98	2.09	-	1.98	2.06	1.96	-
Darebin City Council	1.03	1.29	1.42	1.01	1.08	1.17	-	1.61	1.53	1.32	-
Glen Eira City Council	2.16	3.39	2.39	1.92	1.28	2.23	▼	1.83	1.62	1.46	-
Hobsons Bay City Council	1.44	1.60	1.94	1.42	1.12	1.50	-	1.67	1.39	1.26	-
Kingston City Council	1.29	2.36	1.54	1.73	1.62	1.71	-	2.06	1.53	1.48	▼
Maribyrnong City Council	1.48	1.35	0.95	0.85	1.67	1.26	-	0.25	1.48	1.54	▼
Maroondah City Council	1.31	1.25	1.51	1.13	2.44	1.53	-	2.32	1.93	1.22	▼
Melbourne City Council	1.36	1.30	2.02	2.11	1.90	1.74	-	1.50	1.36	1.32	-
Monash City Council	1.26	1.05	1.35	1.13	0.97	1.15	-	1.47	1.51	1.58	-
Moonee Valley City Council	1.44	1.35	1.35	1.21	0.93	1.25	-	1.41	1.29	1.20	-
Moreland City Council	1.38	1.51	1.22	1.80	1.83	1.55	-	1.45	1.55	1.44	-
Port Phillip City Council	0.75	0.91	1.43	2.37	1.40	1.37	▲	1.79	1.86	1.84	-
Stonnington City Council	2.02	1.54	1.65	1.71	2.48	1.88	-	1.91	1.96	2.67	▲
Whitehorse City Council	1.22	1.38	1.56	2.43	1.76	1.67	-	1.27	1.26	1.15	-
Yarra City Council	1.27	0.98	0.81	1.54	2.27	1.37	▲	1.95	1.77	1.74	-
Average capital replacement	1.42	1.53	1.67	1.67	1.69	1.60		1.65	1.60	1.60	

Source: Victorian Auditor-General's Office.

Figure E11
Renewal gap (ratio) 2010–2014

Inner metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend
Banyule City Council	0.65	1.71	3.65	0.75	0.83	1.52	-
Bayside City Council	0.96	0.87	0.89	1.04	1.11	0.97	-
Boroondara City Council	1.25	1.32	2.02	2.47	1.73	1.76	-
Darebin City Council	0.80	0.83	1.27	1.21	1.26	1.08	-
Glen Eira City Council	1.92	2.39	1.65	1.75	1.15	1.77	-
Hobsons Bay City Council	1.26	1.48	1.80	1.15	0.98	1.33	-
Kingston City Council	1.16	1.13	1.61	1.80	1.55	1.45	-
Maribyrnong City Council	1.68	0.96	1.30	1.11	1.99	1.41	-
Maroondah City Council	0.81	0.78	0.92	0.76	1.87	1.03	-
Melbourne City Council	0.76	0.73	1.17	1.06	1.98	1.14	▲
Monash City Council	0.75	0.83	0.84	0.95	0.93	0.86	-
Moonee Valley City Council	1.16	0.58	1.10	0.96	0.54	0.87	-
Moreland City Council	0.81	0.68	0.97	1.34	1.01	0.96	-
Port Phillip City Council	0.61	0.54	0.79	0.65	1.04	0.73	-
Stonnington City Council	1.51	1.47	1.45	1.55	1.51	1.50	-
Whitehorse City Council	0.99	1.12	1.19	1.58	1.29	1.23	-
Yarra City Council	1.27	0.99	0.95	1.26	1.32	1.16	-
Average renewal gap	1.08	1.08	1.39	1.26	1.30	1.22	

Source: Victorian Auditor-General's Office.

Outer metropolitan councils

Figure E12
Financial sustainability risk assessment results 2013–14

Outer metropolitan councils	Average Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Brimbank City Council	1.67	0.94	16.45	21.09	1.52	0.95	●
Cardinia Shire Council	5.52	1.97	50.92	18.43	1.98	0.70	●
Casey City Council	11.17	3.95	32.99	19.50	1.57	0.82	●
Frankston City Council	6.25	1.80	23.29	29.78	1.67	0.99	●
Greater Dandenong City Council	7.71	1.51	47.03	22.95	1.81	0.91	●
Hume City Council	8.20	1.20	15.75	27.02	1.97	0.98	●
Knox City Council	2.66	1.56	12.96	10.83	1.74	1.30	●
Manningham City Council	7.32	1.90	8.39	19.41	1.89	1.11	●
Melton City Council	6.54	1.62	20.22	25.61	1.37	0.33	●
Mornington Peninsula Shire Council	2.59	1.31	21.93	16.63	1.18	1.02	●
Nillumbik Shire Council	3.76	2.23	32.61	16.16	1.72	1.51	●
Whittlesea City Council	2.79	3.36	23.00	18.80	1.21	0.81	●
Wyndham City Council	11.26	1.78	11.77	35.50	1.98	0.77	●
Yarra Ranges Shire Council	0.14	1.44	10.96	16.73	1.56	1.47	●
Category average	5.54	1.90	23.45	21.32	1.65	0.98	●
Category risk assessment	Low	Low	Low	Low	Low	Medium	Low

Source: Victorian Auditor-General's Office.

Figure E13
Underlying result (per cent) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Brimbank City Council	6.74	2.05	-5.55	5.28	-0.16	1.67	▼	10.48	9.74	10.41	-
Cardinia Shire Council	2.17	2.30	8.77	8.18	6.19	5.52	▲	4.79	5.12	10.22	▲
Casey City Council	2.55	9.00	12.94	19.85	11.53	11.17	▲	13.05	12.81	11.57	▼
Frankston City Council	0.61	3.21	1.24	11.10	15.12	6.25	▲	11.76	9.99	10.80	▼
Greater Dandenong City Council	12.87	9.64	5.71	8.30	2.05	7.71	▼	4.62	3.78	3.48	▼
Hume City Council	11.32	11.73	9.18	7.08	1.71	8.20	▼	6.20	4.01	1.76	▼
Knox City Council	7.20	0.64	-1.43	5.50	1.37	2.66	▼	3.53	3.21	3.44	-
Manningham City Council	10.38	2.68	4.00	10.56	8.96	7.32	▲	10.16	9.23	10.01	-
Melton City Council	0.61	7.25	3.66	16.42	4.76	6.54	▲	5.38	8.39	8.02	▲
Mornington Peninsula Shire Council	6.45	2.96	-0.46	3.12	0.86	2.59	▼	5.73	7.53	6.12	-
Nillumbik Shire Council	7.43	9.52	-3.51	1.10	4.25	3.76	▼	3.54	10.04	10.58	▲
Whittlesea City Council	7.92	-5.71	3.43	4.55	3.78	2.79	-	7.41	6.40	5.84	▼
Wyndham City Council	13.91	13.75	8.56	11.55	8.52	11.26	▼	13.43	12.75	12.74	▼
Yarra Ranges Shire Council	3.66	-3.42	-3.13	5.85	-2.27	0.14	▼	6.80	11.29	9.52	▲
Average underlying result (%)	6.70	4.69	3.10	8.46	4.76	5.54		7.63	8.16	8.18	

Source: Victorian Auditor-General's Office.

Figure E14
Liquidity (ratio) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Brimbank City Council	2.50	1.99	1.67	1.18	0.94	1.65	▼	1.33	1.05	1.07	-
Cardinia Shire Council	1.96	3.16	2.65	2.25	1.97	2.40	-	1.50	1.46	1.38	-
Casey City Council	1.84	2.59	3.22	3.14	3.95	2.95	▲	4.18	3.58	3.71	-
Frankston City Council	1.69	1.81	1.37	1.63	1.80	1.66	-	1.80	2.02	2.23	-
Greater Dandenong City Council	2.28	2.13	1.98	2.10	1.51	2.00	-	1.42	1.55	1.62	-
Hume City Council	2.07	1.87	1.49	1.42	1.20	1.61	-	1.13	1.06	1.07	-
Knox City Council	2.24	1.99	1.93	1.43	1.56	1.83	-	1.28	1.38	1.48	-
Manningham City Council	2.02	2.12	1.47	1.83	1.90	1.87	-	1.68	1.41	1.49	-
Melton City Council	2.16	2.45	1.57	1.65	1.62	1.89	-	1.30	1.94	2.80	▲
Mornington Peninsula Shire Council	1.48	1.63	1.69	1.14	1.31	1.45	-	1.06	1.19	1.21	-
Nillumbik Shire Council	2.44	2.94	1.58	2.23	2.23	2.28	-	1.92	1.95	2.05	-
Whittlesea City Council	3.97	3.87	3.07	3.69	3.36	3.59	-	3.09	2.59	2.41	▼
Wyndham City Council	5.23	4.45	2.61	2.88	1.78	3.39	▼	2.84	2.83	2.70	-
Yarra Ranges Shire Council	3.12	2.29	2.23	2.04	1.44	2.22	▼	1.55	1.48	1.47	-
Average liquidity	2.50	2.52	2.04	2.04	1.90	2.20		1.86	1.82	1.91	

Source: Victorian Auditor-General's Office.

Figure E15
Indebtedness (per cent) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Brimbank City Council	18.22	13.71	28.19	21.09	16.45	19.53	▲	36.05	37.21	34.39	▼
Cardinia Shire Council	84.91	74.39	72.12	61.01	50.92	68.67	▼	78.88	72.54	65.98	▼
Casey City Council	28.78	41.70	45.38	29.38	32.99	35.65	▼	30.65	22.78	50.95	▲
Frankston City Council	1.66	1.22	1.16	1.37	23.29	5.74	▲	24.13	20.24	18.29	▼
Greater Dandenong City Council	22.79	19.58	38.36	51.86	47.03	35.92	▲	44.80	39.87	35.56	▼
Hume City Council	21.60	20.61	17.43	16.85	15.75	18.45	▼	21.32	19.84	26.06	▲
Knox City Council	8.91	13.98	26.46	14.19	12.96	15.30	▲	11.61	10.54	9.45	▼
Manningham City Council	2.11	1.79	9.99	9.23	8.39	6.30	▲	8.52	8.40	8.16	-
Melton City Council	43.00	37.35	32.92	21.98	20.22	31.09	▼	26.56	31.02	33.00	▲
Mornington Peninsula Shire Council	32.03	29.12	31.45	19.43	21.93	26.79	▼	19.05	18.48	18.06	▼
Nillumbik Shire Council	36.42	41.86	37.23	34.25	32.61	36.47	▼	32.06	36.18	35.14	▲
Whittlesea City Council	35.32	32.70	28.67	26.05	23.00	29.15	▼	24.74	33.22	43.34	▲
Wyndham City Council	8.30	6.52	5.55	12.46	11.77	8.92	▲	39.25	38.64	34.42	▼
Yarra Ranges Shire Council	6.75	6.23	15.50	13.24	10.96	10.54	▲	31.12	35.21	33.46	▲
Average indebtedness (%)	25.06	24.34	27.89	23.74	23.45	24.89		30.62	30.30	31.88	

Source: Victorian Auditor-General's Office.

Figure E16
Self-financing (per cent) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Brimbank City Council	27.18	22.04	22.59	11.24	21.09	20.83	▼	27.11	27.58	28.38	▲
Cardinia Shire Council	23.22	23.52	37.68	28.84	18.43	26.34	▼	29.18	22.81	31.71	▲
Casey City Council	18.04	22.39	31.33	30.07	19.50	24.27	▲	25.27	25.32	25.97	▲
Frankston City Council	19.08	16.83	29.81	24.05	29.78	23.91	▲	30.23	28.13	28.87	▼
Greater Dandenong City Council	21.52	27.02	28.97	24.50	22.95	24.99	-	23.37	22.73	23.09	-
Hume City Council	29.22	34.71	27.01	22.06	27.02	28.00	▼	25.58	23.33	24.43	▼
Knox City Council	17.80	21.31	17.67	19.85	10.83	17.49	▼	16.08	16.82	16.62	▲
Manningham City Council	19.72	29.58	33.29	28.03	19.41	26.00	-	26.83	26.95	27.75	▲
Melton City Council	17.60	19.57	26.09	21.92	25.61	22.16	▲	22.58	25.35	24.69	▲
Mornington Peninsula Shire Council	21.30	21.76	18.55	20.20	16.63	19.69	▼	19.67	21.06	19.74	-
Nillumbik Shire Council	20.68	20.46	21.74	6.96	16.16	17.20	▼	20.42	19.74	20.41	-
Whittlesea City Council	29.54	7.49	28.66	12.43	18.80	19.39	▼	24.63	25.19	24.67	-
Wyndham City Council	49.84	44.70	42.17	31.48	35.50	40.74	▼	36.29	35.41	34.41	▼
Yarra Ranges Shire Council	17.44	16.13	19.85	8.67	16.73	15.76	▼	22.29	24.63	25.15	▲
Average self-financing (%)	23.73	23.39	27.53	20.74	21.32	23.34		24.97	24.65	25.42	

Source: Victorian Auditor-General's Office.

Figure E17
Capital replacement (ratio) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Brimbank City Council	1.49	1.44	1.68	1.73	1.27	1.52	-	2.31	2.27	1.74	▼
Cardinia Shire Council	2.09	1.85	1.68	2.16	2.10	1.98	-	2.70	1.39	1.59	▼
Casey City Council	1.80	1.73	1.67	1.26	1.40	1.57	-	1.98	2.33	3.36	▲
Frankston City Council	1.47	1.24	1.47	1.51	2.65	1.67	▲	2.00	1.30	1.40	▼
Greater Dandenong City Council	1.47	1.56	1.86	1.79	2.36	1.81	-	1.11	0.96	1.02	-
Hume City Council	2.27	1.81	2.23	1.64	1.92	1.97	-	1.96	1.79	1.71	-
Knox City Council	2.01	1.71	2.41	1.31	1.25	1.74	-	1.31	1.18	1.22	-
Manningham City Council	1.74	1.67	3.14	1.47	1.43	1.89	-	1.77	1.90	1.54	-
Melton City Council	0.85	1.03	1.77	1.81	1.36	1.37	-	2.06	1.37	1.19	▼
Mornington Peninsula Shire Council	1.31	1.14	1.24	1.13	1.09	1.18	-	1.36	1.67	1.45	-
Nillumbik Shire Council	1.77	2.29	2.21	0.75	1.58	1.72	-	1.50	2.61	2.77	▲
Whittlesea City Council	1.66	1.09	0.60	0.95	1.73	1.21	-	2.28	3.20	2.79	▲
Wyndham City Council	1.59	2.21	2.14	2.23	1.71	1.98	-	2.37	1.67	1.65	▼
Yarra Ranges Shire Council	1.10	1.82	1.76	1.48	1.67	1.56	-	2.32	2.21	1.74	▼
Average capital replacement	1.62	1.61	1.85	1.52	1.68	1.65		1.93	1.85	1.80	

Source: Victorian Auditor-General's Office.

Figure E18
Renewal gap (ratio) 2010–2014

Outer metropolitan councils	2010	2011	2012	2013	2014	Mean	Actual trend
Brimbank City Council	0.75	0.89	1.32	0.90	0.90	0.95	-
Cardinia Shire Council	0.71	0.60	0.61	0.76	0.79	0.70	-
Casey City Council	0.79	0.81	0.81	0.73	0.97	0.82	-
Frankston City Council	1.05	1.02	1.04	0.86	0.96	0.99	-
Greater Dandenong City Council	1.43	0.35	0.94	0.92	0.90	0.91	-
Hume City Council	1.04	1.16	0.69	1.19	0.83	0.98	-
Knox City Council	1.78	1.11	1.22	1.22	1.19	1.30	-
Manningham City Council	0.99	0.98	1.57	1.00	1.01	1.11	-
Melton City Council	0.01	0.41	0.58	0.34	0.29	0.33	-
Mornington Peninsula Shire Council	1.14	1.05	1.10	0.84	0.97	1.02	-
Nillumbik Shire Council	1.53	2.02	1.95	0.55	1.49	1.51	-
Whittlesea City Council	0.57	1.25	0.59	0.55	1.08	0.81	-
Wyndham City Council	0.38	0.75	0.69	1.08	0.97	0.77	-
Yarra Ranges Shire Council	1.82	1.29	1.30	1.64	1.29	1.47	-
Average renewal gap	1.00	0.98	1.03	0.90	0.97	0.98	

Source: Victorian Auditor-General's Office.

Regional city councils

Figure E19
Financial sustainability risk assessment results 2013–14

Regional city councils	Average Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Ballarat City Council	7.53	2.33	28.35	31.57	1.71	1.10	●
Greater Bendigo City Council	3.95	2.06	31.84	26.65	1.56	0.93	●
Greater Geelong City Council	3.99	1.42	20.19	17.88	1.52	0.81	●
Greater Shepparton City Council	6.33	2.24	18.25	27.94	1.42	1.13	●
Horsham Rural City Council	12.85	2.73	19.03	32.46	1.75	1.11	●
Latrobe City Council	7.06	1.50	27.63	15.84	1.39	1.03	●
Mildura Rural City Council	7.58	1.56	42.98	18.84	1.69	1.27	●
Swan Hill Rural City Council	0.44	1.63	17.20	19.00	1.52	1.21	●
Wangaratta Rural City Council	1.89	1.52	56.91	13.98	1.07	0.72	●
Warrnambool City Council	6.50	1.46	19.47	23.61	1.84	1.36	●
Wodonga City Council	9.81	1.74	73.90	16.94	1.76	0.35	●
Category average	6.18	1.84	32.34	22.25	1.57	1.00	●
Category risk assessment	Low	Low	Low	Low	Low	Medium	Low

Source: Victorian Auditor-General's Office.

Figure E20
Underlying result (per cent) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ballarat City Council	10.01	6.70	4.82	12.94	3.15	7.53	▼	0.31	0.54	1.49	▲
Greater Bendigo City Council	7.30	1.24	4.58	6.14	0.50	3.95	▼	0.98	8.53	8.71	▲
Greater Geelong City Council	3.30	6.80	-0.94	7.86	2.95	3.99	-	11.80	9.18	3.69	▼
Greater Shepparton City Council	5.25	6.64	7.44	9.81	2.53	6.33	-	5.38	2.86	3.94	▼
Horsham Rural City Council	2.07	24.30	22.69	10.34	4.83	12.85	▼	7.17	2.74	2.86	▼
Latrobe City Council	10.26	12.07	3.81	6.48	2.66	7.06	▼	7.82	4.24	11.80	▲
Mildura Rural City Council	3.32	5.59	16.26	10.65	2.09	7.58	▲	16.14	8.48	9.02	▼
Swan Hill Rural City Council	-2.47	-1.38	0.92	4.17	0.94	0.44	▲	11.42	5.65	10.17	▼
Wangaratta Rural City Council	7.98	4.98	1.37	2.88	-7.75	1.89	▼	7.53	11.69	9.43	▲
Warrnambool City Council	0.50	14.24	4.70	6.24	6.82	6.50	▲	6.30	3.93	4.04	▼
Wodonga City Council	8.52	4.10	17.27	14.69	4.47	9.81	-	9.19	2.77	3.78	▼
Average underlying result (%)	5.10	7.75	7.54	8.38	2.11	6.18		7.64	5.51	6.27	

Source: Victorian Auditor-General's Office.

Figure E21
Liquidity (ratio) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ballarat City Council	2.49	2.36	1.54	1.90	2.33	2.12	-	1.25	1.30	1.55	-
Greater Bendigo City Council	1.86	1.78	1.44	1.92	2.06	1.81	-	1.39	1.42	1.39	-
Greater Geelong City Council	1.79	1.74	1.64	1.62	1.42	1.64	-	1.18	1.15	1.14	-
Greater Shepparton City Council	1.69	1.98	1.92	2.33	2.24	2.03	-	1.33	1.37	1.35	-
Horsham Rural City Council	2.87	3.32	2.92	2.74	2.73	2.91	-	1.28	1.52	1.53	-
Latrobe City Council	2.24	1.94	2.04	1.57	1.50	1.86	-	1.35	1.35	1.33	-
Mildura Rural City Council	1.64	1.76	1.38	1.73	1.56	1.61	-	1.12	1.12	1.15	-
Swan Hill Rural City Council	2.25	2.33	1.58	1.33	1.63	1.82	-	1.20	1.43	1.71	▲
Wangaratta Rural City Council	1.73	2.09	1.67	1.49	1.52	1.70	-	1.05	1.02	1.13	-
Warrnambool City Council	1.73	1.71	1.79	1.61	1.46	1.66	-	1.14	1.26	1.43	-
Wodonga City Council	5.11	4.67	1.55	2.66	1.74	3.15	▼	1.05	1.12	1.10	-
Average liquidity	2.31	2.33	1.77	1.90	1.84	2.03		1.21	1.28	1.35	

Source: Victorian Auditor-General's Office.

Figure E22
Indebtedness (per cent) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ballarat City Council	13.12	10.93	9.64	8.46	28.35	14.10	▲	26.42	24.17	22.08	▼
Greater Bendigo City Council	9.03	10.02	17.86	27.29	31.84	19.21	▲	30.17	33.21	33.90	▲
Greater Geelong City Council	25.84	21.24	27.89	20.85	20.19	23.20	▼	30.44	27.40	26.89	▼
Greater Shepparton City Council	7.91	20.24	22.06	20.02	18.25	17.70	▼	19.44	19.85	19.65	-
Horsham Rural City Council	19.53	19.91	33.55	24.11	19.03	23.23	▲	33.27	37.24	36.84	▲
Latrobe City Council	50.55	43.32	47.90	33.09	27.63	40.50	▼	34.32	32.07	30.55	▼
Mildura Rural City Council	32.77	30.56	32.44	41.97	42.98	36.14	▲	37.55	33.47	29.90	▼
Swan Hill Rural City Council	24.73	26.35	26.77	16.23	17.20	22.26	▼	26.97	23.67	20.15	▼
Wangaratta Rural City Council	41.02	49.71	48.51	49.56	56.91	49.14	▲	56.94	54.79	48.94	▼
Warrnambool City Council	22.23	23.70	35.25	19.27	19.47	23.98	▼	24.56	24.15	20.30	▼
Wodonga City Council	92.95	93.07	72.72	80.68	73.90	82.66	▼	62.77	58.90	58.79	▼
Average indebtedness (%)	30.88	31.73	34.05	31.05	32.34	32.01		34.80	33.54	31.64	

Source: Victorian Auditor-General's Office.

Figure E23
Self-financing (per cent) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ballarat City Council	29.15	29.40	33.15	24.04	31.57	29.46	-	23.69	23.26	24.11	-
Greater Bendigo City Council	29.59	24.66	31.62	23.19	26.65	27.14	▼	21.33	29.19	29.98	▲
Greater Geelong City Council	19.09	18.83	21.02	10.60	17.88	17.48	▼	16.31	16.56	17.73	▲
Greater Shepparton City Council	24.63	20.87	27.33	22.05	27.94	24.56	▲	23.46	18.78	21.54	▼
Horsham Rural City Council	28.62	37.08	43.79	40.85	32.46	36.56	▼	29.70	30.93	25.81	▼
Latrobe City Council	28.62	29.72	31.80	27.96	15.84	26.79	▼	26.32	24.50	30.01	▲
Mildura Rural City Council	24.47	25.76	31.84	21.74	18.84	24.53	▼	32.85	26.99	27.19	▼
Swan Hill Rural City Council	16.25	17.95	29.68	17.57	19.00	20.09	▲	27.06	19.14	23.22	▼
Wangaratta Rural City Council	24.97	21.25	26.07	23.80	13.98	22.01	▼	24.83	28.29	27.52	▲
Warrnambool City Council	17.67	30.03	21.68	15.57	23.61	21.71	▼	23.64	22.30	22.38	▼
Wodonga City Council	19.79	19.79	35.02	21.53	16.94	22.62	▼	23.59	19.05	19.55	▼
Average self-financing (%)	23.90	25.03	30.27	22.63	22.25	24.81		24.80	23.54	24.46	

Source: Victorian Auditor-General's Office.

Figure E24
Capital replacement (ratio) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ballarat City Council	1.65	1.19	1.89	1.91	1.89	1.71	-	0.95	0.98	0.88	-
Greater Bendigo City Council	1.51	1.21	1.97	1.64	1.46	1.56	-	1.34	1.75	1.70	-
Greater Geelong City Council	1.59	1.61	1.58	1.36	1.45	1.52	-	2.34	1.67	1.34	▼
Greater Shepparton City Council	1.61	1.62	1.47	1.25	1.16	1.42	-	1.78	1.31	1.27	▼
Horsham Rural City Council	1.13	1.52	3.16	1.79	1.14	1.75	-	2.47	1.24	1.13	▼
Latrobe City Council	1.61	1.80	1.24	1.21	1.09	1.39	-	1.86	1.20	1.67	-
Mildura Rural City Council	1.52	1.39	2.06	2.08	1.41	1.69	-	2.27	1.37	1.42	▼
Swan Hill Rural City Council	1.87	1.07	1.64	1.84	1.19	1.52	-	1.94	1.11	1.37	▼
Wangaratta Rural City Council	1.17	0.87	1.14	1.28	0.90	1.07	-	1.84	1.73	1.36	-
Warrnambool City Council	1.38	2.40	2.36	1.02	2.04	1.84	-	1.65	1.20	1.01	▼
Wodonga City Council	0.78	0.94	2.70	2.52	1.86	1.76	▲	1.90	1.04	1.46	-
Average capital replacement	1.44	1.42	1.93	1.63	1.42	1.57		1.85	1.33	1.33	

Source: Victorian Auditor-General's Office.

Figure E25
Renewal gap (ratio) 2010–2014

Regional city councils	2010	2011	2012	2013	2014	Mean	Actual trend
Ballarat City Council	1.50	1.19	0.96	0.91	0.97	1.10	-
Greater Bendigo City Council	0.60	0.69	0.82	1.28	1.25	0.93	-
Greater Geelong City Council	0.80	0.86	0.98	0.79	0.61	0.81	-
Greater Shepparton City Council	1.23	1.24	1.31	0.98	0.89	1.13	-
Horsham Rural City Council	0.79	0.83	1.46	1.54	0.95	1.11	-
Latrobe City Council	1.22	1.14	0.88	1.01	0.93	1.03	-
Mildura Rural City Council	1.12	1.09	1.50	1.49	1.16	1.27	-
Swan Hill Rural City Council	1.42	0.82	1.43	1.37	1.02	1.21	-
Wangaratta Rural City Council	0.94	0.67	0.58	0.86	0.54	0.72	-
Warrnambool City Council	0.90	1.45	1.95	0.90	1.61	1.36	-
Wodonga City Council	0.27	0.15	0.27	0.46	0.57	0.35	-
Average renewal gap	0.98	0.92	1.10	1.05	0.95	1.00	

Source: Victorian Auditor-General's Office.

Large shire councils

Figure E26
Financial sustainability risk assessment results 2013–14

Large shire councils	Average Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Bass Coast Shire Council	6.62	1.53	23.77	13.37	1.55	1.07	●
Baw Baw Shire Council	0.27	1.38	10.71	28.57	1.45	1.25	●
Campaspe Shire Council	5.96	1.54	15.80	17.51	1.59	0.91	●
Colac Otway Shire Council	4.41	1.93	26.49	34.25	1.54	1.16	●
Corangamite Shire Council	5.93	1.90	30.28	28.00	1.16	0.97	●
East Gippsland Shire Council	7.94	2.18	24.19	21.38	1.61	1.11	●
Glenelg Shire Council	-0.18	2.23	56.04	22.93	1.59	1.15	●
Macedon Ranges Shire Council	6.52	1.65	17.55	19.24	1.65	1.12	●
Mitchell Shire Council	-3.33	1.23	50.15	6.87	1.40	0.89	●
Moirā Shire Council	3.31	2.15	38.68	9.86	1.10	0.97	●
Moorabool Shire Council	-0.85	0.93	30.40	20.52	1.56	1.25	●
Moynē Shire Council	7.08	1.48	7.63	22.14	1.43	1.02	●
South Gippsland Shire Council	3.78	1.23	3.10	15.92	1.38	1.12	●
Southern Grampians Shire Council	0.98	1.99	21.93	15.35	1.12	0.92	●
Surf Coast Shire Council	3.78	1.91	63.26	23.99	2.17	0.81	●
Wellington Shire Council	3.89	2.92	26.70	23.06	1.10	0.98	●
Category average	3.51	1.76	27.92	20.19	1.46	1.04	●
Category risk assessment	Low	Low	Low	Low	Medium	Low	Low

Source: Victorian Auditor-General's Office.

Figure E27
Underlying result (per cent) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
Bass Coast Shire Council	16.81	10.97	8.81	2.37	-5.84	6.62	▼	-2.31	-2.28	6.69	▲
Baw Baw Shire Council	1.23	-7.75	2.67	1.35	3.84	0.27	▲	16.33	11.23	16.31	-
Campaspe Shire Council	-1.76	7.88	12.89	10.30	0.49	5.96	▲	3.24	2.22	1.39	▼
Colac Otway Shire Council	5.16	5.54	1.84	3.30	6.20	4.41	-	6.53	5.55	5.53	▼
Corangamite Shire Council	6.72	1.44	16.78	3.14	1.55	5.93	▼	3.88	4.45	4.63	▲
East Gippsland Shire Council	21.05	5.12	-8.79	13.16	9.15	7.94	▼	14.35	6.52	4.80	▼
Glenelg Shire Council	5.89	8.81	9.36	-38.30	13.34	-0.18	▼	12.55	8.33	4.40	▼
Macedon Ranges Shire Council	14.02	7.81	1.36	8.18	1.26	6.52	▼	5.26	-0.14	-2.02	▼
Mitchell Shire Council	9.89	-1.04	-6.09	-7.21	-12.19	-3.33	▼	-1.67	-1.89	1.66	▲
Moirā Shire Council	0.76	5.50	12.51	-8.99	6.76	3.31	-	3.85	6.16	4.74	▲
Moorabool Shire Council	-9.10	3.03	2.22	6.05	-6.46	-0.85	▲	0.45	3.60	0.03	-
Moynē Shire Council	4.32	10.00	8.46	10.36	2.26	7.08	▼	7.40	9.06	10.39	▲
South Gippsland Shire Council	12.23	7.78	0.59	1.99	-3.72	3.78	▼	7.55	6.31	6.80	▼
Southern Grampians Shire Council	1.78	-2.72	4.50	13.67	-12.31	0.98	▼	8.00	10.47	9.22	▲
Surf Coast Shire Council	0.59	10.12	5.46	6.23	-3.53	3.78	▼	0.91	7.50	-0.40	▼
Wellington Shire Council	0.86	10.82	2.65	6.18	-1.06	3.89	▼	-1.44	6.38	8.60	▲
Average underlying result (%)	5.65	5.21	4.70	1.99	-0.02	3.51		5.31	5.22	5.17	

Source: Victorian Auditor-General's Office.

Figure E28
Liquidity (ratio) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Bass Coast Shire Council	2.11	2.44	1.98	1.79	1.53	1.97	-	1.10	1.09	1.33	-
Baw Baw Shire Council	1.77	1.24	1.46	1.51	1.38	1.47	-	1.26	1.23	1.17	-
Campaspe Shire Council	4.44	3.00	2.56	2.46	1.54	2.80	▼	2.17	1.85	1.78	-
Colac Otway Shire Council	2.18	2.41	2.73	2.67	1.93	2.38	-	1.86	1.27	1.56	-
Corangamite Shire Council	2.27	1.77	1.37	1.71	1.90	1.80	-	1.77	2.03	2.05	-
East Gippsland Shire Council	3.64	3.56	2.76	3.21	2.18	3.07	▼	1.57	1.56	1.77	-
Glenelg Shire Council	2.91	2.72	3.45	2.83	2.23	2.83	-	1.81	1.70	1.65	-
Macedon Ranges Shire Council	1.52	1.91	1.93	1.51	1.65	1.71	-	1.33	1.33	1.29	-
Mitchell Shire Council	2.12	1.67	2.00	1.42	1.23	1.69	-	0.78	0.83	1.06	-
Moirā Shire Council	1.87	1.76	2.00	1.32	2.15	1.82	-	1.09	1.30	1.46	-
Moorabool Shire Council	1.17	1.88	1.97	1.36	0.93	1.46	-	1.50	1.39	1.37	-
Moyne Shire Council	1.60	1.80	1.82	1.47	1.48	1.63	-	1.14	1.09	1.25	-
South Gippsland Shire Council	2.79	2.21	2.07	1.70	1.23	2.00	▼	1.77	1.48	1.68	-
Southern Grampians Shire Council	2.85	3.42	3.02	2.72	1.99	2.80	-	1.99	1.75	1.55	-
Surf Coast Shire Council	1.96	1.87	2.01	1.85	1.91	1.92	-	1.30	1.50	1.39	-
Wellington Shire Council	2.23	2.30	2.14	2.41	2.92	2.40	-	1.86	2.01	2.28	-
Average liquidity	2.34	2.25	2.20	2.00	1.76	2.11		1.52	1.46	1.54	

Source: Victorian Auditor-General's Office.

Figure E29
Indebtedness (per cent) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Bass Coast Shire Council	14.51	19.77	26.03	16.05	23.77	20.03	▲	22.64	21.84	26.06	▲
Baw Baw Shire Council	39.73	31.14	33.38	18.95	10.71	26.78	▼	16.69	18.90	14.89	▼
Campaspe Shire Council	22.34	16.33	24.72	17.74	15.80	19.38	▼	18.47	16.87	17.57	▼
Colac Otway Shire Council	27.07	33.81	39.50	30.32	26.49	31.44	▲	31.83	24.62	21.75	▼
Corangamite Shire Council	19.02	19.69	15.10	21.85	30.28	21.19	▲	24.56	22.79	18.67	▼
East Gippsland Shire Council	20.63	24.08	47.81	33.72	24.19	30.09	▲	30.75	27.31	25.37	▼
Glenelg Shire Council	22.03	18.08	30.23	76.18	56.04	40.51	▲	75.12	72.53	62.29	▼
Macedon Ranges Shire Council	20.99	14.65	28.78	15.38	17.55	19.47	▲	27.43	28.40	26.60	▼
Mitchell Shire Council	21.41	15.44	30.93	29.25	50.15	29.44	▲	52.22	42.44	34.18	▼
Moirā Shire Council	72.76	56.64	55.44	44.37	38.68	53.58	▼	33.18	27.81	24.25	▼
Moorabool Shire Council	29.55	50.49	59.37	33.97	30.40	40.76	▲	35.20	46.98	54.76	▲
Moyne Shire Council	7.02	13.20	14.84	5.08	7.63	9.55	▲	11.35	9.20	7.41	▼
South Gippsland Shire Council	7.28	1.78	14.22	2.60	3.10	5.79	▲	10.35	8.34	8.14	▼
Southern Grampians Shire Council	32.83	33.02	40.10	22.19	21.93	30.01	▼	20.60	23.82	21.09	-
Surf Coast Shire Council	30.84	42.35	63.50	57.26	63.26	51.44	▲	52.56	54.36	44.98	▼
Wellington Shire Council	33.24	28.37	23.14	18.68	26.70	26.03	▼	23.00	23.72	23.75	▲
Average indebtedness (%)	26.33	26.18	34.19	27.72	27.92	28.47		30.37	29.37	26.99	

Source: Victorian Auditor-General's Office.

Figure E30
Self-financing (per cent) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Bass Coast Shire Council	31.53	31.35	30.75	10.85	13.37	23.57	▼	18.79	17.88	20.99	▲
Baw Baw Shire Council	20.44	23.35	25.19	22.81	28.57	24.07	▲	34.64	30.74	34.52	-
Campaspe Shire Council	24.01	26.86	36.89	28.52	17.51	26.76	▼	23.53	24.36	24.42	▲
Colac Otway Shire Council	31.53	30.27	33.15	21.17	34.25	30.07	▼	31.24	28.79	28.95	▼
Corangamite Shire Council	28.32	26.69	24.45	17.47	28.00	24.99	▼	30.84	29.85	30.27	▼
East Gippsland Shire Council	29.82	28.18	31.42	26.70	21.38	27.50	▼	36.32	32.56	32.32	▼
Glenelg Shire Council	26.78	26.04	35.95	22.09	22.93	26.76	▼	23.36	21.78	19.48	▼
Macedon Ranges Shire Council	28.55	19.09	32.11	21.22	19.24	24.04	▼	25.19	21.04	18.91	▼
Mitchell Shire Council	28.87	32.53	26.99	15.73	6.87	22.20	▼	22.56	20.93	23.29	▲
Moirā Shire Council	24.88	21.89	35.15	7.15	9.86	19.79	▼	22.18	24.59	23.40	▲
Moorabool Shire Council	29.29	27.08	33.37	23.97	20.52	26.85	▼	22.01	26.94	25.33	▲
Moyne Shire Council	35.74	32.15	36.00	36.24	22.14	32.45	▼	32.58	34.80	35.75	▲
South Gippsland Shire Council	27.12	25.04	27.52	8.57	15.92	20.83	▼	24.16	25.00	26.08	▲
Southern Grampians Shire Council	26.28	25.39	39.33	27.54	15.35	26.78	▼	30.16	32.19	29.71	-
Surf Coast Shire Council	24.95	29.18	35.84	26.97	23.99	28.19	▼	20.14	23.13	21.26	▲
Wellington Shire Council	33.11	35.99	33.56	35.37	23.06	32.22	▼	33.91	33.95	35.22	▲
Average self-financing (%)	28.20	27.57	32.35	22.02	20.19	26.07		26.98	26.78	26.87	

Source: Victorian Auditor-General's Office.

Figure E31
Capital replacement (ratio) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Bass Coast Shire Council	1.88	1.56	1.91	1.27	1.12	1.55	-	1.06	0.98	1.17	-
Baw Baw Shire Council	1.63	1.28	1.36	1.03	1.95	1.45	-	2.95	1.91	2.02	▼
Campaspe Shire Council	0.84	1.04	1.85	1.81	2.41	1.59	▲	1.64	1.37	1.15	-
Colac Otway Shire Council	1.70	1.58	1.42	1.32	1.70	1.54	-	1.48	1.30	1.06	-
Corangamite Shire Council	1.28	1.33	1.19	1.08	0.95	1.16	-	1.19	1.11	1.12	-
East Gippsland Shire Council	1.95	1.47	1.48	1.45	1.73	1.61	-	1.67	1.21	1.16	▼
Glenelg Shire Council	1.64	1.49	1.38	1.59	1.78	1.59	-	2.08	1.71	1.10	▼
Macedon Ranges Shire Council	2.50	1.24	1.75	1.58	1.16	1.65	-	1.62	1.10	0.94	▼
Mitchell Shire Council	1.34	1.20	1.22	1.72	1.55	1.40	-	1.63	0.76	0.77	▼
Moirā Shire Council	1.18	1.18	1.50	0.90	0.75	1.10	-	1.23	1.13	1.11	-
Moorabool Shire Council	1.18	1.40	2.05	1.68	1.50	1.56	-	1.19	2.10	1.63	-
Moyne Shire Council	1.64	1.46	1.18	1.45	1.40	1.43	-	1.32	1.39	1.30	-
South Gippsland Shire Council	1.17	1.53	1.68	1.29	1.24	1.38	-	1.43	1.52	1.27	-
Southern Grampians Shire Council	1.14	0.93	1.23	1.34	0.96	1.12	-	1.51	1.85	1.61	▲
Surf Coast Shire Council	2.20	2.75	2.80	1.51	1.61	2.17	-	1.14	1.77	0.99	-
Wellington Shire Council	1.30	1.19	1.05	0.87	1.10	1.10	-	1.47	1.28	1.18	-
Average capital replacement	1.54	1.41	1.57	1.37	1.43	1.46		1.54	1.41	1.22	

Source: Victorian Auditor-General's Office.

Figure E32
Renewal gap (ratio) 2010–2014

Large shire councils	2010	2011	2012	2013	2014	Mean	Actual trend
Bass Coast Shire Council	1.07	1.05	1.37	0.90	0.94	1.07	-
Baw Baw Shire Council	1.18	0.81	1.16	1.31	1.78	1.25	-
Campaspe Shire Council	0.52	0.76	1.33	1.42	0.54	0.91	-
Colac Otway Shire Council	1.17	1.19	1.12	0.97	1.34	1.16	-
Corangamite Shire Council	0.98	0.78	1.12	1.06	0.90	0.97	-
East Gippsland Shire Council	1.50	1.02	0.96	1.13	0.95	1.11	-
Glenelg Shire Council	1.24	1.22	1.11	1.06	1.09	1.15	-
Macedon Ranges Shire Council	1.20	0.87	1.36	1.29	0.89	1.12	-
Mitchell Shire Council	0.84	0.90	0.78	1.02	0.90	0.89	-
Moir Shire Council	1.13	1.02	1.26	0.80	0.64	0.97	-
Moorabool Shire Council	0.59	0.93	1.69	1.62	1.43	1.25	-
Moyne Shire Council	1.23	0.79	0.97	1.07	1.04	1.02	-
South Gippsland Shire Council	0.82	1.13	1.37	1.08	1.18	1.12	-
Southern Grampians Shire Council	0.77	0.91	1.07	0.92	0.94	0.92	-
Surf Coast Shire Council	1.05	0.74	0.64	0.72	0.91	0.81	-
Wellington Shire Council	1.19	0.95	0.92	0.84	1.01	0.98	-
Average renewal gap	1.03	0.94	1.14	1.07	1.03	1.04	

Source: Victorian Auditor-General's Office.

Small shire councils

Figure E33
Financial sustainability risk assessment results 2013–14

Small shire councils	Average Underlying result (%)	Liquidity	Indebtedness (%)	Self-financing (%)	Capital replacement	Renewal gap	Sustainability assessment
Ararat Rural City Council	3.39	2.52	1.42	34.01	1.10	1.03	●
Alpine Shire Council	0.48	1.85	29.92	23.26	1.32	0.73	●
Benalla Rural City Council	6.67	1.22	47.89	17.00	1.77	1.32	●
Borough of Queenscliffe	15.12	2.39	0.59	20.18	2.03	1.42	●
Buloke Shire Council	8.16	0.18	6.03	68.12	2.15	2.03	●
Central Goldfields Shire Council	7.80	1.23	26.91	26.01	1.81	1.24	●
Gannawarra Shire Council	17.35	2.63	14.89	22.16	2.50	1.37	●
Golden Plains Shire Council	13.96	2.72	32.07	22.55	2.42	1.30	●
Hepburn Shire Council	13.92	1.85	12.43	22.02	2.22	1.85	●
Hindmarsh Shire Council	17.83	2.02	1.52	20.96	2.11	1.59	●
Indigo Shire Council	13.12	2.17	22.45	25.26	1.83	1.60	●
Loddon Shire Council	8.36	4.12	20.34	23.40	1.47	1.12	●
Mansfield Shire Council	5.75	1.50	23.21	26.34	1.91	1.21	●
Mount Alexander Shire Council	3.78	1.77	33.23	20.77	1.80	1.19	●
Murrindindi Shire Council	10.39	2.75	22.00	34.30	2.03	1.08	●
Northern Grampians Shire Council	9.33	1.64	26.48	16.61	1.22	1.52	●
Pyrenees Shire Council	-3.01	2.25	19.84	3.07	1.27	0.83	●
Strathbogie Shire Council	4.82	1.61	16.26	32.37	1.44	1.04	●
Towong Shire Council	8.21	4.00	4.07	24.40	1.36	1.27	●
West Wimmera Shire Council	2.83	2.90	5.44	15.51	1.06	0.98	●
Yarriambiack Shire Council	-6.02	0.96	9.58	25.46	1.27	0.98	●
Category average	7.73	2.11	17.93	24.94	1.72	1.27	●
Category risk assessment	Low	Low	Low	Low	Low	Low	Low

Source: Victorian Auditor-General's Office.

Figure E34
Underlying result (per cent) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ararat Rural City Council	-1.71	6.59	1.18	6.99	3.91	3.39	▲	14.81	6.20	5.34	▼
Alpine Shire Council	4.21	-1.88	7.26	-4.44	-2.75	0.48	▼	6.61	7.40	3.35	▼
Benalla Rural City Council	4.20	9.56	14.54	6.79	-1.77	6.67	▼	6.67	2.86	3.00	▼
Borough of Queenscliffe	5.90	15.81	20.53	15.44	17.92	15.12	▲	28.25	1.14	0.77	▼
Buloke Shire Council	-22.66	-21.14	16.83	11.25	56.52	8.16	▲	3.75	8.14	9.25	▲
Central Goldfields Shire Council	-4.37	13.28	7.41	21.67	1.00	7.80	▲	11.43	7.57	4.93	▼
Gannawarra Shire Council	3.28	3.83	50.40	21.69	7.55	17.35	▲	5.00	11.76	4.86	-
Golden Plains Shire Council	12.74	9.53	25.35	16.29	5.89	13.96	▼	4.97	9.09	10.92	▲
Hepburn Shire Council	9.83	5.49	20.36	33.90	0.01	13.92	▲	4.95	16.66	2.66	▼
Hindmarsh Shire Council	10.49	3.06	37.35	42.75	-4.50	17.83	▲	3.21	1.32	1.59	▼
Indigo Shire Council	19.01	11.83	14.78	11.34	8.62	13.12	▼	13.61	4.90	1.13	▼
Loddon Shire Council	0.47	26.37	35.51	-3.87	-16.67	8.36	▼	5.15	4.09	-1.31	▼
Mansfield Shire Council	23.32	18.69	-14.90	5.52	-3.89	5.75	▼	4.98	4.86	3.83	▼
Mount Alexander Shire Council	-5.57	1.91	5.35	17.43	-0.22	3.78	▲	6.78	9.42	6.91	-
Murrindindi Shire Council	11.33	8.54	23.73	5.98	2.37	10.39	▼	-0.91	-5.78	-4.79	▼
Northern Grampians Shire Council	-3.19	19.69	15.81	23.81	-9.46	9.33	▼	-4.02	2.45	-0.18	▲
Pyrenees Shire Council	3.24	28.78	17.00	-20.93	-43.12	-3.01	▼	-12.34	-14.52	-12.42	-
Strathbogie Shire Council	-4.17	6.97	13.68	7.19	0.43	4.82	▲	6.51	5.47	5.28	▼
Towong Shire Council	2.30	8.77	-4.15	28.46	5.69	8.21	▲	14.18	13.60	1.42	▼
West Wimmera Shire Council	-2.22	7.02	11.18	9.11	-10.96	2.83	▼	-0.25	0.88	1.03	▲
Yarriambiack Shire Council	-4.26	5.37	-3.84	-5.29	-22.06	-6.02	▼	-0.03	-1.80	-1.45	▼
Average underlying result (%)	2.96	8.96	15.02	11.96	-0.26	7.73		5.87	4.56	2.20	

Source: Victorian Auditor-General's Office.

Figure E35
Liquidity (ratio) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ararat Rural City Council	2.71	3.33	4.45	3.40	2.52	3.28	-	2.07	2.05	2.07	-
Alpine Shire Council	1.91	2.06	2.45	2.40	1.85	2.13	-	1.83	1.73	1.68	-
Benalla Rural City Council	1.64	1.42	1.75	1.65	1.22	1.54	-	1.00	1.05	1.08	-
Borough of Queenscliffe	1.61	2.51	1.80	2.03	2.39	2.07	-	1.28	2.03	2.52	▲
Buloke Shire Council	0.41	0.44	0.70	0.57	0.18	0.46	-	0.29	0.99	1.99	▲
Central Goldfields Shire Council	1.64	1.13	1.42	1.52	1.23	1.39	-	1.09	0.95	0.85	-
Gannawarra Shire Council	2.61	1.97	3.46	2.63	2.63	2.66	-	1.79	1.79	2.14	-
Golden Plains Shire Council	1.71	1.74	2.33	3.16	2.72	2.33	▲	1.84	1.23	1.48	-
Hepburn Shire Council	1.83	2.63	2.32	2.50	1.85	2.23	-	1.95	1.97	1.99	-
Hindmarsh Shire Council	2.54	2.60	3.38	3.30	2.02	2.77	-	1.16	1.14	1.24	-
Indigo Shire Council	1.57	1.92	1.81	2.31	2.17	1.96	-	1.24	1.04	0.81	-
Loddon Shire Council	3.59	7.43	3.40	4.54	4.12	4.62	-	2.42	2.25	2.40	-
Mansfield Shire Council	4.09	3.68	2.51	2.61	1.50	2.88	▼	1.62	1.56	1.41	-
Mount Alexander Shire Council	2.34	2.54	1.92	2.80	1.77	2.27	-	1.74	1.80	1.41	-
Murrindindi Shire Council	2.59	2.28	2.34	3.29	2.75	2.65	-	2.40	2.76	3.18	▲
Northern Grampians Shire Council	1.50	2.29	2.36	1.90	1.64	1.94	-	0.85	1.08	1.18	-
Pyrenees Shire Council	4.01	5.09	4.45	3.57	2.25	3.87	▼	1.96	1.96	1.98	-
Strathbogie Shire Council	1.54	1.37	2.08	2.12	1.61	1.74	-	1.54	1.56	1.49	-
Towong Shire Council	2.28	3.16	4.80	4.74	4.00	3.80	▲	3.02	3.40	3.59	▲
West Wimmera Shire Council	1.68	2.06	2.94	2.72	2.90	2.46	▲	1.71	1.48	1.95	-
Yarriambiack Shire Council	3.55	2.93	2.69	1.72	0.96	2.37	▼	1.40	1.64	1.78	-
Average liquidity	2.26	2.60	2.64	2.64	2.11	2.45		1.63	1.69	1.82	

Source: Victorian Auditor-General's Office.

Figure E36
Indebtedness (per cent) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ararat Rural City Council	1.23	1.02	21.47	2.27	1.42	5.48	-	17.39	15.21	13.00	▼
Alpine Shire Council	21.57	20.92	31.60	31.06	29.92	27.02	▲	25.38	21.75	18.39	▼
Benalla Rural City Council	47.27	38.56	45.59	50.00	47.89	45.86	▲	45.01	38.82	33.60	▼
Borough of Queenscliffe	21.20	15.72	3.48	0.49	0.59	8.30	▼	9.82	9.36	7.39	▼
Buloke Shire Council	13.64	17.99	13.90	11.20	6.03	12.55	▼	67.99	64.81	61.47	▼
Central Goldfields Shire Council	59.67	47.79	34.78	31.38	26.91	40.11	▼	36.47	32.04	19.40	▼
Gannawarra Shire Council	30.00	31.23	17.44	16.57	14.89	22.02	▼	15.48	14.09	13.29	▼
Golden Plains Shire Council	22.37	37.99	33.70	25.80	32.07	30.39	▲	34.69	38.76	38.54	▲
Hepburn Shire Council	25.72	14.89	22.84	11.25	12.43	17.43	▼	21.78	19.76	15.17	▼
Hindmarsh Shire Council	1.87	1.94	15.74	1.39	1.52	4.49	-	1.32	1.24	1.19	-
Indigo Shire Council	10.06	14.89	24.79	20.86	22.45	18.61	▲	22.28	16.71	13.70	▼
Loddon Shire Council	31.18	28.42	22.01	16.37	20.34	23.66	▼	18.32	18.59	18.96	▲
Mansfield Shire Council	24.89	18.83	20.06	9.81	23.21	19.36	▼	33.02	29.71	26.70	▼
Mount Alexander Shire Council	18.19	24.86	26.17	31.24	33.23	26.74	▲	22.95	25.20	23.42	-
Murrindindi Shire Council	29.03	27.50	27.25	25.04	22.00	26.16	▼	19.89	17.91	16.71	▼
Northern Grampians Shire Council	15.80	20.95	32.83	13.88	26.48	21.99	▲	23.39	20.69	18.09	▼
Pyrenees Shire Council	30.87	33.50	28.10	22.66	19.84	26.99	▼	16.85	12.71	8.64	▼
Strathbogie Shire Council	28.59	19.85	29.16	16.02	16.26	21.97	▼	9.55	10.41	8.97	▼
Towong Shire Council	10.62	9.36	24.16	8.41	4.07	11.32	▼	8.37	8.51	8.03	-
West Wimmera Shire Council	2.66	2.35	14.56	1.73	5.44	5.35	▲	5.11	3.59	2.18	▼
Yarriambiack Shire Council	5.49	2.88	24.05	8.85	9.58	10.17	▲	5.07	4.01	3.05	▼
Average indebtedness (%)	21.52	20.55	24.46	16.96	17.93	20.28		21.91	20.18	17.61	

Source: Victorian Auditor-General's Office.

Figure E37
Self-financing (per cent) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ararat Rural City Council	22.53	27.95	21.03	16.24	34.01	24.35	▲	36.02	29.94	29.49	▼
Alpine Shire Council	20.80	17.34	30.90	14.32	23.26	21.32	-	24.44	23.31	22.47	▼
Benalla Rural City Council	21.06	17.01	37.86	12.03	17.00	20.99	▼	22.39	18.84	17.86	▼
Borough of Queenscliffe	20.38	25.42	33.43	19.48	20.18	23.78	▼	36.38	8.27	11.11	▼
Buloke Shire Council	15.29	12.54	46.43	35.54	68.12	35.58	▲	34.65	36.55	39.94	▲
Central Goldfields Shire Council	24.20	38.16	24.50	26.50	26.01	27.87	▼	27.58	25.20	22.75	▼
Gannawarra Shire Council	26.67	31.50	55.61	26.86	22.16	32.56	▼	25.18	29.69	23.79	▼
Golden Plains Shire Council	25.92	26.70	25.33	25.08	22.55	25.11	▼	17.11	25.94	25.38	▲
Hepburn Shire Council	33.59	36.66	42.95	50.39	22.02	37.12	▼	29.34	38.66	28.59	▼
Hindmarsh Shire Council	32.65	27.09	59.29	53.53	20.96	38.70	▲	32.52	27.69	30.13	▼
Indigo Shire Council	35.37	16.06	31.19	26.05	25.26	26.78	▼	29.59	22.13	18.97	▼
Loddon Shire Council	30.71	45.20	47.60	22.38	23.40	33.86	▼	34.18	35.50	31.63	▼
Mansfield Shire Council	26.45	43.00	3.89	10.06	26.34	21.95	▼	23.93	24.09	22.96	▼
Mount Alexander Shire Council	28.40	18.66	27.69	24.38	20.77	23.98	▼	26.35	21.87	25.81	▼
Murrindindi Shire Council	22.71	21.59	29.20	33.52	34.30	28.26	▲	24.79	19.83	20.24	▼
Northern Grampians Shire Council	24.56	43.02	40.50	31.27	16.61	31.19	▼	19.91	24.27	22.66	▲
Pyrenees Shire Council	30.02	50.40	33.83	-3.06	3.07	22.85	▼	32.16	31.55	32.20	-
Strathbogie Shire Council	25.11	23.78	35.14	22.85	32.37	27.85	▲	27.33	28.89	25.32	▼
Towong Shire Council	23.53	30.73	38.15	44.76	24.40	32.31	▲	35.02	26.46	27.14	▼
West Wimmera Shire Council	30.06	35.11	48.09	33.25	15.51	32.41	▼	34.28	33.04	32.51	▼
Yarriambiack Shire Council	35.26	28.75	33.66	17.47	25.46	28.12	▼	29.15	35.58	33.40	▲
Average self-financing (%)	26.44	29.37	35.54	25.85	24.94	28.43		28.68	27.01	25.92	

Source: Victorian Auditor-General's Office.

Figure E38
Capital replacement (ratio) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend	Forecast			Future trend
								2015	2016	2017	
Ararat Rural City Council	1.13	0.87	0.98	1.10	1.42	1.10	-	1.86	1.27	1.18	▼
Alpine Shire Council	1.58	0.93	1.70	1.13	1.24	1.32	-	1.97	1.51	1.14	▼
Benalla Rural City Council	0.91	1.59	2.77	1.82	1.77	1.77	-	1.57	0.92	0.99	▼
Borough of Queenscliffe	1.61	1.16	2.77	2.19	2.43	2.03	▲	6.16	1.02	0.61	▼
Buloke Shire Council	1.22	0.61	1.56	1.59	5.79	2.15	▲	1.43	0.82	0.82	▼
Central Goldfields Shire Council	1.43	2.35	1.23	2.41	1.64	1.81	-	2.00	1.44	1.10	▼
Gannawarra Shire Council	1.34	1.86	5.62	2.33	1.33	2.50	-	1.82	1.66	1.04	▼
Golden Plains Shire Council	2.92	3.03	2.45	1.76	1.95	2.42	▼	1.85	2.46	2.05	-
Hepburn Shire Council	1.43	1.78	3.06	3.09	1.71	2.22	-	1.19	1.77	1.01	-
Hindmarsh Shire Council	1.64	1.13	1.70	4.06	2.01	2.11	▲	1.16	1.11	1.03	-
Indigo Shire Council	2.70	1.53	1.98	1.33	1.61	1.83	-	2.32	1.40	1.27	▼
Loddon Shire Council	0.98	0.76	3.38	0.97	1.24	1.47	-	1.37	1.28	0.91	-
Mansfield Shire Council	1.20	2.48	1.50	1.35	3.03	1.91	▲	1.90	1.26	1.27	▼
Mount Alexander Shire Council	1.40	1.31	2.39	2.33	1.56	1.80	-	1.51	1.87	1.85	-
Murrindindi Shire Council	1.97	2.48	3.58	0.96	1.18	2.03	▼	1.28	0.59	0.59	▼
Northern Grampians Shire Council	0.93	1.85	1.09	0.95	1.25	1.22	-	1.06	1.11	0.94	-
Pyrenees Shire Council	1.17	1.53	1.16	1.72	0.79	1.27	-	0.93	0.77	0.82	-
Strathbogie Shire Council	1.38	1.44	1.56	1.41	1.41	1.44	-	2.02	1.36	1.47	▼
Towong Shire Council	1.22	1.04	1.17	1.56	1.81	1.36	-	2.30	1.07	1.05	▼
West Wimmera Shire Council	1.20	1.01	1.02	1.01	1.04	1.06	-	1.20	1.16	0.76	-
Yarriambiack Shire Council	0.97	0.93	1.77	1.51	1.17	1.27	-	1.09	1.05	1.04	-
Average capital replacement	1.44	1.51	2.12	1.74	1.78	1.72		1.81	1.28	1.09	

Source: Victorian Auditor-General's Office.

Figure E39
Renewal gap (ratio) 2010–2014

Small shire councils	2010	2011	2012	2013	2014	Mean	Actual trend
Ararat Rural City Council	0.88	1.21	0.94	1.05	1.07	1.03	-
Alpine Shire Council	0.76	0.55	0.13	1.10	1.08	0.73	-
Benalla Rural City Council	1.01	1.61	1.04	1.21	1.72	1.32	-
Borough of Queenscliffe	0.95	0.88	2.31	1.96	0.98	1.42	-
Buloke Shire Council	0.93	0.50	1.40	1.31	5.97	2.03	▲
Central Goldfields Shire Council	0.51	1.74	0.88	2.04	1.01	1.24	-
Gannawarra Shire Council	0.97	1.39	1.40	1.87	1.24	1.37	-
Golden Plains Shire Council	0.98	1.24	1.76	1.13	1.38	1.30	-
Hepburn Shire Council	1.06	1.43	2.95	2.74	1.08	1.85	-
Hindmarsh Shire Council	1.15	0.91	1.40	2.64	1.83	1.59	▲
Indigo Shire Council	2.70	0.86	1.74	1.16	1.56	1.60	-
Loddon Shire Council	0.73	0.34	2.63	0.78	1.12	1.12	-
Mansfield Shire Council	0.91	0.82	0.70	1.05	2.58	1.21	▲
Mount Alexander Shire Council	1.09	0.88	1.65	1.34	1.01	1.19	-
Murrindindi Shire Council	1.39	0.95	1.61	0.64	0.82	1.08	-
Northern Grampians Shire Council	0.61	1.52	2.29	1.96	1.23	1.52	-
Pyrenees Shire Council	0.94	1.01	0.53	1.07	0.58	0.83	-
Strathbogie Shire Council	0.77	0.85	1.36	0.98	1.25	1.04	-
Towong Shire Council	0.79	0.55	1.07	2.46	1.46	1.27	▲
West Wimmera Shire Council	1.10	0.94	0.96	0.91	0.98	0.98	-
Yarriambiack Shire Council	0.72	0.61	1.42	1.23	0.93	0.98	-
Average renewal gap	1.00	0.99	1.44	1.46	1.47	1.27	

Source: Victorian Auditor-General's Office.

Appendix F.

Acronyms and glossary

Glossary

Appropriate

Measures or indicators are appropriate if they provide users with sufficient information to assess the extent to which an entity has achieved a pre-determined target, goal or outcome.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Audit Act 1994

An Act of the State of Victoria that establishes the:

- operating powers and responsibilities of the Auditor-General
- the operation of his office—the Victorian Auditor-General's Office (VAGO)
- nature and scope of audits conducted by VAGO
- relationship of the Auditor-General with the Public Accounts and Estimates Committee as the representative body of Parliament
- Auditor-General's accountability to Parliament for discharge of the position's responsibilities.

Audit committee charter

The responsibilities and terms of reference of the audit committee should be clearly defined in its charter, formally approved by the council and communicated to stakeholders.

Auditor's opinion

Written expression within a specified framework indicating the auditor's overall conclusion on the financial (and performance) reports based on audit evidence obtained.

Clear audit opinion—financial statement

A positive written expression indicating that the financial statement has been prepared in accordance with the requirements of the relevant legislation and Australian Accounting Standards.

A clear or unqualified audit opinion is provided when the financial statement presents fairly the transactions and balances for the reporting period in accordance with the relevant legislative framework.

Clear audit opinion—financial report

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian Accounting Standards.

Also referred to as an **unqualified audit opinion**.

Clear audit opinion—performance report

A positive written expression provided when the performance report has been prepared and presents fairly the performance indicators and results of performance for the reporting period in accordance with the requirements of the relevant legislation.

Also referred to as an **unqualified audit opinion**.

Clear audit opinion—standard statements

A positive written expression provided when the standard statements have been prepared for the reporting period in accordance with the requirements of the relevant legislation.

Also referred to as an **unqualified audit opinion**.

Corporations Act 2001

An Act of the Commonwealth of Australia that sets out the laws dealing with business entities in Australia at federal and interstate levels. It focuses primarily on companies, although it also covers some laws relating to other entities such as partnerships and managed investment schemes.

Council

A group of councillors, who are the elected representatives of people who are residents in the council's district or ratepayers of the council.

Deficit

Total expenditure exceeds total revenue resulting in a loss.

Depreciation

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

Emphasis of matter

An auditor's report can include an emphasis of matter paragraph that draws attention to a disclosure or item in the financial report that is relevant to the users of the auditor's report but is not of such nature that it affects the auditor's opinion—i.e. the auditor's opinion remains unmodified.

Equity or net assets

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

Expense

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

Financial report

Structured representation of the financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period in accordance with a financial reporting framework.

Financial sustainability

An entity's ability to manage financial resources so it can meet its spending commitments, both at present and into the future.

Financial year

The period of 12 months for which a financial report—and performance report—is prepared.

General purpose financial statements

Statements that provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users.

Going concern

An entity which is expected to be able to pay its debts as and when they fall due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Governance

The control arrangements in place at an entity that are used to govern and monitor its activities, in order to achieve its strategic and operational goals.

Internal control

Processes affected by an entity's structure, work and authority flows, people and management information systems, designed to assist the entity accomplish specific goals and objectives. Internal controls are a means by which an entity's resources are directed, monitored and measured. It plays an important role in preventing and detecting error and fraud and protecting the entity's resources.

Joint venture

A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity.

Local Government Act 1989

An Act of the State of Victoria that establishes the:

- purpose of councils
- powers that will enable councils to meet the needs of their communities
- accountable system of local government
- reform of law relating to local government in Victoria.

Performance report

A statement containing predetermined performance indicators and targets and actual results against these for that financial year, with an explanation for any significant variance between the results and the targets.

Qualified audit opinion—financial report

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- disagreement with those charged with governance
- conflict between applicable financial reporting frameworks
- limitation of scope.

A qualified opinion shall be expressed as being except for the effects of the matter to which the qualification relates.

Qualified audit opinion—performance report

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to the noncompliance with the *Local Government Act 1989*.

Rating strategy

A document that how and why and how rates are set and determined, as well as procedural and legislative requirements, assistance and payment options.

Relevant

Measures or indicators used by an entity are relevant if they have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved.

Revaluation

Recognising a reassessment of values for non-current assets at a particular point in time.

Revenue

Inflows of funds 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 which result in an increase in equity during the reporting period.

Risk

The chance of a negative impact on the objectives, outputs or outcomes of the entity.

Standard statements

Specific purpose financial statements that compare actual financial performance reported on in the principle financial statements with budget. Where there are significant variations between actual and budgeted performance the variance is explained.

Surplus

Total revenue exceeds total expenditure resulting in a profit.

Appendix G.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16A and 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to all councils all councils and the Department of Environment, Land, Water and Planning with a request for submissions or comments.

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

Responses were received as follows:

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Further audit comment:

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RESPONSE provided by the Secretary, Department of Environment, Land, Water and Planning



**Department of Environment,
Land, Water and Planning**

Ref: SEC010999

Dr Peter Frost
Acting Auditor-General
Victorian Auditor-General's Office
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MELBOURNE VIC 3000



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Australia
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East Melbourne Victoria 8002
Australia
www.delwp.vic.gov.au

Dear Dr Frost

Peter,

PROPOSED AUDIT REPORT - LOCAL GOVERNMENT: RESULTS OF THE 2013-14 AUDITS

Thank you for your letter dated 12 February 2015 with which you enclosed the proposed audit report *Local Government: Results of the 2013-14 audits*. I appreciate the opportunity to respond.

I am pleased to receive your advice that clear audit opinions have been given on the financial statements of the 103 entities.

I also welcome the recommendations made in respect of required action by local councils, regional library corporations and associated entities, particularly in respect of the mandatory Local Government Performance Reporting Framework and the need for councils to ensure the integrity of both the financial and non-financial data.

The increase in the number of councils assigned a 'High Financial Sustainability Risk Assessment' is noted. I note also your comments concerning the impact of the delayed Commonwealth Grants Commission payments and delayed commencement of the Local Government Funding Vehicle established by the Municipal Association of Victoria upon the range of sustainability indicators. I would welcome the opportunity for officers of Local Government Victoria to work with your office to understand the impact on indicators for individual councils and regional groupings of councils.

While there are no recommendations that apply directly to Local Government Victoria or the department, I do note the number of improvement opportunities you have identified for local councils and every encouragement will be given to these councils to address the matters raised.

Thank you for raising this matter with me.

Yours sincerely

Adam Fennessy
Secretary

Privacy Statement
Any personal information about you or a third party in your correspondence will be protected under the provisions of the Privacy and Data Protection Act 2014. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorised by law. Enquiries about access to information about you held by the Department should be directed to the Privacy Coordinator, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.



RESPONSE provided by the Chief Executive Officer, Brimbank City Council

18 February 2015

Dr Peter Frost
Acting Auditor-General
Victorian Auditor General's Office
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Dear Dr Frost

RE: Audit Act 1994, s16(3) – Proposed Audit Report – Local Government: Results of the 2013-2014 Audits.

Thank you for your letter dated 12 February 2015 regarding the Proposed Audit Report – Local Government: Results of the 2013-2014 Audits.

Council notes your comment in relation to Brimbank City Council's financial sustainability risk as at 30 June 2014.

In response to your request for submissions/comments for inclusion in the proposed Audit Report, please find below Brimbank City Council's comment:

The overall sustainability assessment of high risk attributed to Council was due to interim borrowing arrangements while Council was waiting for the Local Government Funding Vehicle to be finalised.

Council has since returned to a more favourable liquidity ratio as we continue to manage the City's finances in a stable and responsible manner.

Participation in the Local Government Funding Vehicle means Council is now able to access lower interest loans. This is particularly important as demand for services increase and external funding sources decrease.

Should you require any further information please contact Council's Chief Financial Strategist, Shane Marr, on 9249 4310 or shanema@brimbank.vic.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill Jaboor'.

Bill Jaboor
Chief Executive Officer



RESPONSE provided by the Chief Executive Officer, Hobsons Bay City Council



18 February 2015

Mr Jan-Michael Perez
Senior Manager Financial Audit
Victorian Auditor-General's Office
Level 24
35 Collins Street
Melbourne Vic 3000



Ask for: CEO's Office
Phone: 9932 1000

Dear Mr Perez

Local Government: Results of the 2013-14 Audits

Thank you for the opportunity to respond to the *Local Government: Results of the 2013-14 Audits* report scheduled to be published and reported in Parliament in February 2015.

Identification of Hobsons Bay as "high risk" as a result of these indicators highlights that these indicators, taken in isolation at a given point in time, do not always provide the reader with a true indication of a Council's financial sustainability.

Despite a liquidity ratio of less than 100 per cent at 30 June 2014, Hobsons Bay was not at 'high risk' and did not have short term financial sustainability concerns. This temporary situation was caused by long term debt becoming current for a brief period of time at the end of the financial year. This was not a concern as Council was aware of the situation and had plans in place for it to be resolved by transferring the debt to a long term facility shortly after the end of the financial year. This transfer has successfully happened.

Continuing to name councils in these types of situations provides a misleading indication that could cause damage to a council's reputation, as well as alarm to the community, being contrary to a stated council position. This is an example of a situation where some discretion should perhaps be exercised before inaccurately labelling a council as 'high risk'.

I trust that some further explanatory note may be added to the report that clarifies the position of Hobsons Bay.

Yours sincerely

Chris Eddy
Chief Executive Officer

Auditor-General's response to the Chief Executive Officer of Hobsons Bay City Council

The chief executive officer has stated that the identification of Hobsons Bay as a high financial sustainability risk, when taken in isolation at a given point in time, does not always provide the reader with a true indication of a council's financial sustainability.

The results of financial sustainability indicators should be considered over time and not in isolation. Our indicators include ratios that are generally accepted as valid indicators of financial sustainability risks. The indicator results are based on the published financial statements of the council, which have been prepared in accordance with the Australian Accounting Standards. Further, as also highlighted in our report, the financial results and sustainability risks of councils were impacted by the Commonwealth Government's decision to not part pay its 2014–15 grants in advance during 2013–14 and the delays associated with the Local Government Funding Vehicle.

RESPONSE provided by the Chief Executive Officer, City of Port Phillip

Enquiries: David Filmatter
Telephone: (03) 9209 6591
File Ref: 34/04/57



17 February 2015



Mr Tim Loughnan
State Director
VAGO
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Loughnan

PROPOSED AUDIT REPORT LOCAL GOVERNMENT: RESULTS OF THE 2013-14 AUDITS

Thank you for giving me the opportunity to comment on the movement in the City of Port Phillip's self-financing ratio which had fallen from 18.6% in 2012/13 to 8% in 2013/14 resulting in the VAGO assessment of the organisation having a high self-funding risk and a medium overall financial sustainability risk. I have reviewed the reasons for the change and am pleased to be able to advise that the 2013/14 result was adversely impacted by the following one-off factors:

1. The full and final settlement of the Local Authorities Superannuation Board defined benefits superannuation liability which had an unfavourable impact of \$10.873 million on the organisation's cash flow from operating activities.
2. A one-off contribution of \$3.0 million that the organisation made to the CaSPA Aged Care facility.
3. An unfavourable movement in the carrying value of Council's long service leave liability of \$1.8 million.

A review of our forward financial plan projections has confirmed that the self-funding ratio will return to historical levels (ranging between 17.5% and 19.7%) over the next three financial years.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tracey Slatter'.

TRACEY SLATTER
Chief Executive Officer

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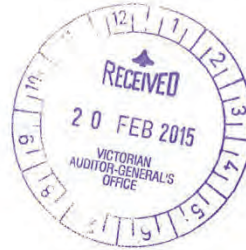
RESPONSE provided by the Chief Executive Officer, Surf Coast Shire

Our Ref: Trim Ref: F14/1235 D15/14738

Contact: John Brockway 5261 0616

19 February 2015

Dr Peter Frost
Acting Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
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Dear Dr Frost,

**Audit Act 1994, s163(3) – Proposed Audit Report:
Local Government: Results of the 2013-14 audits**

Thank you for your letter dated 12 February 2015 in relation to results of the 2013-14 Audits for Local Government.

We note your comments in relation to Surf Coast Shire's indebtedness ratio as at 30 June 2014 and accept these as accurate.

Further to the acknowledgement that Council's indebtedness ratio rose due to an increase in Council's landfill rehabilitation provisions, Council wishes to note that current projections indicate that the Anglesea Landfill site will cease operation in 2024/25 and rehabilitation work is progressively occurring until this date.

As a result of investigation into the remaining capacity of the landfill and future rehabilitation requirements, Council increased its provision during the 2013-14 financial year by \$4.8 million to hold a total provision of \$14.0 million as at 30 June 2014.

Council would also like to note that it held a discretionary cash allocation of \$4.8 million as at 30 June 2014 that has been allocated towards future Landfill works. This allocation is not allowed for in the indebtedness ratio calculation.

Should you require further information in relation to this matter, please contact Mr John Brockway, Manager Finance via email at jbrockway@surfcoast.vic.gov.au.

Yours faithfully

Keith Baillie
Chief Executive Officer

RESPONSE provided by the Chief Executive Officer, West Wimmera Shire Council



RESPONSE provided by the Chief Executive Officer, City of Wodonga

City of Wodonga

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18 February 2015

Enquiries: Michael Caton
Reference: A10.0014

Tim Loughnan
Sector Director
Victorian Auditor General's Office
Level 24,
35 Collins Street
Melbourne VIC 3000



Dear Mr Loughnan

Re: 2013-2014 Financial Performance of Councils

Thank you for the opportunity to provide comment on your upcoming report on the financial performance of Councils for the 2013-2014 financial year.

You have provided us with extracts of data and commentary from your proposed report which we have reviewed and wish to comment on. We believe the following points will provide further guidance on council's approach to financial management and the subsequent financial indicator results ensuing from them as mentioned in your report.

- The liquidity ratio has deteriorated from 2.66 in 2012-2013 to 1.74 in 2013-2014. The result in 2012-2013 reflected the proceeds from a loan for \$7.9 million that Council received on the 20th of June 2013. Also note that in the 2013-2014 year Council did not take up approved and budgeted borrowings of \$3.0 million, these being deferred to 2014-15 in the adopted budget for that year. Council believes that the liquidity ratio at 1.74 still reflects a solid position and is an indication of the prudent approach Council takes to its overall financial position and cash management.
- The indebtedness ratio has decreased from 81 per cent in 2012-2013 to 74 per cent in 2013-2014. This reflects a plateauing in the overall level of indebtedness. Indebtedness is forecast to fall in subsequent years resulting in a projected steady decline in the indebtedness ratio.
- Council's investment at LOGIC (valued during the year at \$41.5 million), was always with a long term view of some 20-25 years. LOGIC has been a success story for Wodonga with regard to actual land sales themselves, but more importantly, the jobs and economic activity generated by the additional investment by the purchasers of land. Land sales to date have exceeded the "most likely case" envisaged in the original business plan. To date more than 580 direct jobs and many indirect jobs on an ongoing basis have been created, more than \$137 million worth of development has occurred, generating an annual rate receipt of \$616,000.
- SCT Logistics has recently confirmed its intention to invest in the construction of a rail terminal at LOGIC, which is anticipated to employ 118 full-time staff once operational.



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

2012-2013 Financial Performance of Councils



- Council has land holdings that council has identified as surplus to its needs. These assets are in the process of being divested, with land being put to the market in stages as deemed appropriate.
- Wodonga Council's Strategic Resource Plan (SRP) does not rely upon the realisation of LOGIC or any other land sale proceeds which are currently in the process of eventuating. A copy of the SRP can be found under Documents and Publications at www.wodonga.vic.gov.au.
- The council believes consideration of the above points provides for council's outstanding debt to be extinguished in its entirety with a significant amount remaining for cash reserves in the longer term.
- The council's Strategic Resource Plan provides for a long term prudent financial management platform to ensure Wodonga Council's key strategic activities are able to be achieved. Also, emphasis on the implementation of a strong asset management ethos will see the knowledge of the City's investment gap strengthened. By linking asset management to the City's strategic financial direction this will provide further information to assist in improving the long term sustainability of the City.
- Wodonga Council has communicated a clear and concise financial strategy to its community. It is our strong and clear view that the City's finances are sustainable and that the strategies that have already been put in place will ensure that rates growth will not be compromised, whilst delivering the services, assets, and events expected by the Wodonga community.

City of Wodonga trusts that the above information has provided further explanation and clarification of the council's overall approach to financial management and that this has been reflected in the financial sustainability indicators developed by your office.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Patience Harrington'.

**Patience Harrington
Chief Executive Officer**

RESPONSE provided by the Chief Executive Officer, City of Yarra

In reply please quote: D15/16666
Our ref: D15/16661
Contact: Philip Mason 9205 5449

18 February 2015

Dr Peter Frost
Acting Auditor-General
Via Email: Jie.Yang@audit.vic.gov.au



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Dear Dr Frost

Proposed Audit Report Local Government: Results of the 2013-14 audits

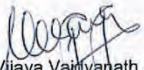
Thank you for your letter dated 12 February 2015 in relation to the proposed parliamentary Audit Report *Local Government: Results of the 2013-14 audits* noting Council's improved liquidity position.

Explanation provided last year detailed Council's liquidity position of below 1.00 was temporary and due to an increase in current trade creditors associated with the redevelopment works at the Collingwood Town Hall. Council made a conscious decision in 2012-13 to accelerate works on this project, ahead of budget, bringing forward \$1.4 million from the 2013-14 capital works program.

Council will continue improved operational performance and cash flow management practices and a sustained effort to ensure future on-going improved liquidity to remain in the low risk financial sustainability category, as assessed by the Victorian Auditor-General's Office.

Should you require further information please feel free to contact Philip Mason, Manager Finance on 9205 5449.

Yours sincerely


Vijaya Vaidyanath
Chief Executive Officer

cc: Phil Mason, Manager Finance

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RESPONSE provided by the Chief Executive Officer, Municipal Association of Victoria

MUNICIPAL ASSOCIATION OF VICTORIA

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20 February 2015

Dr Peter Frost
Acting Auditor-General
Level 24
35 Collins Street
MELBOURNE VIC 3000



Dear Mr Frost

**Audit Act 1994, s16(3) – Proposed Audit Report
Local Government: Results of the 2013-14 Audits**

The Local Government Funding Vehicle is a special purpose vehicle established by the MAV to provide lower cost, capital-markets funding for Victorian councils. The LGFV is rated Aa2 by Moody's on the basis of the very strong debt positions of Victorian councils. In November 2014 the launch of the \$240M deal on behalf of thirty Victorian councils had indicative pricing of 75 basis points over swap for the five year term and 90 basis points over swap for the 7 year term.

Twenty six of the participating councils had no net debt and the other four had net debt less than 15% of their annual rates revenue. In addition, it is important to note that since the establishment of local government in Victoria, no council has defaulted on a loan.

The NAB and CommBank were co-arrangers for the deal and the Commonwealth Bank provides the LGFV liquidity facility which enables missed interest payments by any council to be covered for up to 12 months, time within which a council would refinance the loan outside the LGFV.

Prior to the LGFV, Councils relied exclusively on bank loans, with repayments on a principal and interest basis. The movement to bullet maturities ie interest only until maturity has been a significant move into contemporary finance practice for councils. Any view that principal and interest loans are preferable given principal is repaid over the term and to result in fewer defaults is not a view supported by the practises of Commonwealth and State governments, the broader commercial environment or the vast majority of domestic investments.

In addition, to determine the overall costs, the analysis should be based on a portfolio basis rather than a single loan basis. The aggregate debt position is forecast to remain constant, if not growing, which therefore implies that existing local government P&I loans are being refinanced by new principal and interest loans. On a portfolio basis, the cheaper source of funding, through the LGFV, will generate greater interest saving compared to the existing P&I regime.



RESPONSE provided by the Chief Executive Officer, Municipal Association of Victoria – continued

Finally, alternative funding markets provides essential risk management considerations by providing diversification advantage. That is, the existence of the bond both reduces the reliance on bank funding and the competition results in a reduction in interest on bank loans with the net result of cheaper borrowings across the local government sector.

We note that we observed very strong investment appetite from banks and bond investors for Councils given their strong credit profile. Further with the changes in the bank market regulations, the maximum term of a loan is now estimated at approximately 10 years rather than 20 years previously observed (noting many banks quote 20 years tenor, but with a right to break / reprice after 10). As such, a bank loan without alternative sources, would likely see an increase in refinancing risks.

Given the above, we do not consider that the key findings raised are accurate given the benefits and reality of what the LGFV provides the sector.

Yours sincerely



ROB SPENCE
Chief Executive Officer

Auditor-General's response to the Chief Executive Officer of Municipal Association of Victoria

The chief executive officer has stated that any view that principal and interest loans are preferable given principal is repaid over the term and results in fewer defaults is not supported. Our report makes no comment about the likelihood or frequency of loan defaults. It does, however, make the statement of fact that repaying the loan principal over its term will result in lower interest costs than would occur if the principal is not progressively repaid over the term. Our report also notes the risk that councils may not have the funds available to make the full repayment of the principal amount when the debt matures. If this risk was realised the relevant councils would have a number of potential options, including refinancing.

Auditor-General's reports

Reports tabled during 2014–15

Report title	Date tabled
Technical and Further Education Institutes: Results of the 2013 Audits (2014–15:1)	August 2014
Coordinating Public Transport (2014–15:2)	August 2014
Managing the Environmental Impacts of Transport (2014–15:3)	August 2014
Access to Legal Aid (2014–15:4)	August 2014
Managing Landfills (2014–15:5)	September 2014
Management and Oversight of the Caulfield Racecourse Reserve (2014–15:6)	September 2014
Effectiveness of Catchment Management Authorities (2014–15:7)	September 2014
Heatwave Management: Reducing the Risk to Public Health (2014–15:8)	October 2014
Emergency Response ICT Systems (2014–15:9)	October 2014
Public Sector Performance Measurement and Reporting (2014–15:10)	October 2014
Mental Health Strategies for the Justice System (2014–15:11)	October 2014
Information and Communications Technology Controls Report 2013–14 (2014–15:12)	October 2014
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2013–14 (2014–15:13)	October 2014
Additional School Costs for Families (2014–15:14)	February 2015
Responses to 2012–13 Performance Audit Recommendations (2014–15:15)	February 2015
Water Entities: Results of the 2013–14 Audits (2014–15:16)	February 2015
Portfolio Departments and Associated Entities: Results of the 2013–14 Audits (2014–15:17)	February 2015
Public Hospitals: Results of the 2013–14 Audits (2014–15:18)	February 2015
Efficiency and Effectiveness of Hospital Services: High-value Equipment (2014–15:19)	February 2015
Effectiveness of Support for Local Government (2014–15:20)	February 2015

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LOCAL GOVERNMENT COMMUNITY SATISFACTION SURVEY TOWONG SHIRE COUNCIL

2015 RESEARCH REPORT

**COORDINATED BY THE DEPARTMENT OF ENVIRONMENT, LAND, WATER AND
PLANNING ON BEHALF OF VICTORIAN COUNCILS**

CONTENTS

- [Background and objectives](#)
- [Survey methodology and sampling](#)
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- [Key findings & recommendations](#)
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- [Detailed findings](#)
 - [Key core measure: Overall performance](#)
 - [Key core measure: Customer service](#)
 - [Key core measure: Council direction indicators](#)
 - [Individual service areas](#)
 - [Detailed demographics](#)
- [Appendix A: Detailed survey tabulations](#)
- [Appendix B: Further project information](#)

BACKGROUND AND OBJECTIVES

Welcome to the report of results and recommendations for the 2015 State-wide Local Government Community Satisfaction Survey for Towong Shire Council.

Each year Local Government Victoria (LGV) coordinates and auspices this State-wide Local Government Community Satisfaction Survey throughout Victorian local government areas. This coordinated approach allows for far more cost effective surveying than would be possible if councils commissioned surveys individually.

Participation in the State-wide Local Government Community Satisfaction Survey is optional and participating councils have a range of choices as to the content of the questionnaire and the sample size to be surveyed, depending on their individual strategic, financial and other considerations.

The main objectives of the survey are to assess the performance of Towong Shire Council across a range of measures and to seek insight into ways to provide improved or more effective service delivery. The survey also provides councils with a means to fulfil some of their statutory reporting requirements as well as acting as a feedback mechanism to LGV.

SURVEY METHODOLOGY AND SAMPLING

This survey was conducted by Computer Assisted Telephone Interviewing (CATI) as a representative random probability survey of residents aged 18+ years in Towong Shire Council.

Survey sample matched to the demographic profile of Towong Shire Council as determined by the most recent ABS population estimates was purchased from an accredited supplier of publicly available phone records, including up to 10% mobile phone numbers to cater to the diversity of residents within Towong Shire Council, particularly younger people.

A total of n=409 completed interviews were achieved in Towong Shire Council. Survey fieldwork was conducted in the period of 1st February – 30th March, 2015. This is the first year that Towong Shire Council has participated in the survey so no direct comparisons are available for the Council. Comparisons are made however with the averages for other Small Rural councils and also with State-wide council averages.

Minimum quotas of gender within age groups were applied during the fieldwork phase. Post-survey weighting was then conducted to ensure accurate representation of the age and gender profile of the Towong Shire Council area.

Any variation of +/-1% between individual results and net scores in this report or the detailed survey tabulations is due to rounding. In reporting, '—' denotes not mentioned and '0%' denotes mentioned by less than 1% of respondents. 'Net' scores refer to two or more response categories being combined into one category for simplicity of reporting.

SURVEY METHODOLOGY AND SAMPLING

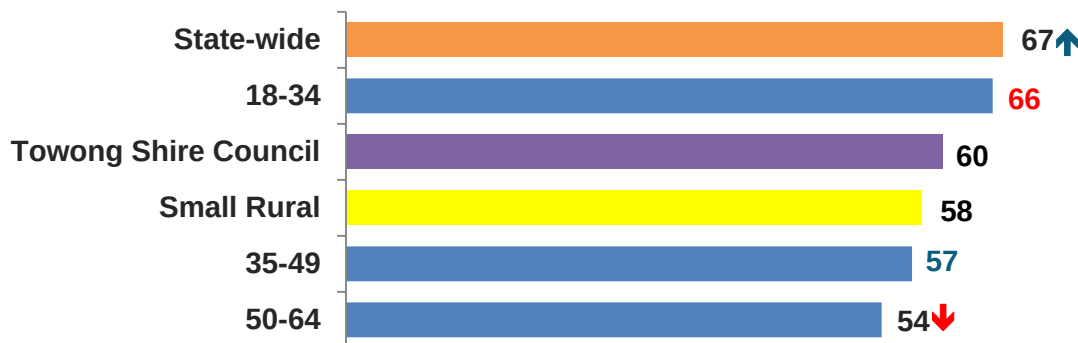
Within tables and index score charts throughout this report, statistically significant differences at the 95% confidence level are represented by upward directing blue and downward directing red arrows. Significance when noted indicates a significantly higher or lower result for the analysis group in comparison to the ‘Total’ result for the council for that survey question for that year. Therefore in the example below:

- The State-wide result is significantly higher than the overall result for the council.
- The result among 50-64 year olds is significantly lower than for the overall result for the council.

Further, results shown in blue and red indicate significantly higher or lower results than in 2014. Therefore in the example below:

- The result among 35-49 year olds in the council is significantly higher than the result achieved among this group in 2014.
- The result among 18-34 year olds in the council is significantly lower than the result achieved among this group in 2014.

Overall Performance – Index Scores (example extract only)



Note: For details on the calculations used to determine statistically significant differences, please refer to Appendix B.

FURTHER INFORMATION

Further Information

Further information about the report and explanations about the State-wide Local Government Community Satisfaction Survey can be found in [Appendix B](#), including:

- [Background and objectives](#)
- [Margins of error](#)
- [Analysis and reporting](#)
- [Glossary of terms](#)

Contacts

For further queries about the conduct and reporting of the 2015 State-wide Local Government Community Satisfaction Survey, please contact JWS Research on (03) 8685 8555.

A satellite night-time image of South Africa, showing the country's coastline and major cities illuminated by city lights. The lights are concentrated in the coastal areas and around major urban centers, creating a glowing pattern against the dark land and sea. The text "KEY FINDINGS & RECOMMENDATIONS" is overlaid in white, bold, sans-serif font across the center of the image.

KEY FINDINGS & RECOMMENDATIONS

KEY FINDINGS AND RECOMMENDATIONS

- This is the first year that Towong Shire Council has participated in the local government community satisfaction survey. **Council's results are generally good** and highlight that performance on all core measures is **better than the average** of other Small Rural councils and also better than the State-wide council averages.
 - Residents aged 18-34 years and also those residing in Tallangatta consistently provide the most favourable views of Council across the core measures as well as most individual service areas.
 - Residents aged 35-49 years tend to be the most critical of Council.
- **Overall performance** of Towong Shire Council achieved an index score of 64, higher than both the Small Rural council average (59) and the State-wide average (60).
- Residents are generally happy with the direction Council is taking with an index score on **overall council direction** of 58, again higher than the Small Rural and State-wide averages (53).
 - Residents of the Bellbridge/ Bethanga region are *particularly impressed* with the direction that Council is taking (index score of 69).
 - While the majority of Council residents (61%) believe Council performance has generally stayed the same over the last 12 months, one in four (25%) believe Towong Shire Council performance has improved over the last 12 months.

KEY FINDINGS AND RECOMMENDATIONS

- Of all of the core measures, Towong Shire Council performs **best on overall customer service** with an average index score of 71, just ahead of the Small Rural group and State-wide averages (70).
- The proportion of residents who have had **any contact** with Towong Shire Council over the last 12 months is **quite high overall at 67%**.
 - Residents aged 18-34 are most complimentary about customer service (index score of 80) although they are the age group who has typically had least contact with Council;
 - Residents aged 35-49 have had the most contact with Council but are most critical of the levels of customer service (index score of 68).
- On the measure of **lobbying on behalf of the community**, Towong Shire Council achieved an index score of 57, one point higher than the Small Rural group average and two points higher than the State-wide average.

KEY FINDINGS AND RECOMMENDATIONS

- The performance index on **community consultation** is 59 which is three points higher than the Small Rural and State-wide averages (56).
- On the measure of **sealed local roads**, Towong Shire Council achieved an index score of 59 which is well above the Small Rural group average (52) and the State-wide average (55).
- Council is **performing well on most individual service areas**. Of the 18 services where the performance of Towong Shire Council was evaluated in 2015, Council received positive ratings (an index score of 60 or higher) on 10 of them.
 - Council **performs best** on the appearance of public areas (74), emergency and disaster management (74), waste management (71) and recreational facilities (70).
 - Performance is **weakest** on planning and building permits (52), slashing and weed control (54) and unsealed roads (55). Arts centres and libraries is the one area that Towong Shire Council underperforms relative to the Small Rural and State-wide averages.
 - While performance on the condition of unsealed roads is a relative weakness of Towong Shire Council, it is important to note that this performance is **still ahead of the performance of other similar Small Rural councils** (index score of 45).

KEY FINDINGS AND RECOMMENDATIONS

- An approach we recommend is to further mine the survey data to better understand the profile of these over and under-performing demographic groups. This can be achieved via additional consultation and data interrogation, or self-mining the SPSS data provided or via the dashboard portal available to the council.
- **A complimentary personal briefing by senior JWS Research representatives is also available to assist in providing both explanation and interpretation of the results. Please contact JWS Research on (03) 8685 8555.**

KEY FINDINGS AND RECOMMENDATIONS

Highest results in 2015

- Appearance of public areas
- Emergency and disaster management
- Customer service
- Waste management

Lowest results in 2015

- Planning permits
- Slashing and weed control
- Unsealed roads
- Advocacy

Most favourably disposed towards Council

- Aged 18-34 years
- Tallangatta

Least favourably disposed towards Council

- Aged 35-49 years

A satellite night map of South America, showing the continent's outline against a dark background. The landmass is covered with a dense network of yellow and white lights, representing city lights and urban areas. The lights are most concentrated in the eastern part of the continent, particularly in Brazil, and along the coastlines. The surrounding oceans are dark blue. The text "SUMMARY OF FINDINGS" is overlaid on the left side of the map.

SUMMARY OF FINDINGS

2015 SUMMARY OF CORE MEASURES INDEX SCORE RESULTS

Performance Measures	Towong 2012	Towong 2013	Towong 2014	Towong 2015	Small Rural 2015	State- wide 2015
OVERALL PERFORMANCE	n/a	n/a	n/a	64	59	60
COMMUNITY CONSULTATION (Community consultation and engagement)	n/a	n/a	n/a	59	56	56
ADVOCACY (Lobbying on behalf of the community)	n/a	n/a	n/a	57	56	55
MAKING COMMUNITY DECISIONS (Decisions made in the interest of the community)	n/a	n/a	n/a	60	56	55
SEALED LOCAL ROADS (Condition of sealed local roads)	n/a	n/a	n/a	59	52	55
CUSTOMER SERVICE	n/a	n/a	n/a	71	70	70
OVERALL COUNCIL DIRECTION	n/a	n/a	n/a	58	53	53

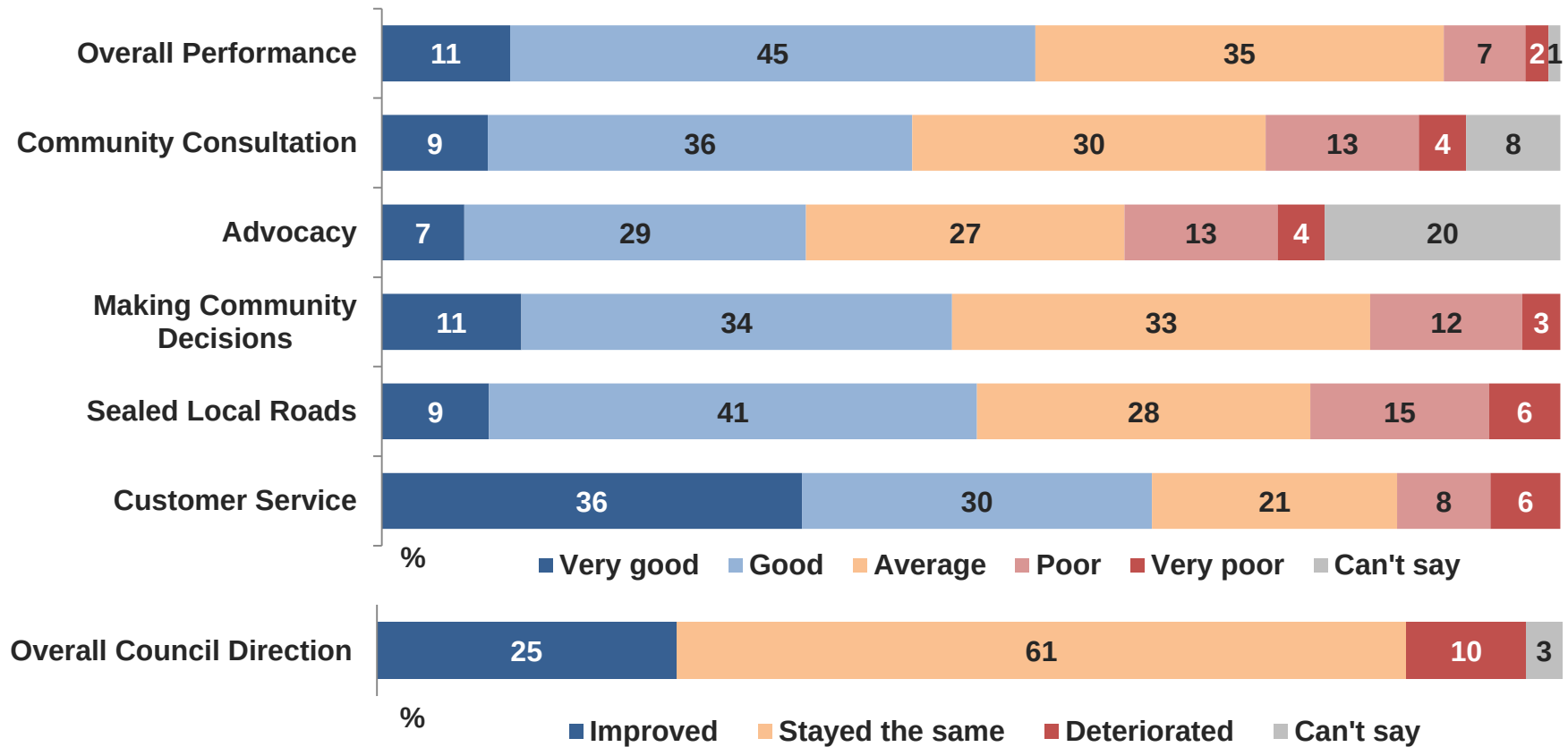
2015 SUMMARY OF CORE MEASURES

DETAILED ANALYSIS

Performance Measures	Towong 2015	vs Towong 2014	vs Small Rural 2015	vs State-wide 2015	Highest score	Lowest score
OVERALL PERFORMANCE	64	n/a	5 points higher	4 points higher	18-34 year olds	35-49 year olds
COMMUNITY CONSULTATION (Community consultation and engagement)	59	n/a	3 points higher	3 points higher	18-34 year olds	35-49 year olds
ADVOCACY (Lobbying on behalf of the community)	57	n/a	1 points higher	2 points higher	18-34 year olds	35-49 year olds
MAKING COMMUNITY DECISIONS (Decisions made in the interest of the community)	60	n/a	4 points higher	5 points higher	18-34 year olds	35-49 year olds
SEALED LOCAL ROADS (Condition of sealed local roads)	59	n/a	7 points higher	4 points higher	Tallangatta	35-49 year olds
CUSTOMER SERVICE	71	n/a	1 points higher	1 points higher	18-34 year olds	35-49 year olds
OVERALL COUNCIL DIRECTION	58	n/a	5 points higher	5 points higher	Bellbridge/ Bethanga	Corryong

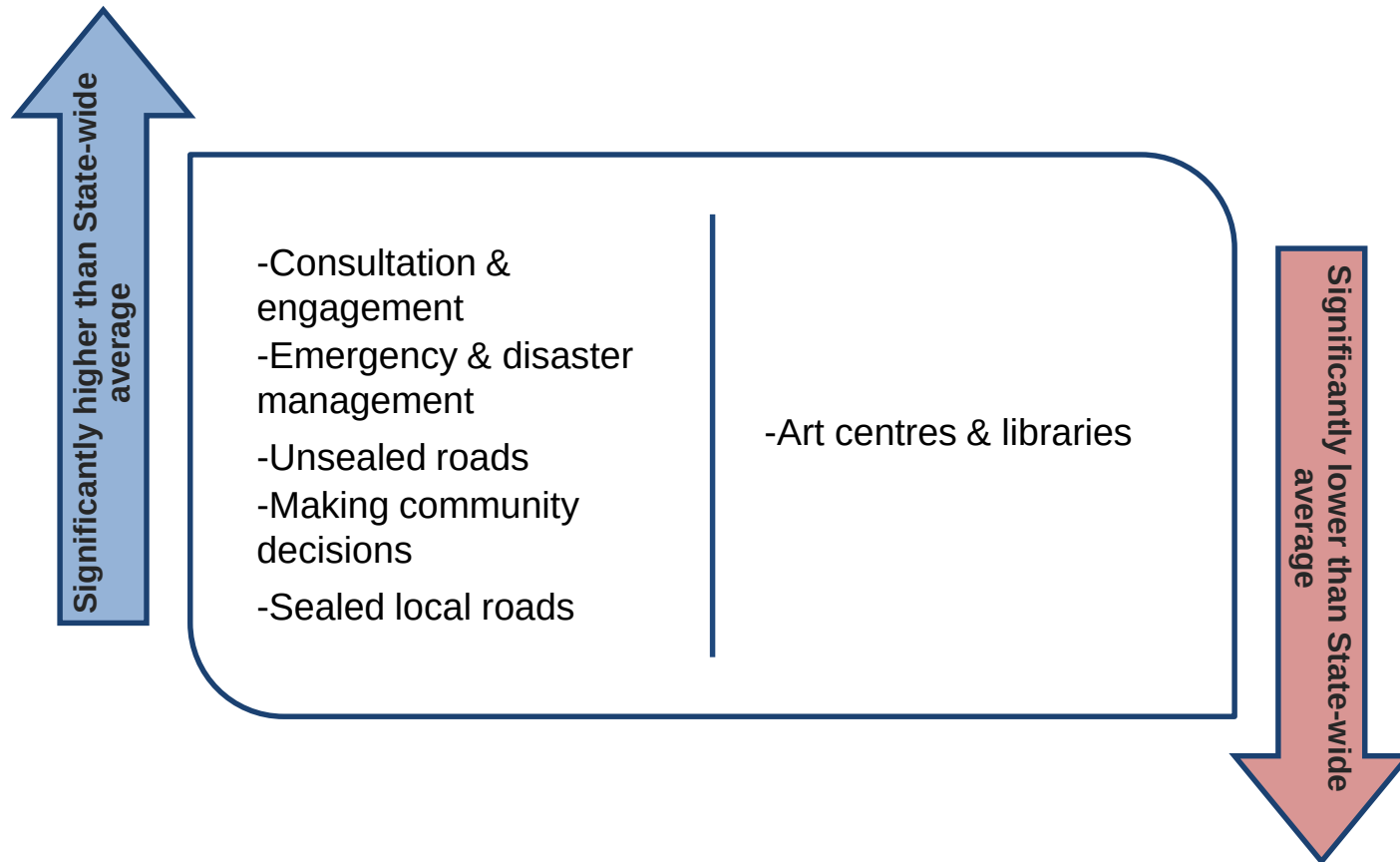
2015 SUMMARY OF KEY COMMUNITY SATISFACTION PERCENTAGE RESULTS

Key Measures Summary Results



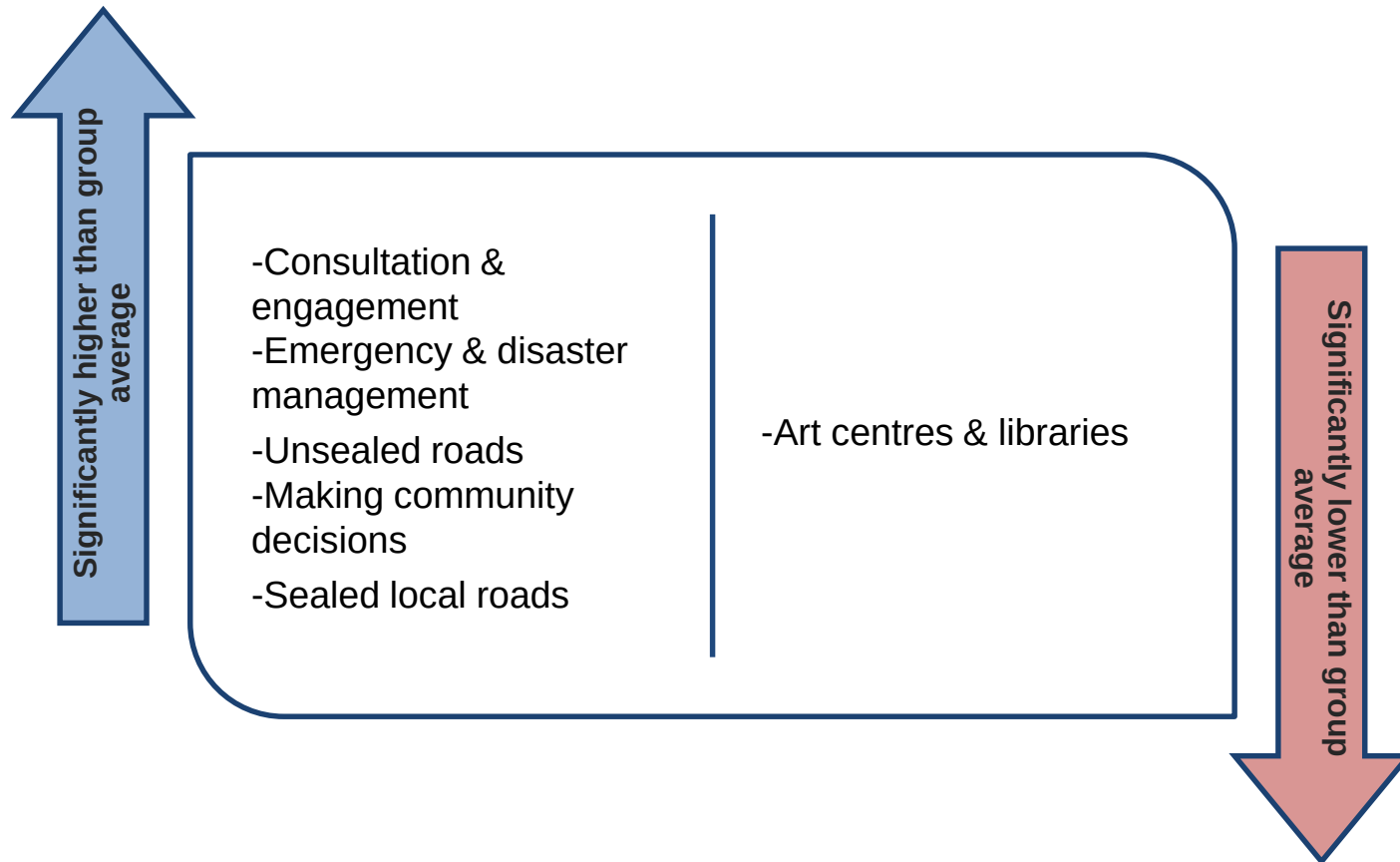
INDIVIDUAL SERVICE AREAS SUMMARY

COUNCIL'S PERFORMANCE VS STATE-WIDE AVERAGE

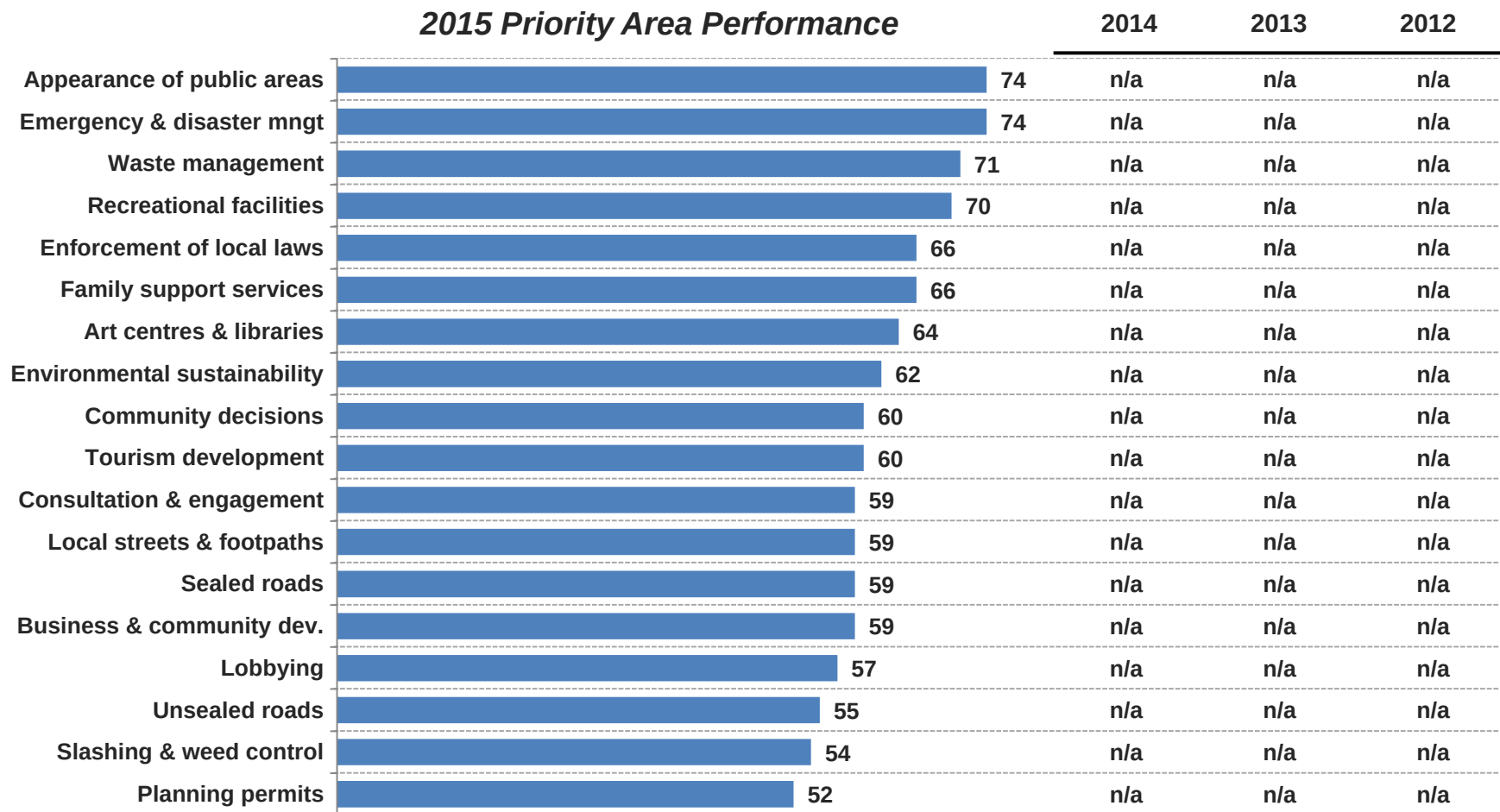


INDIVIDUAL SERVICE AREAS SUMMARY

COUNCIL'S PERFORMANCE VS GROUP AVERAGE



2015 PERFORMANCE SUMMARY



Base: All respondents Councils asked State-wide: 69

Note: Please see page 5 for explanation of significant differences

2015 PERFORMANCE SUMMARY BY COUNCIL GROUP

Top Three Most Performance Service Areas (Highest to lowest, i.e. 1. = highest performance)

Towong Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
1. Emergency & disaster mngt 2. Appearance of public areas 3. Waste management	1. Waste management 2. Art centres & libraries 3. Recreational facilities	1. Waste management 2. Art centres & libraries 3. Emergency & disaster mngt	1. Art centres & libraries 2. Appearance of public areas 3. Waste management	1. Art centres & libraries 2. Emergency & disaster mngt 3. Appearance of public areas	1. Appearance of public areas 2. Elderly support services 3. Waste management

Bottom Three Most Performance Service Areas (Lowest to highest, i.e. 1. = lowest performance)

Towong Shire Council	Metropolitan	Interface	Regional Centres	Large Rural	Small Rural
1. Planning permits 2. Slashing & weed control 3. Unsealed roads	1. Planning permits 2. Population growth 3. Town planning policy	1. Unsealed roads 2. Planning permits 3. Slashing & weed control	1. Unsealed roads 2. Community decisions 3. Parking facilities	1. Unsealed roads 2. Sealed roads 3. Population growth	1. Unsealed roads 2. Slashing & weed control 3. Sealed roads

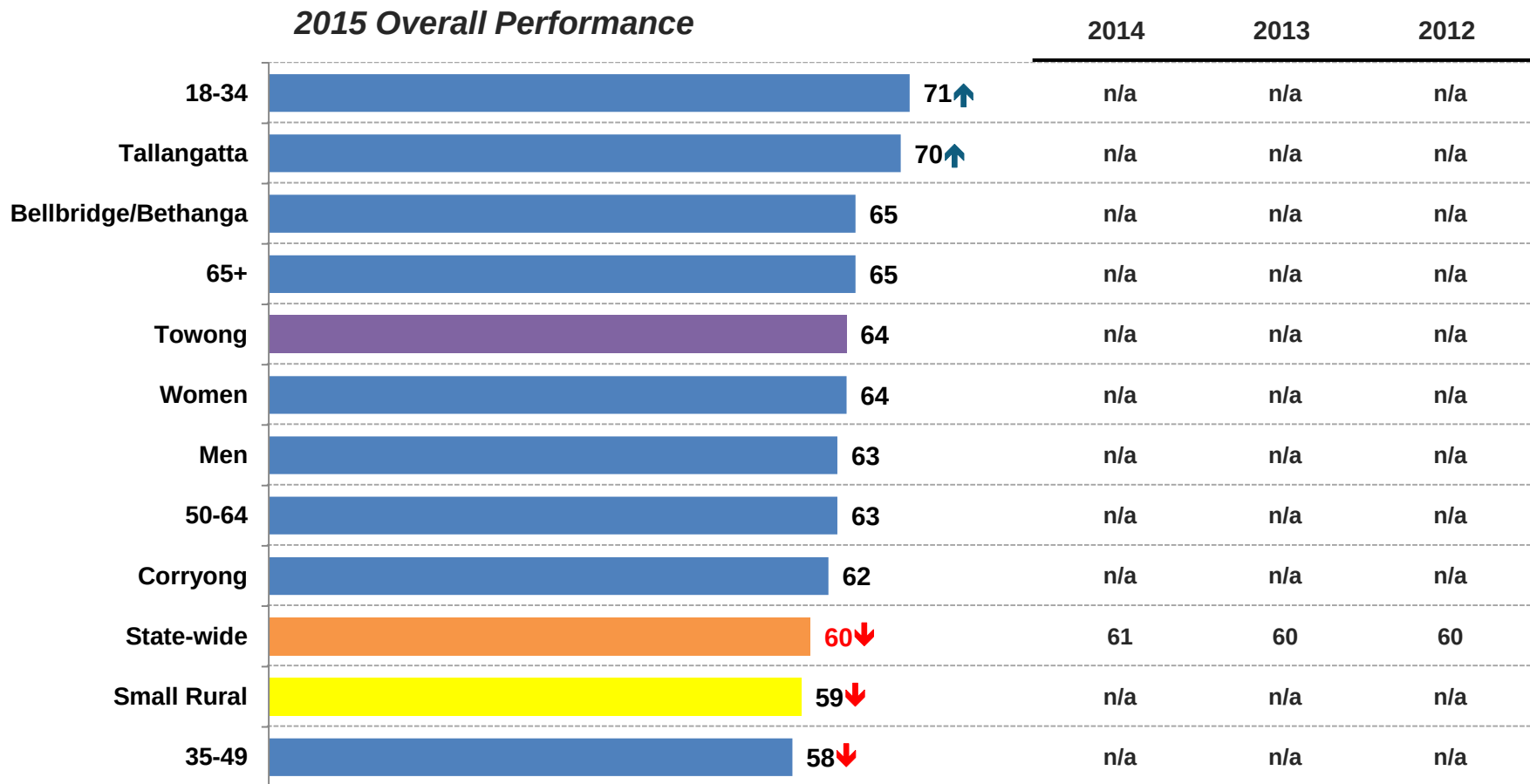
A satellite night map of South Africa, showing a dense network of roads and cities illuminated by artificial light. The map is centered on the country, with the surrounding ocean visible in dark blue. The text "DETAILED FINDINGS" is overlaid on the left side of the map.

DETAILED FINDINGS

A satellite night map of South Africa, showing the country's coastline and major cities illuminated by city lights. The lights are concentrated in the coastal areas and the interior, with a dense network of smaller lights indicating urban areas. The surrounding ocean is dark, and the land is a mix of brown and green, representing different terrain types.

**KEY CORE MEASURE
OVERALL PERFORMANCE**

OVERALL PERFORMANCE INDEX SCORES



Q3. ON BALANCE, for the last twelve months, how do you feel about the performance of Towong Shire Council, not just on one or two issues, BUT OVERALL across all responsibility areas? Has it been very good, good, average, poor or very poor?

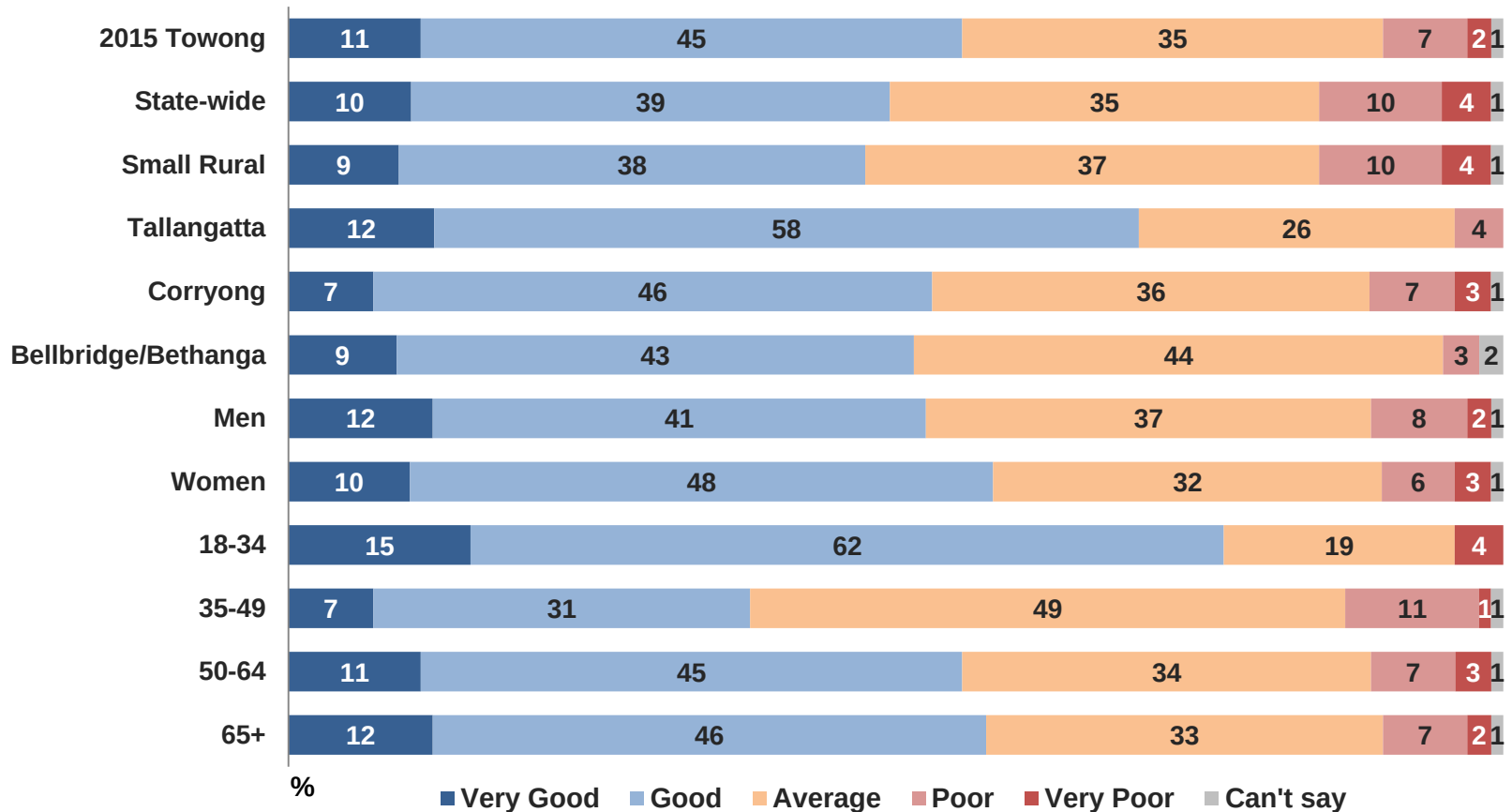
Base: All respondents Councils asked State-wide: 69 Councils asked group: 18

Note: Please see page 5 for explanation about significant differences

OVERALL PERFORMANCE

DETAILED PERCENTAGES

2015 Overall Performance



Q3. ON BALANCE, for the last twelve months, how do you feel about the performance of Towong Shire Council, not just on one or two issues, BUT OVERALL across all responsibility areas? Has it been very good, good, average, poor or very poor?

Base: All respondents Councils asked State-wide: 69 Councils asked group: 18



A satellite night map of South Africa, showing the country's coastline and major cities illuminated by city lights. The lights are concentrated in the coastal areas and the interior, with the most prominent lights in the west and east. The surrounding ocean is dark blue, and the land is a mix of brown and green, indicating different terrain types.

**KEY CORE MEASURE
CUSTOMER SERVICE**

CONTACT LAST 12 MONTHS

SUMMARY

**Overall contact with
Towong Shire Council**

- 67%

**Most contact with
Towong Shire Council**

- Aged 35-49 years
- Bellbridge/Bethanga residents

**Least contact with
Towong Shire Council**

- Aged 18-34 years

Customer Service rating

- Index score of 71

**Most satisfied with
Customer Service**

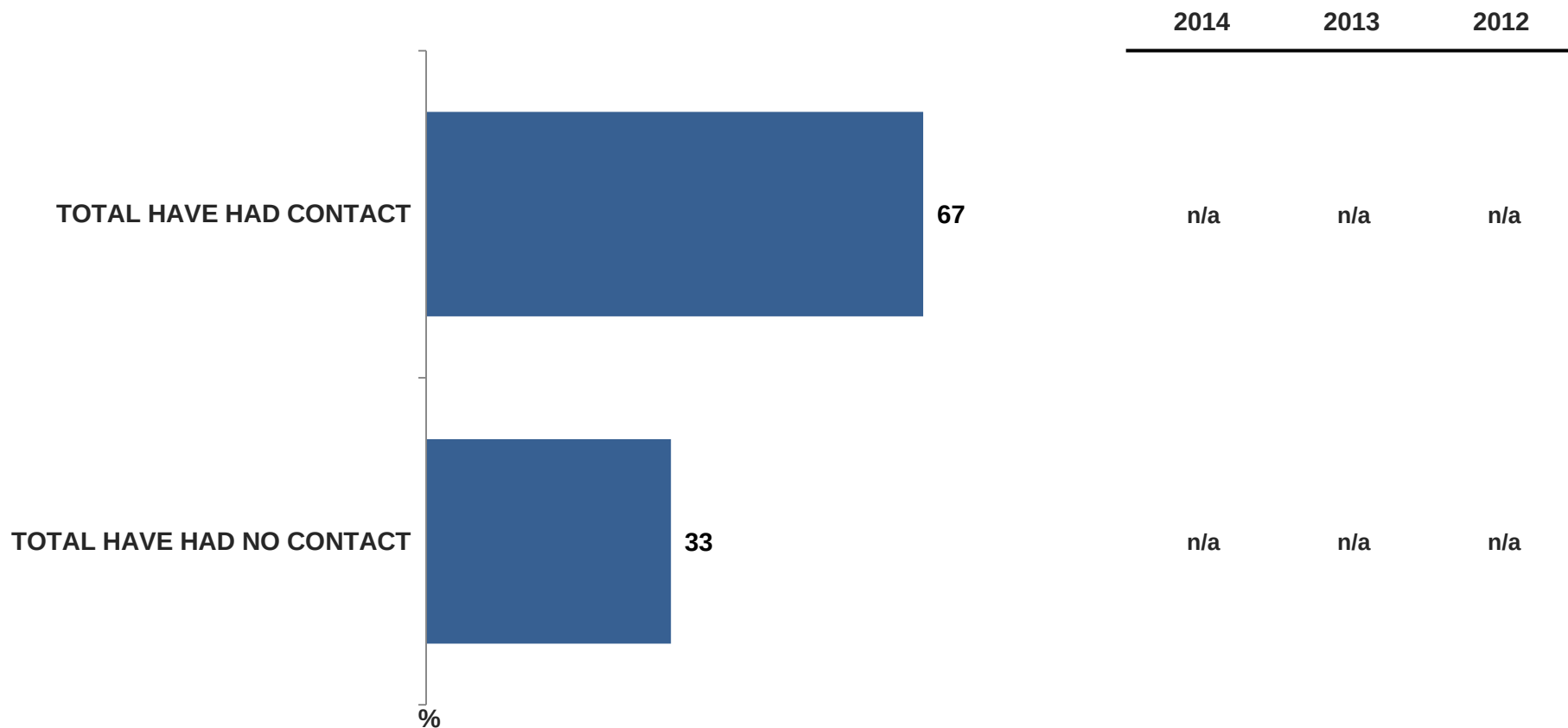
- Aged 18-34 years

**Least satisfied with
Customer Service**

- Aged 35-49 years

2015 CONTACT WITH COUNCIL LAST 12 MONTHS

2015 Method of Contact

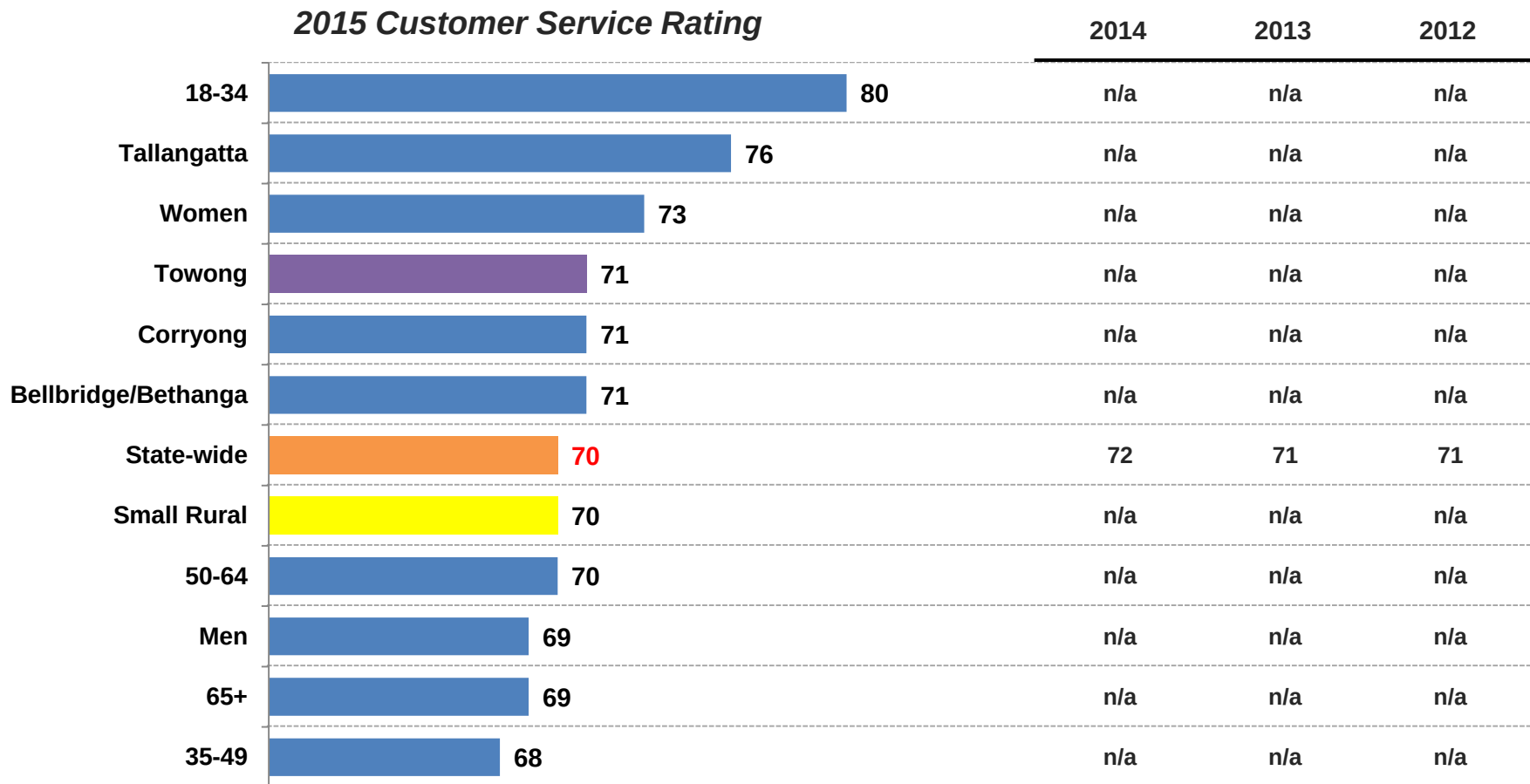


Q5. Over the last 12 months, have you or any member of your household had any contact with Towong Shire Council? This may have been in person, in writing, by telephone conversation, by text message, by email or via their website or social media such as Facebook or Twitter?

Base: All respondents. Councils asked State-wide: 53 Councils asked group: 13

Note: Please see page 5 for explanation about significant differences

2015 CONTACT CUSTOMER SERVICE INDEX SCORES



Q5c. Thinking of the most recent contact, how would you rate Towong Shire Council for customer service?

Please keep in mind we do not mean the actual outcome but rather the actual service that was received.

Base: All respondents who have had contact with Council in the last 12 months. Councils asked State-wide: 69

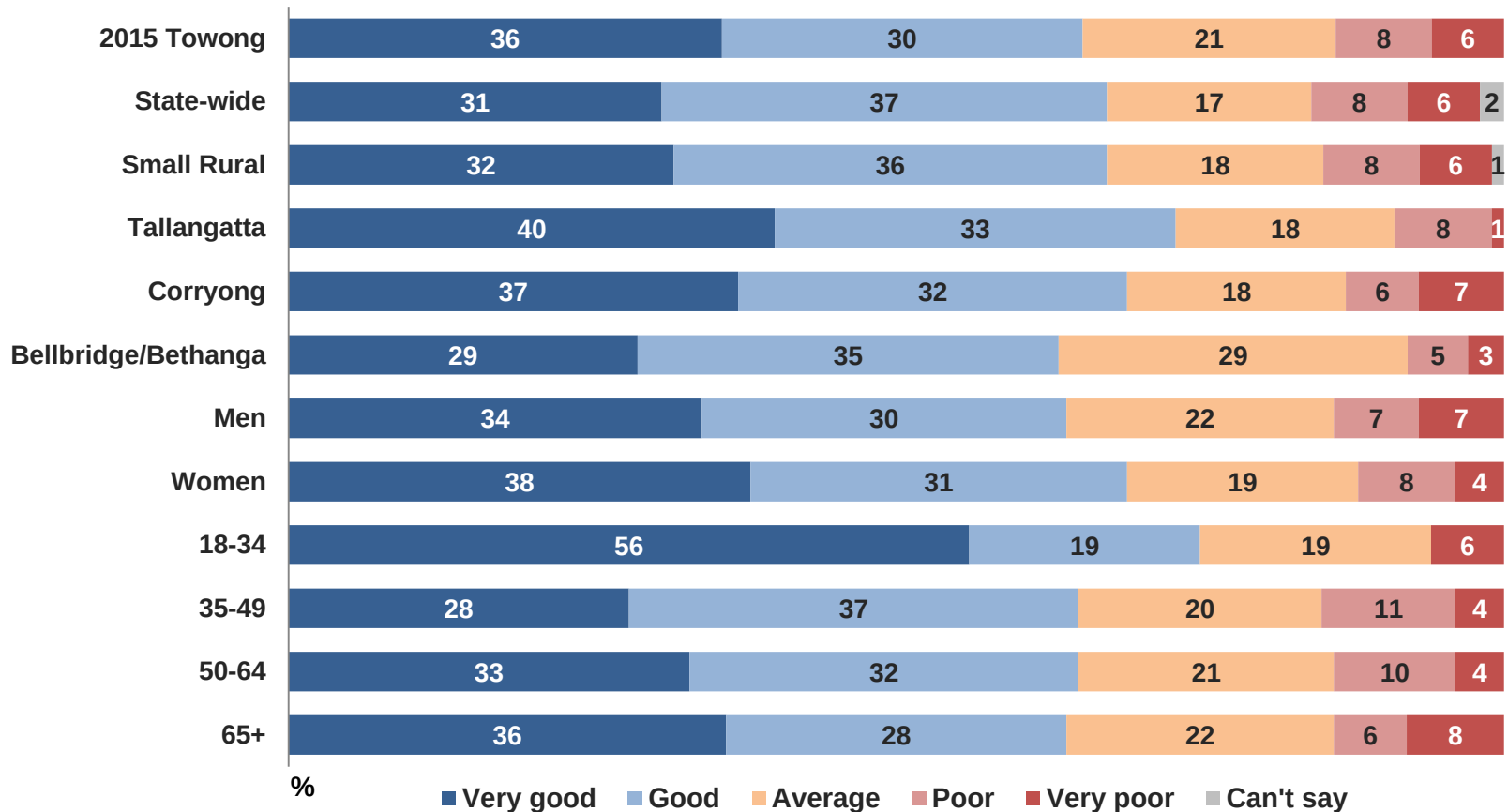
Councils asked group: 18

Note: Please see page 5 for explanation about significant differences



2015 CONTACT CUSTOMER SERVICE DETAILED PERCENTAGES

2015 Customer Service Rating

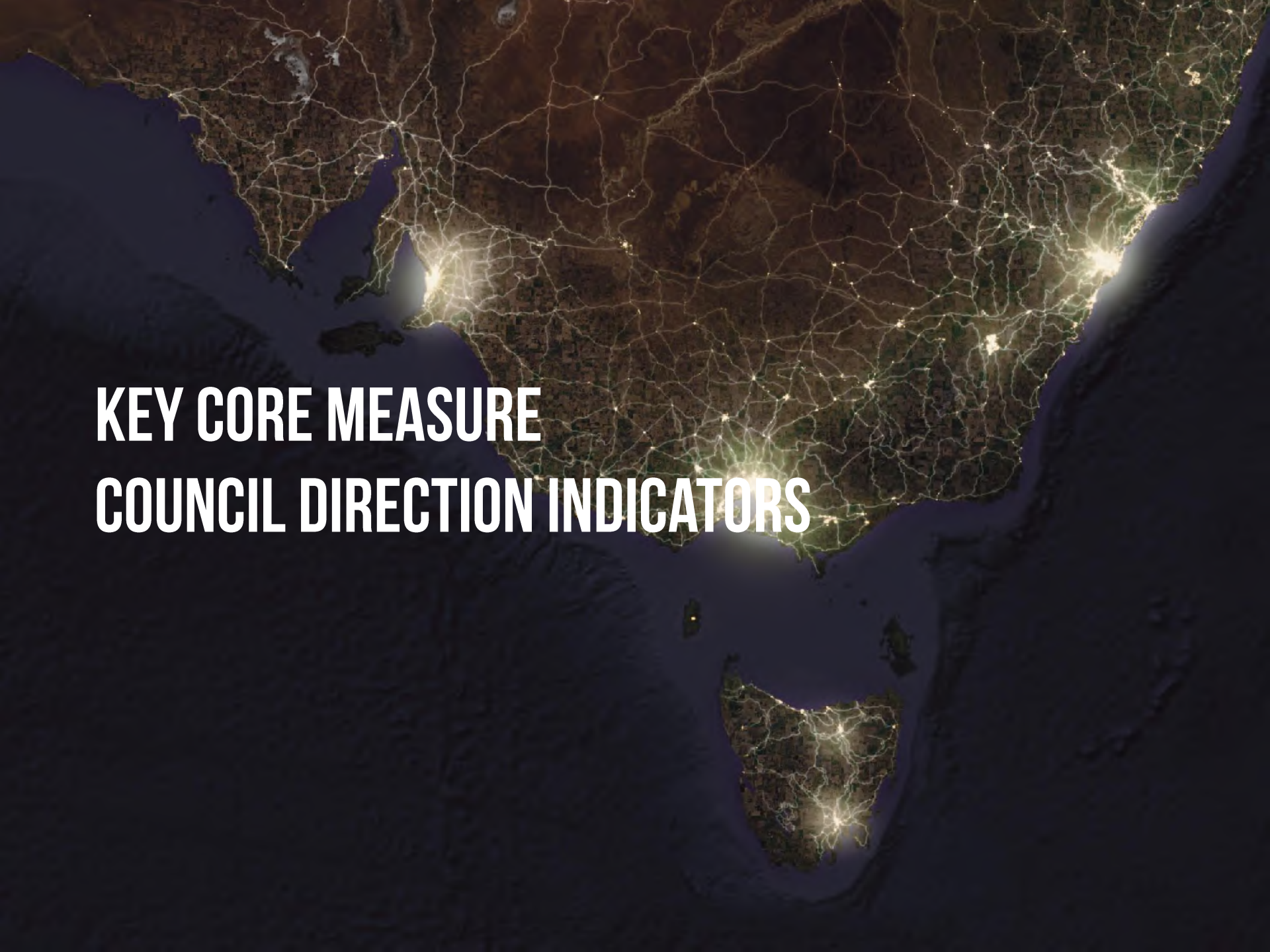


Q5c. Thinking of the most recent contact, how would you rate Towong Shire Council for customer service?

Please keep in mind we do not mean the actual outcome but rather the actual service that was received.

Base: All respondents who have had contact with Council in the last 12 months. Councils asked State-wide: 69
Councils asked group: 18



A satellite night map of South Australia, showing the state's coastline and major cities illuminated by city lights. The lights are concentrated in the coastal areas, particularly around Adelaide and the Eyre Peninsula. The text is overlaid on the left side of the map.

KEY CORE MEASURE COUNCIL DIRECTION INDICATORS

COUNCIL DIRECTION SUMMARY

Council Direction over last 12 months

- 61% stayed about the same
- 25% improved
- 10% deteriorated

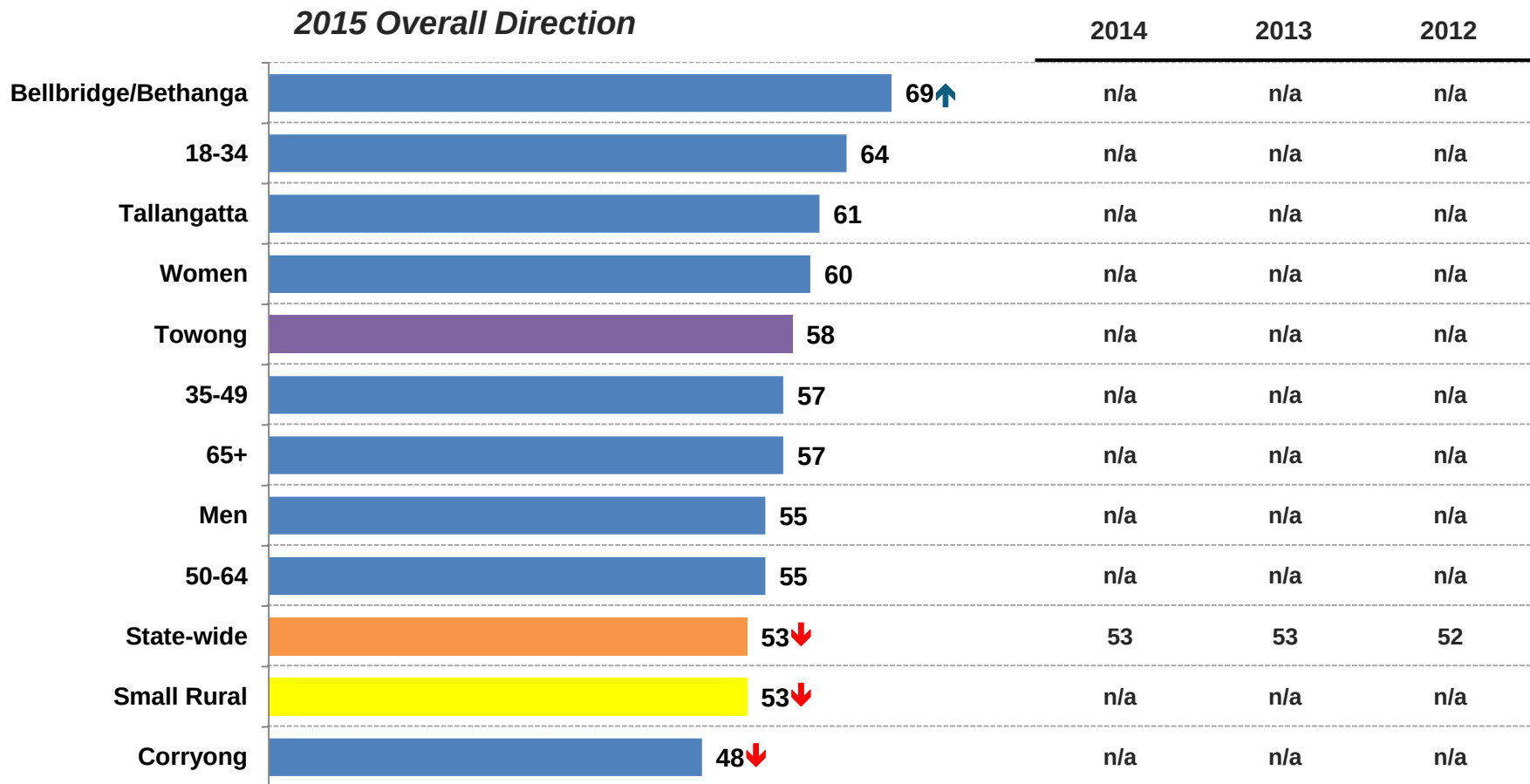
Most satisfied with Council Direction

- Bellbridge/Bethanga residents
- Aged 18-34 years

Least satisfied with Council Direction

- Corryong residents

2015 OVERALL COUNCIL DIRECTION LAST 12 MONTHS INDEX SCORES



Q6. Over the last 12 months, what is your view of the direction of Towong Shire Council's overall performance?

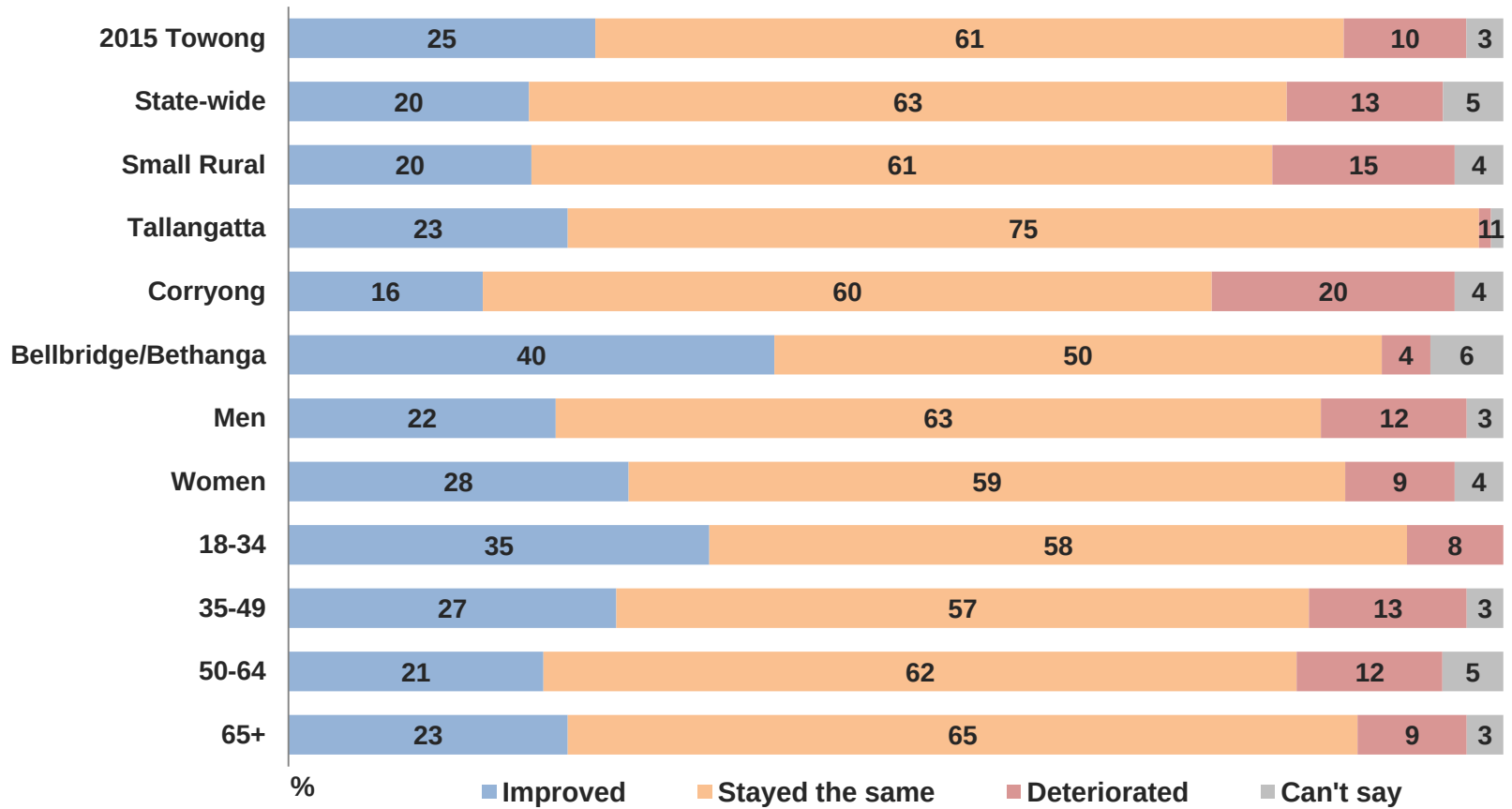
Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

Note: Please see page 5 for explanation about significant differences

2015 OVERALL COUNCIL DIRECTION LAST 12 MONTHS

DETAILED PERCENTAGES

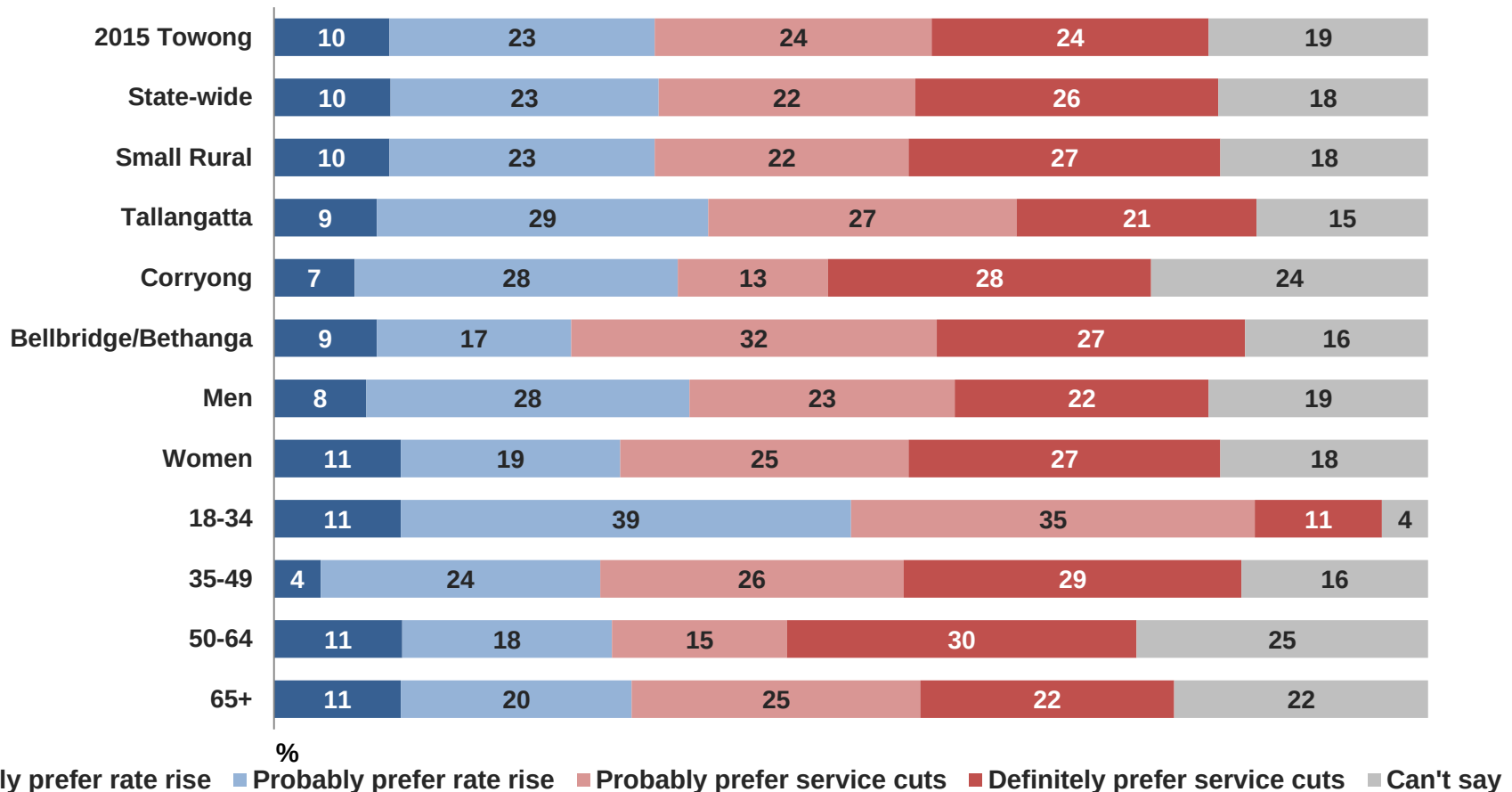
2015 Overall Direction



2015 RATES/SERVICE TRADE OFF

DETAILED PERCENTAGES

2015 Rate Rise v Service Cut



Q10. If you had to choose, would you prefer to see council rate rises to improve local services OR would you prefer to see cuts in council services to keep council rates at the same level as they are now?

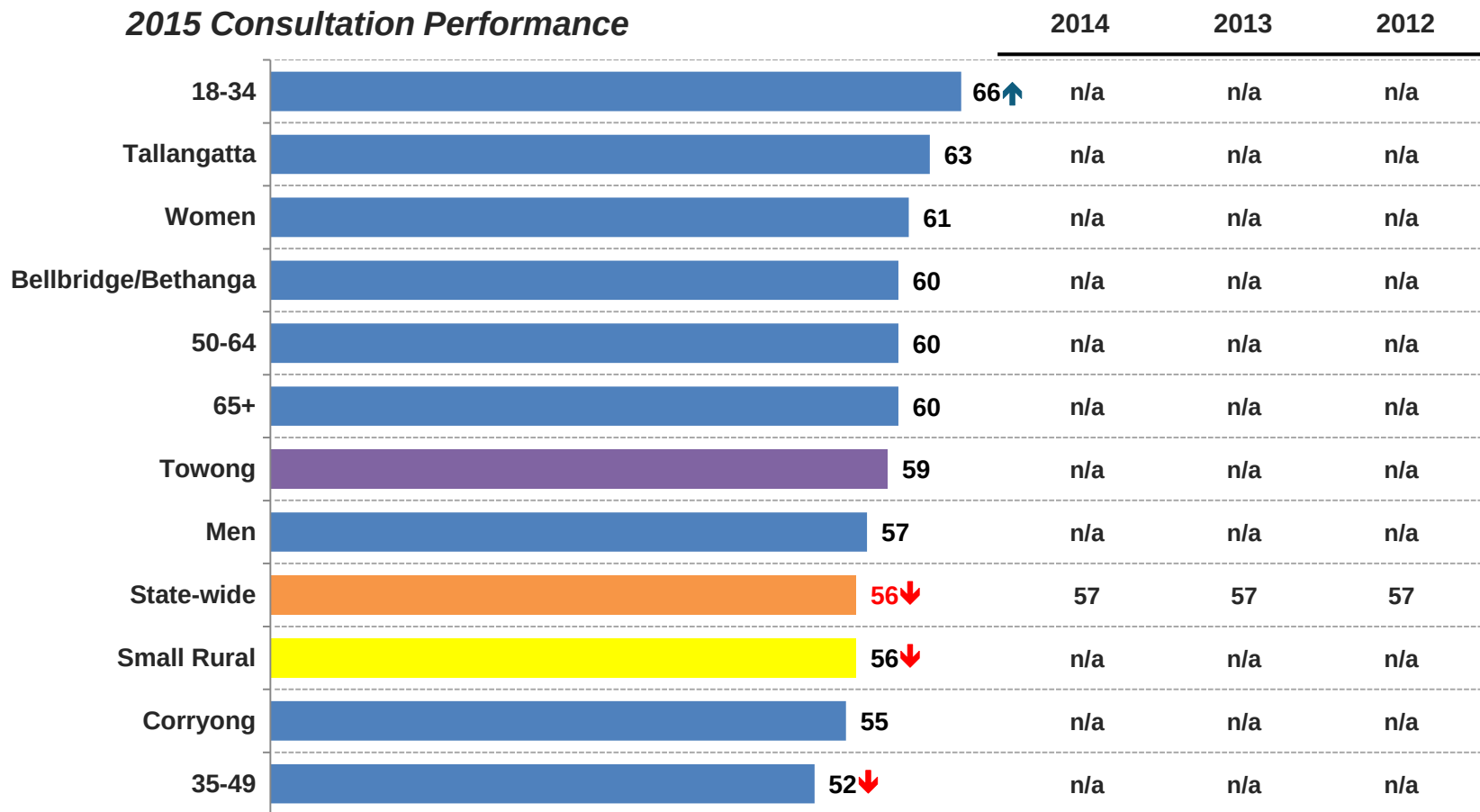
Base: All respondents. Councils asked State-wide: 25 Councils asked group: 7



A satellite night map of South Africa, showing the country's coastline and internal landmass. The land is dark brown, and the surrounding ocean is dark blue. A dense network of glowing yellow and white lines represents roads and infrastructure. Several bright, glowing yellow circles are overlaid on the map, indicating specific service areas or regions of interest. These circles are located in the western, central, and southern parts of the country, as well as on the island of Robben Island in the southern tip.

INDIVIDUAL SERVICE AREAS

2015 COMMUNITY CONSULTATION AND ENGAGEMENT PERFORMANCE INDEX SCORES



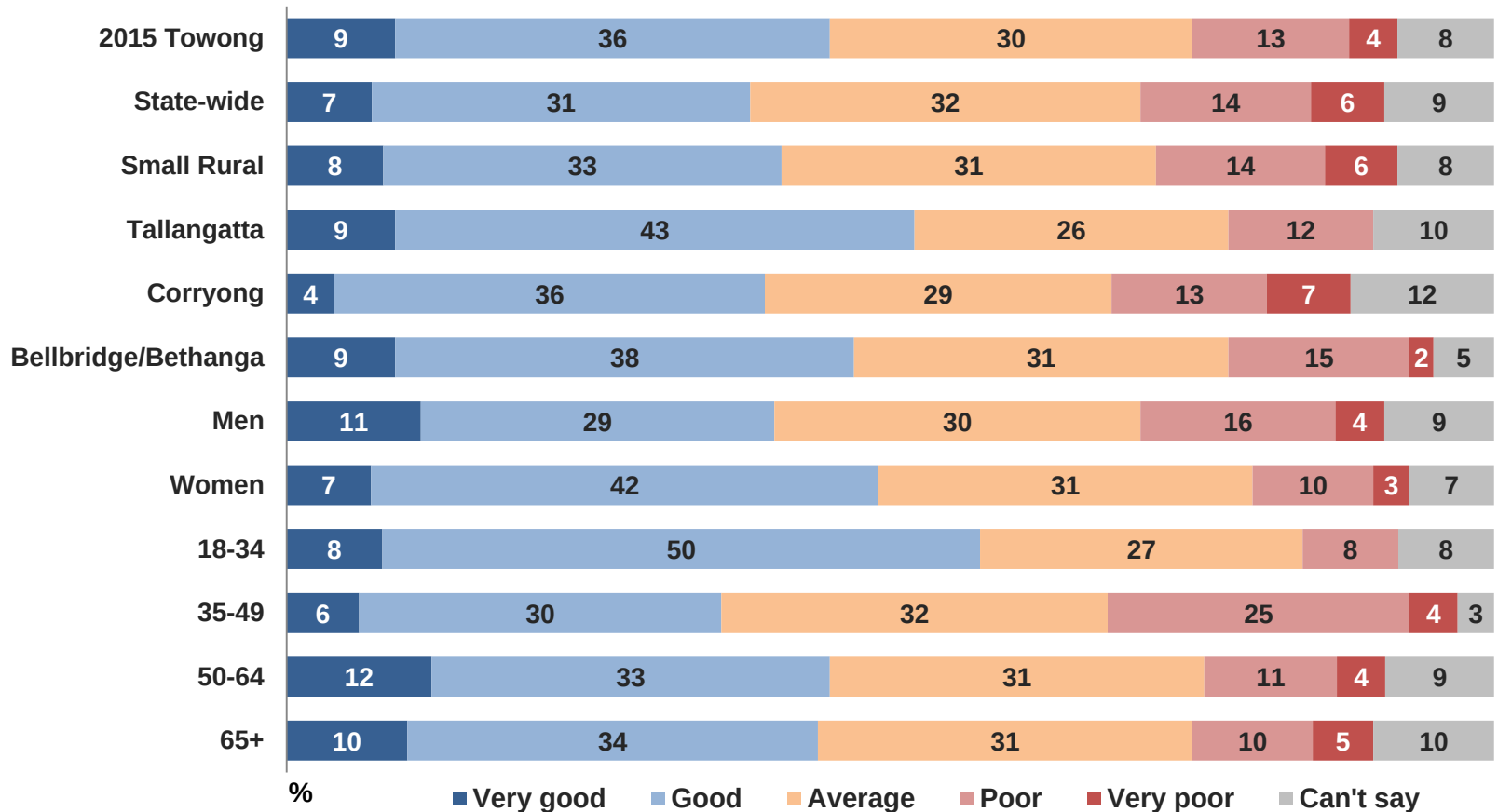
Q2. How has Council performed on 'Community Consultation and Engagement' over the last 12 months?

Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

Note: Please see slide 5 for explanation about significant differences

2015 COMMUNITY CONSULTATION AND ENGAGEMENT PERFORMANCE DETAILED PERCENTAGES

2015 Consultation Performance

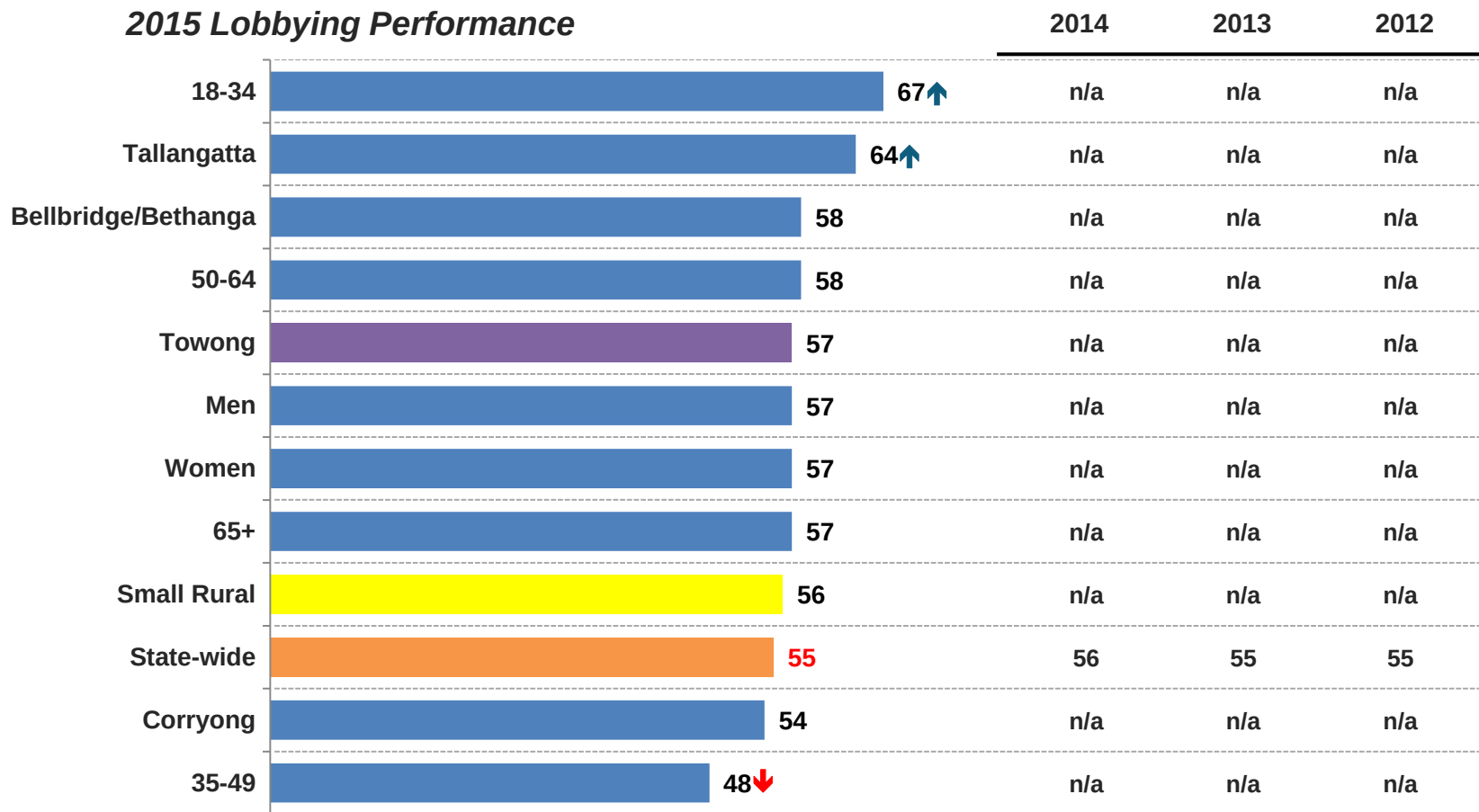


Q2. How has Council performed on 'Community Consultation and Engagement' over the last 12 months?

Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18



2015 LOBBYING ON BEHALF OF THE COMMUNITY PERFORMANCE INDEX SCORES



Q2. How has Council performed on 'Lobbying on Behalf of the Community' over the last 12 months?

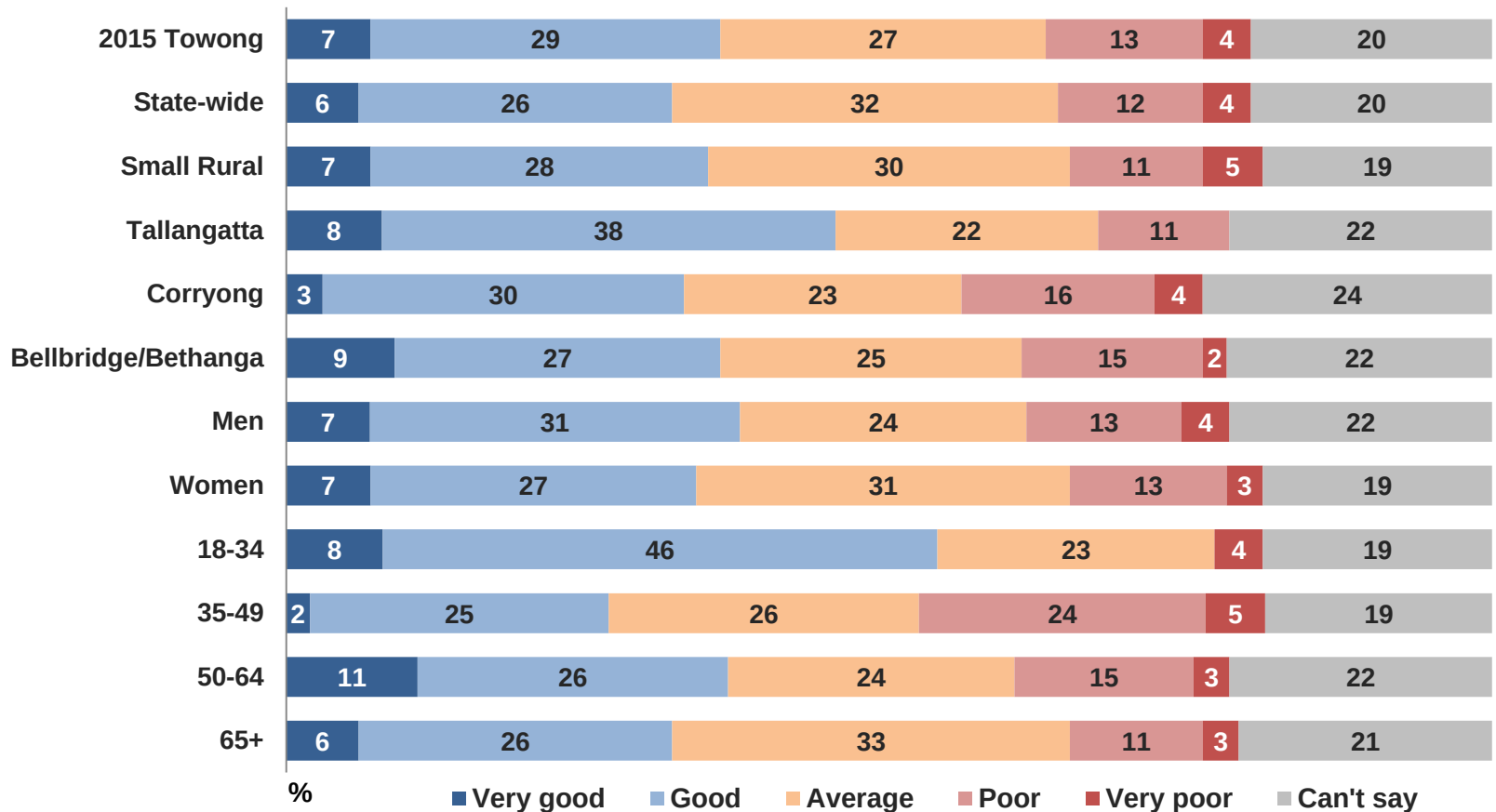
Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

Note: Please see slide 5 for explanation about significant differences

2015 LOBBYING ON BEHALF OF THE COMMUNITY

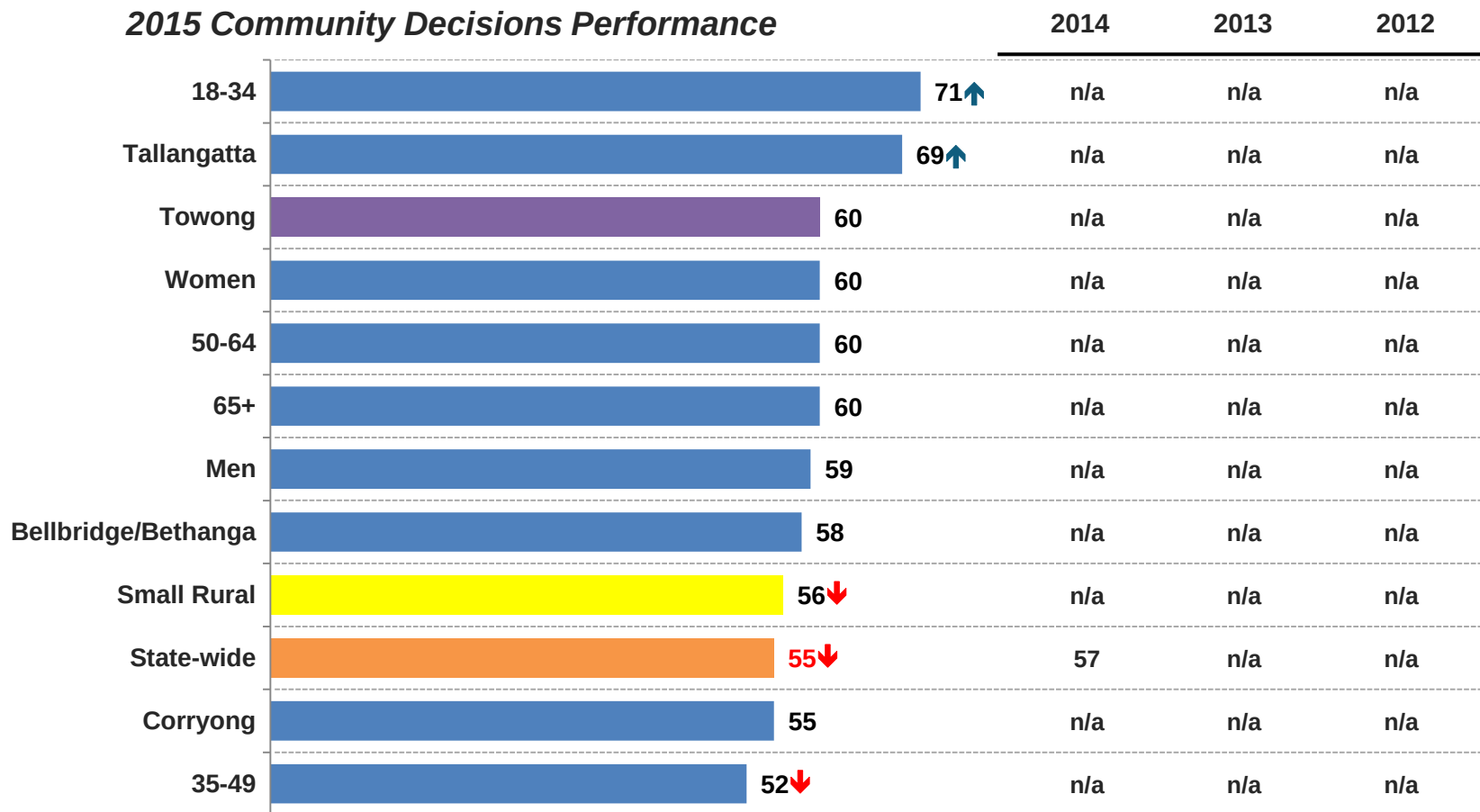
PERFORMANCE DETAILED PERCENTAGES

2015 Lobbying Performance



Q2. How has Council performed on 'Lobbying on Behalf of the Community' over the last 12 months?
 Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

2015 DECISIONS MADE IN THE INTEREST OF THE COMMUNITY PERFORMANCE INDEX SCORES



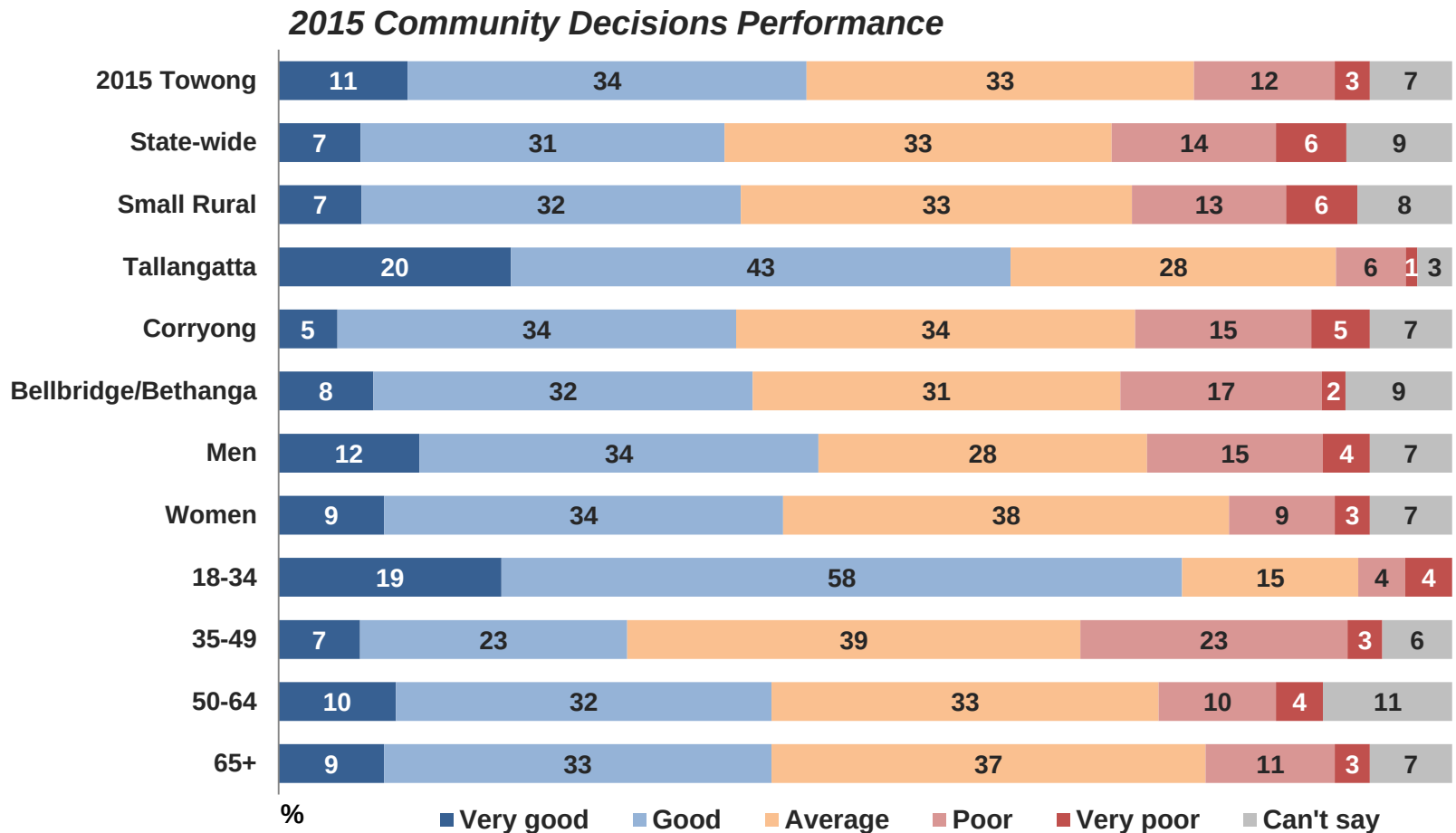
Q2. How has Council performed on 'Decisions made in the interest of the community' over the last 12 months?

Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

Note: Please see slide 5 for explanation about significant differences

2015 DECISIONS MADE IN THE INTEREST OF THE COMMUNITY

PERFORMANCE DETAILED PERCENTAGES



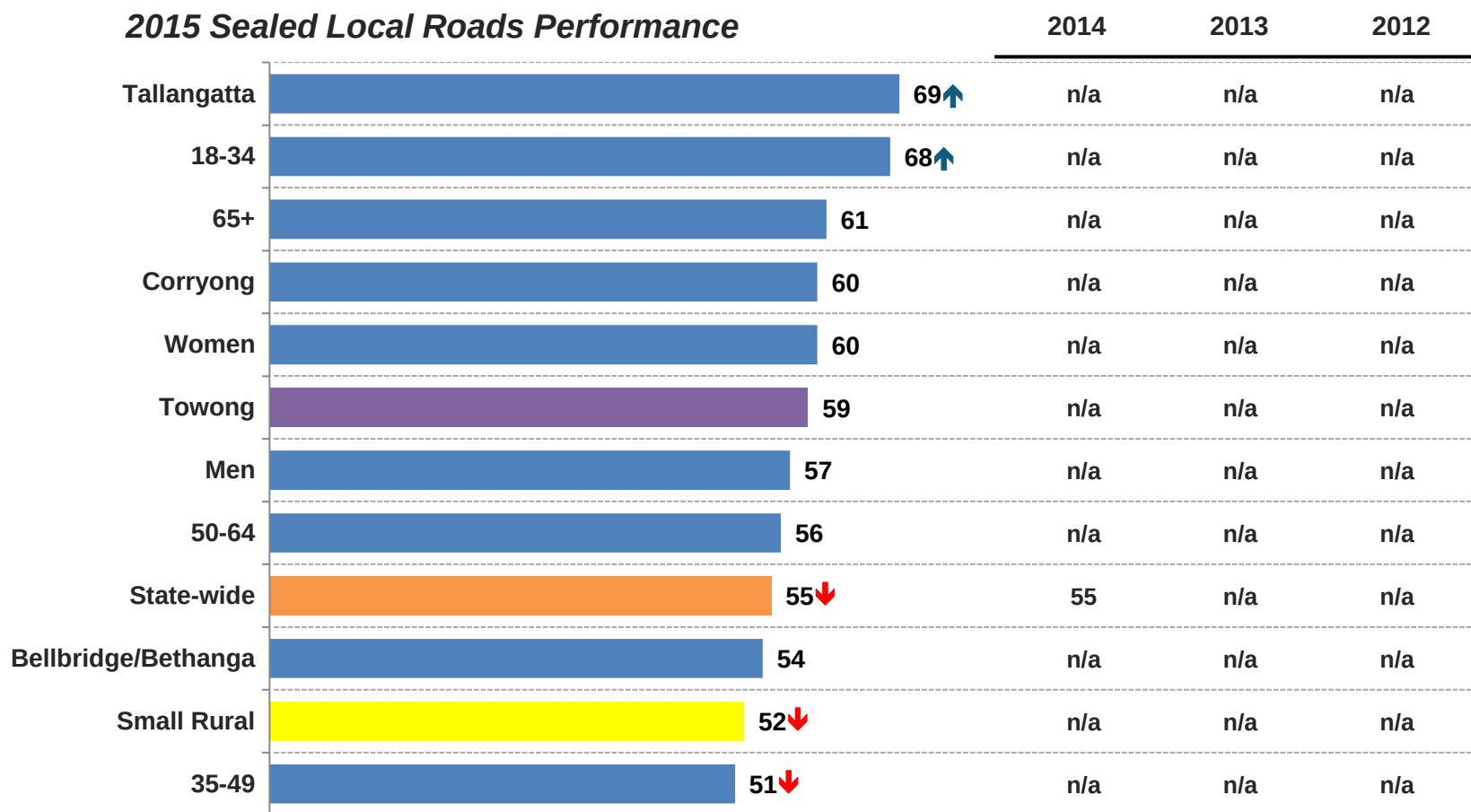
Q2. How has Council performed on 'Decisions made in the interest of the community' over the last 12 months?

Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18



2015 THE CONDITION OF SEALED LOCAL ROADS IN YOUR AREA

PERFORMANCE INDEX SCORES



Q2. How has Council performed on 'The condition of sealed local roads in your area' over the last 12 months?

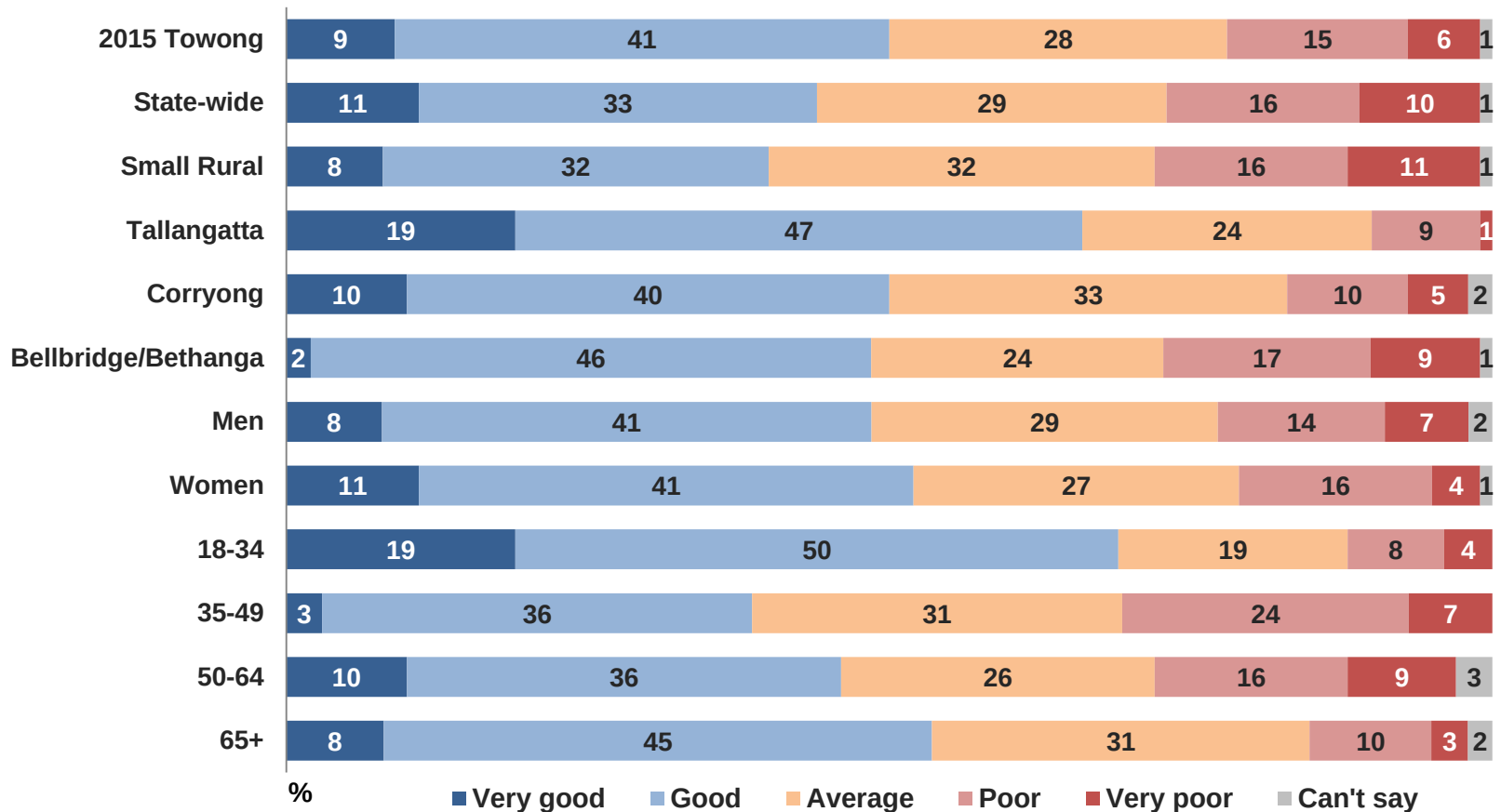
Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18

Note: Please see slide 5 for explanation about significant differences

2015 THE CONDITION OF SEALED LOCAL ROADS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2015 Sealed Local Roads Performance



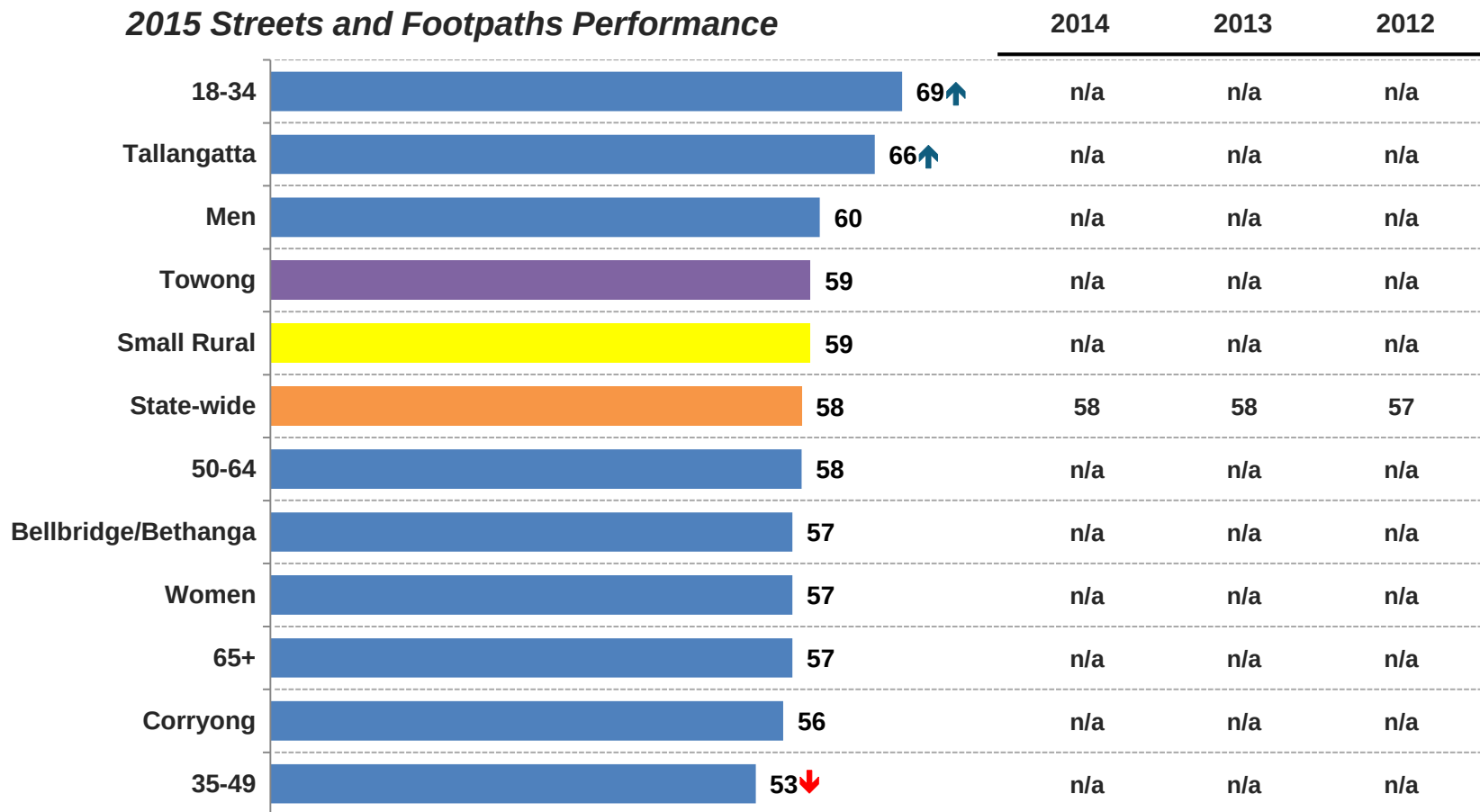
Q2. How has Council performed on 'The condition of sealed local roads in your area' over the last 12 months?

Base: All respondents. Councils asked State-wide: 69 Councils asked group: 18



2015 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA

PERFORMANCE INDEX SCORES



Q2. How has Council performed on 'The condition of local streets and footpaths in your area' over the last 12 months?

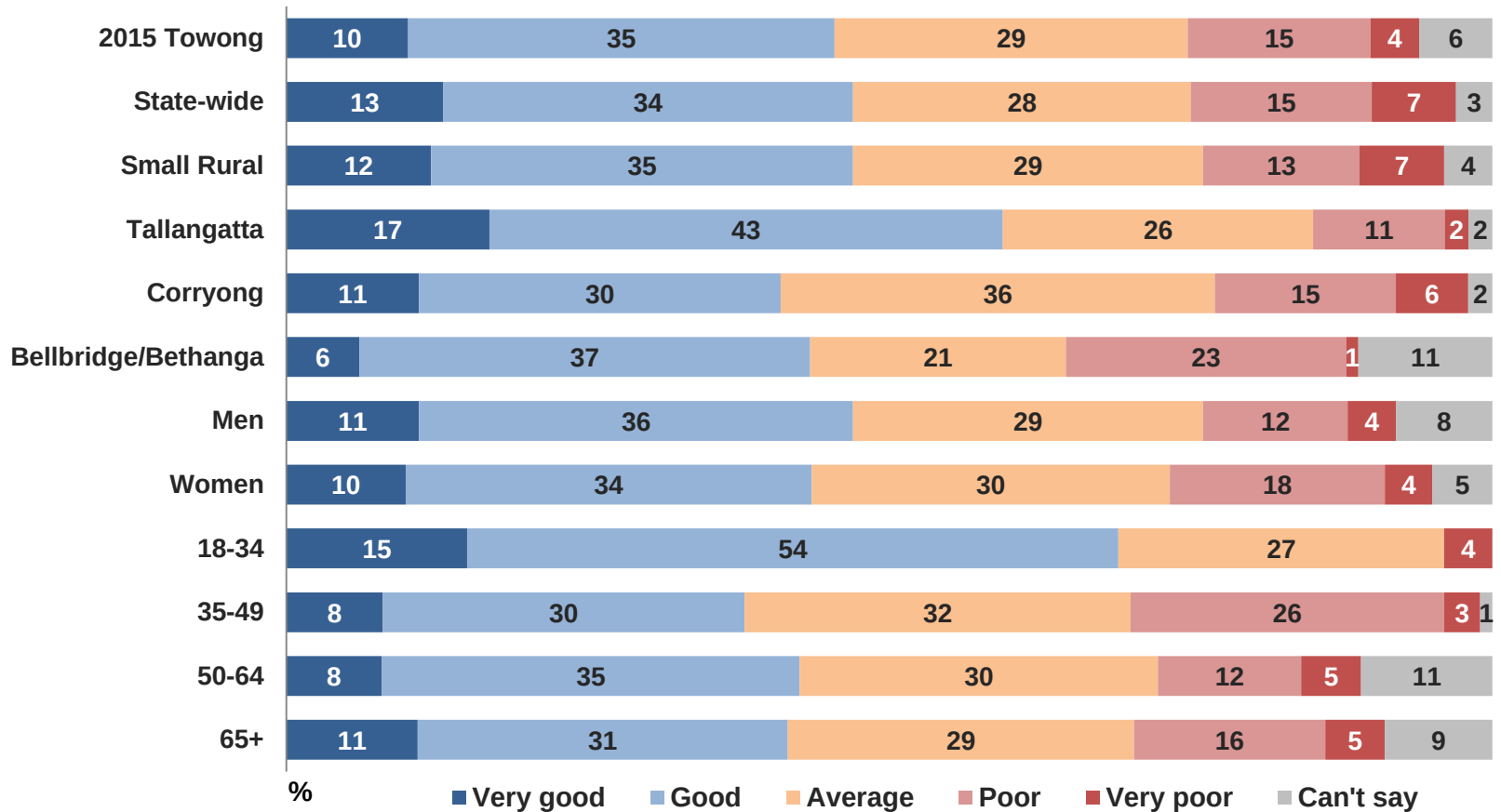
Base: All respondents. Councils asked State-wide: 40 Councils asked group: 10

Note: Please see slide 5 for explanation about significant differences

2015 THE CONDITION OF LOCAL STREETS AND FOOTPATHS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2015 Streets and Footpaths Performance

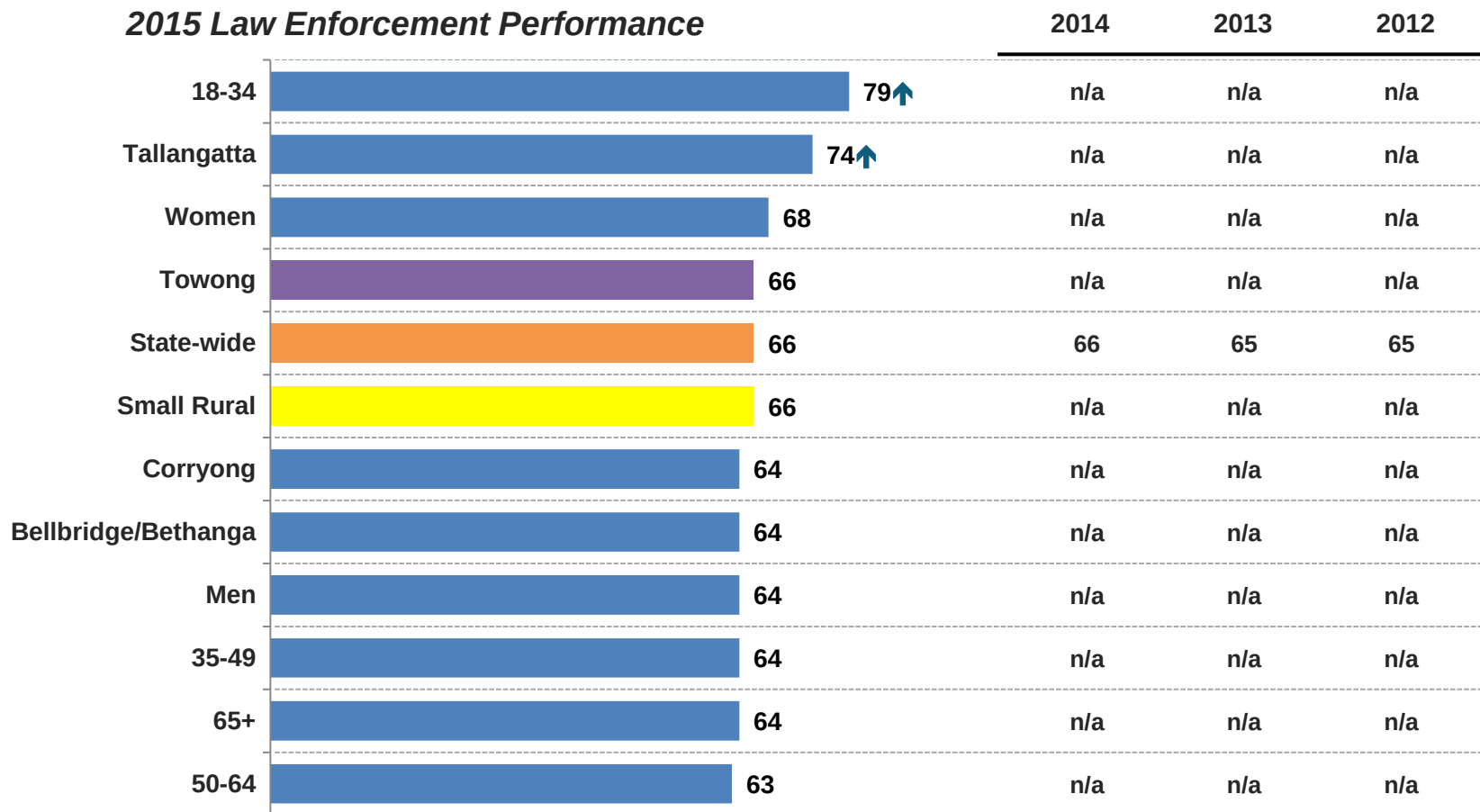


Q2. How has Council performed on 'The condition of local streets and footpaths in your area' over the last 12 months?

Base: All respondents. Councils asked State-wide: 40 Councils asked group: 10



2015 ENFORCEMENT OF LOCAL LAWS PERFORMANCE INDEX SCORES



Q2. How has Council performed on 'Enforcement of local laws' over the last 12 months?

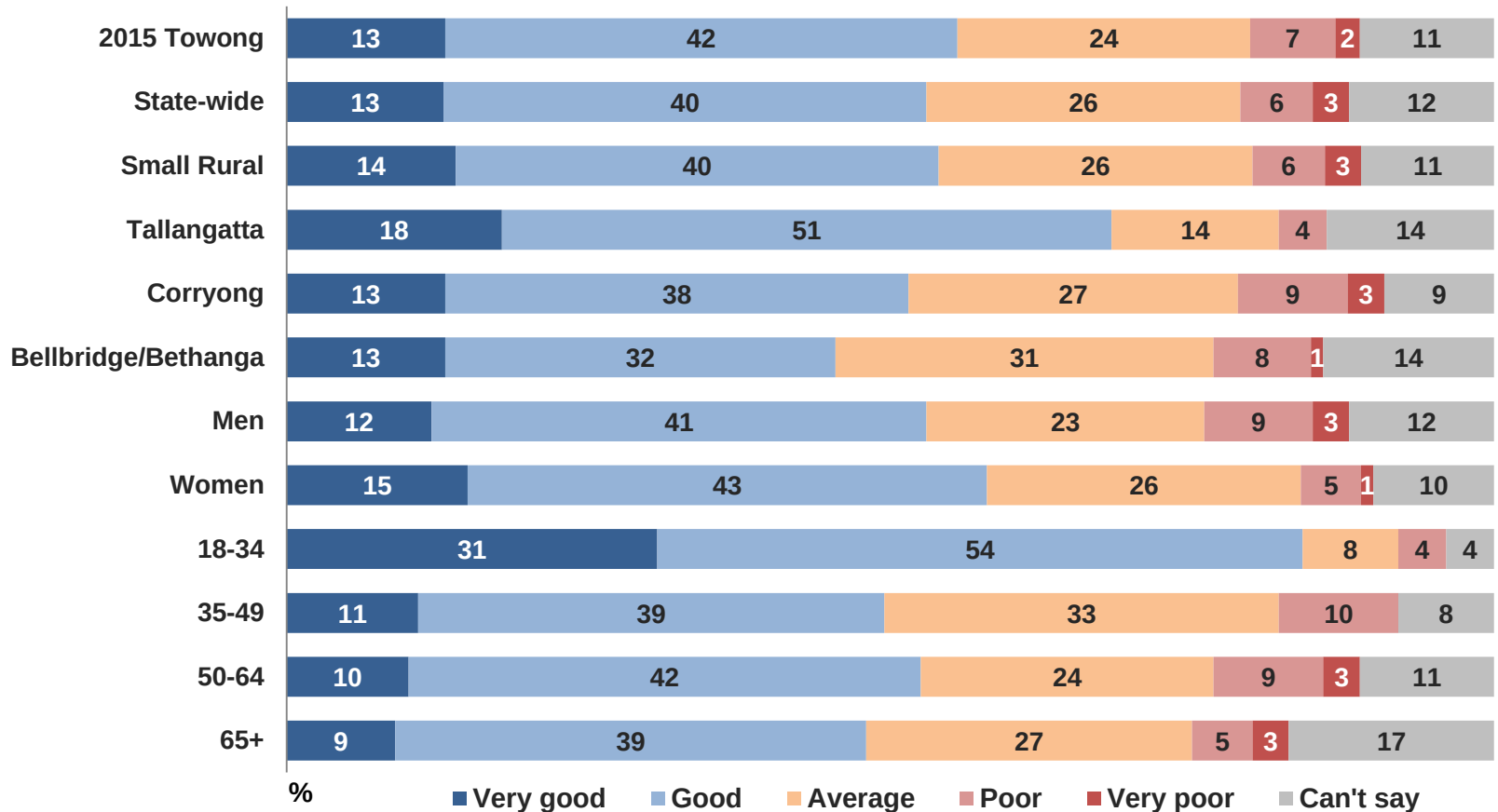
Base: All respondents. Councils asked State-wide: 36 Councils asked group: 7

Note: Please see slide 5 for explanation about significant differences

2015 ENFORCEMENT OF LOCAL LAWS

PERFORMANCE DETAILED PERCENTAGES

2015 Law Enforcement Performance

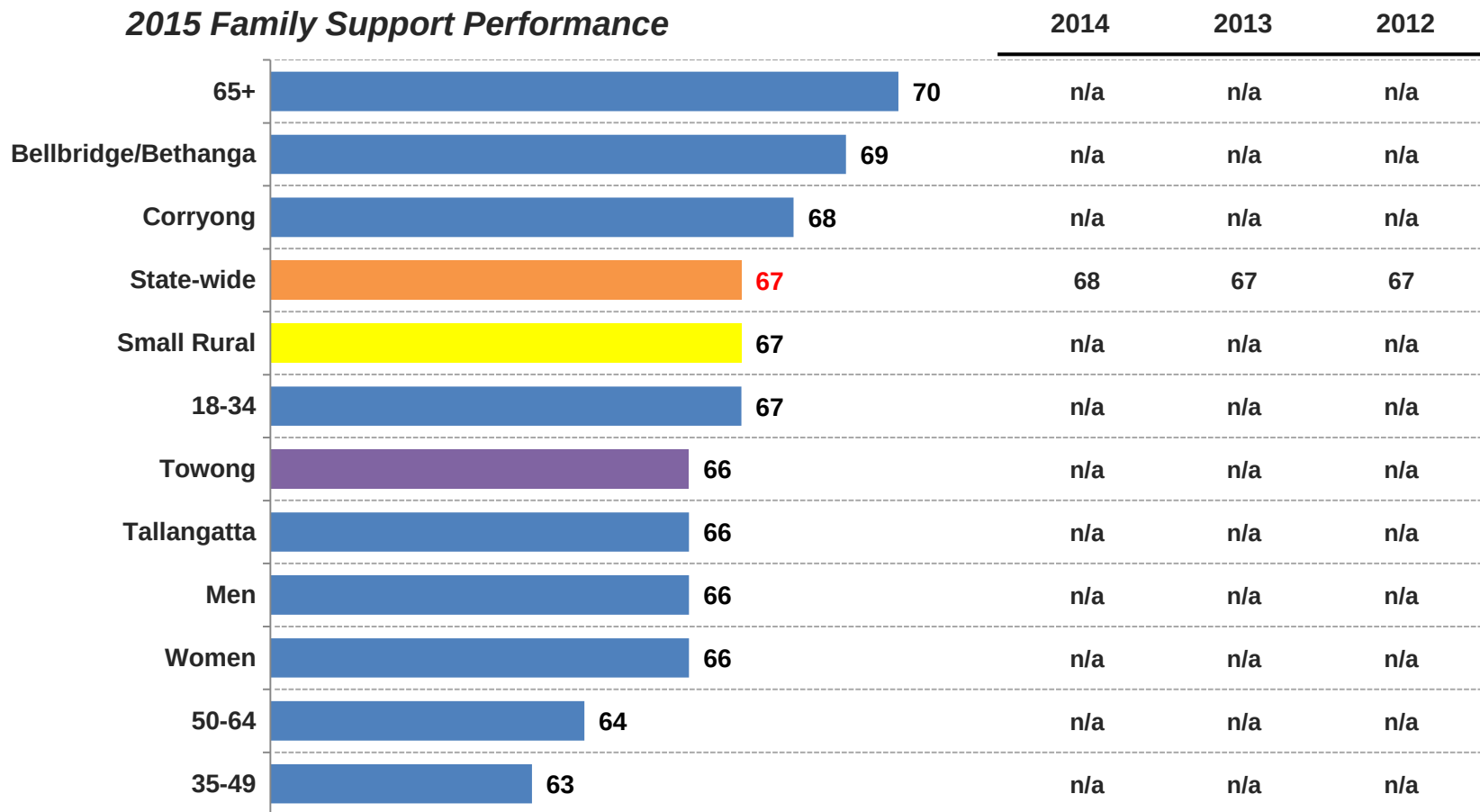


Q2. How has Council performed on 'Enforcement of local laws' over the last 12 months?

Base: All respondents. Councils asked State-wide: 36 Councils asked group: 7



2015 FAMILY SUPPORT SERVICES PERFORMANCE INDEX SCORES



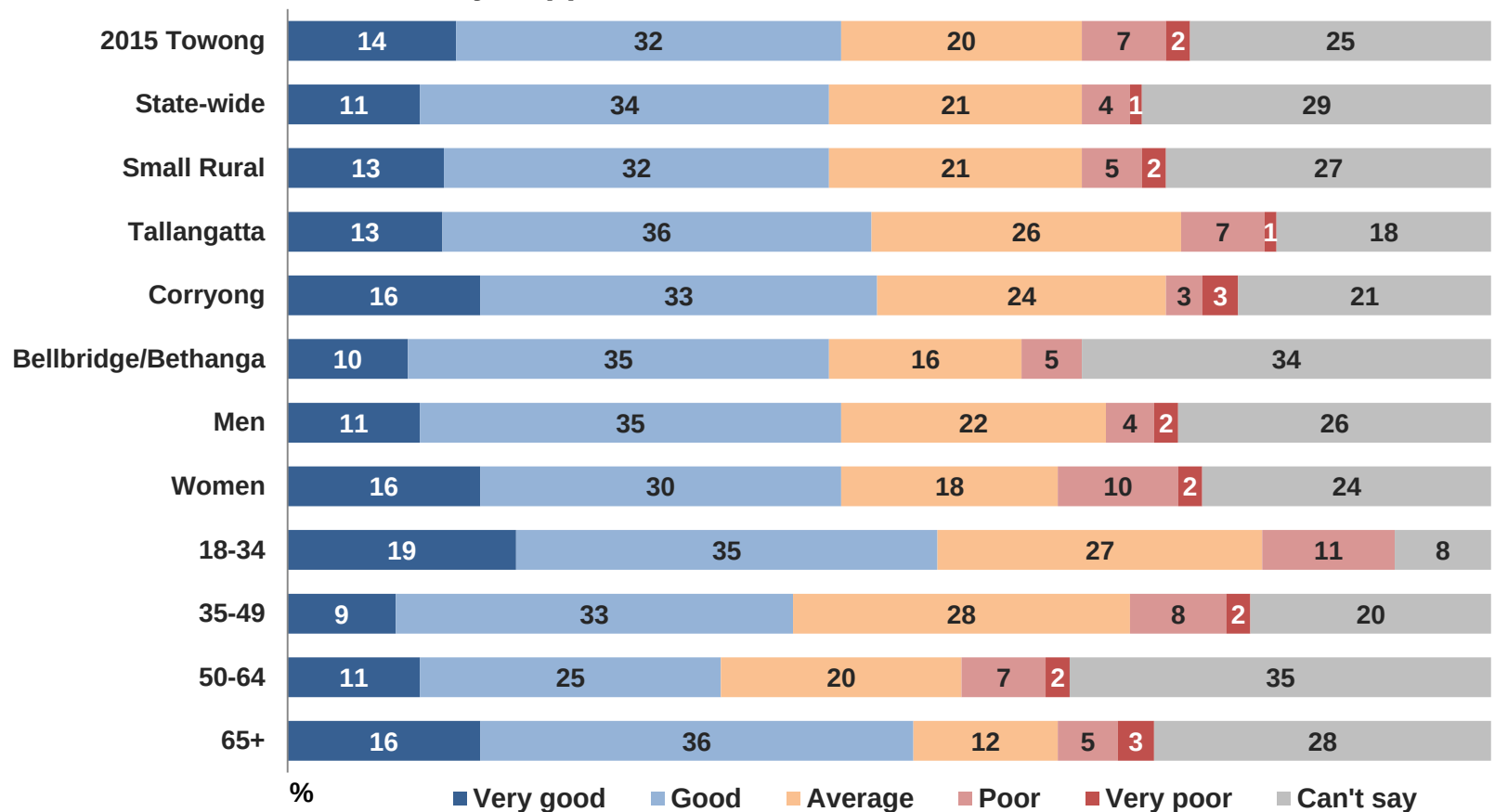
Q2. How has Council performed on 'Family Support Services' over the last 12 months?

Base: All respondents. Councils asked State-wide: 37 Councils asked group: 8

Note: Please see slide 5 for explanation about significant differences

2015 FAMILY SUPPORT SERVICES PERFORMANCE DETAILED PERCENTAGES

2015 Family Support Performance

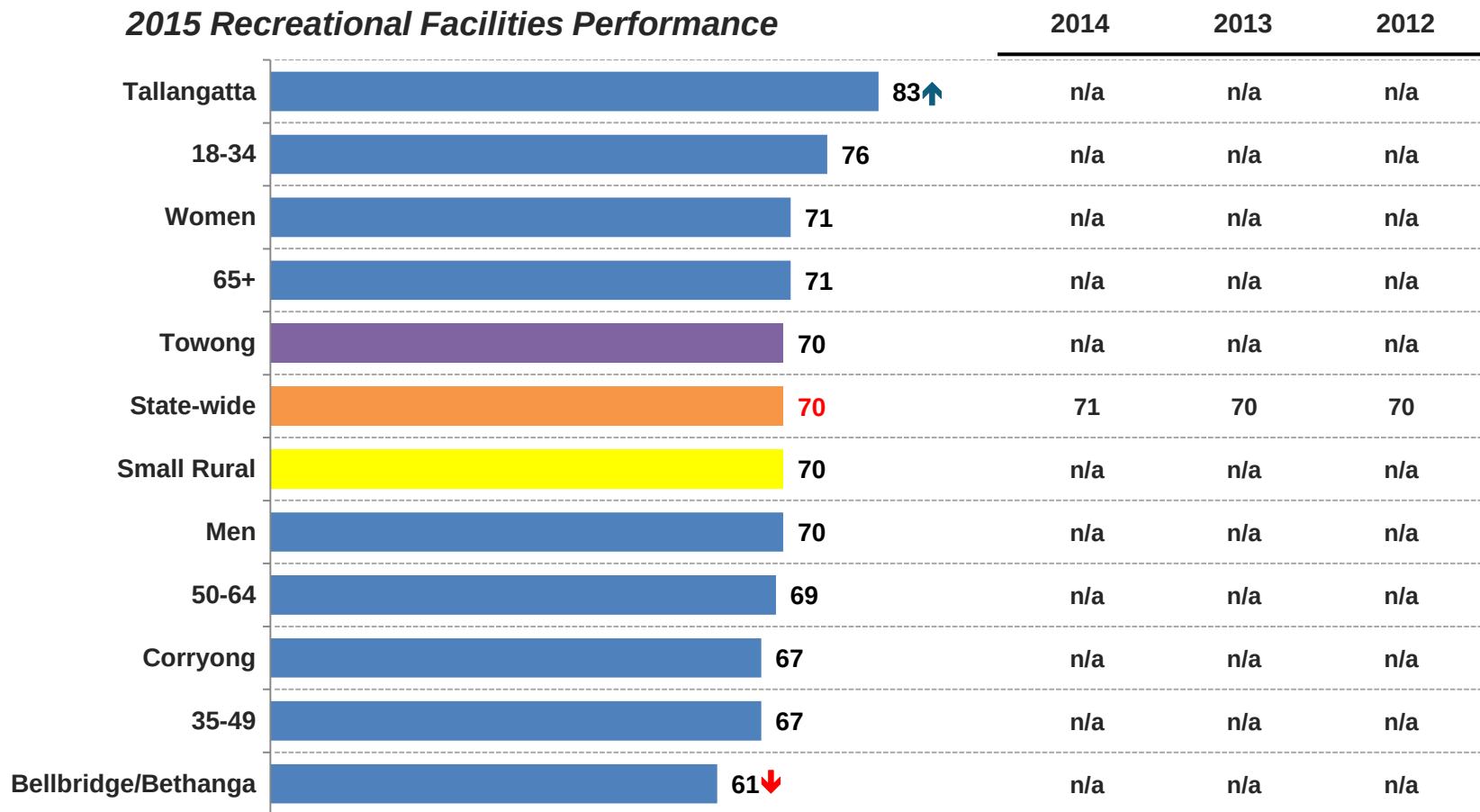


Q2. How has Council performed on 'Family Support Services' over the last 12 months?

Base: All respondents. Councils asked State-wide: 37 Councils asked group: 8



2015 RECREATIONAL FACILITIES PERFORMANCE INDEX SCORES



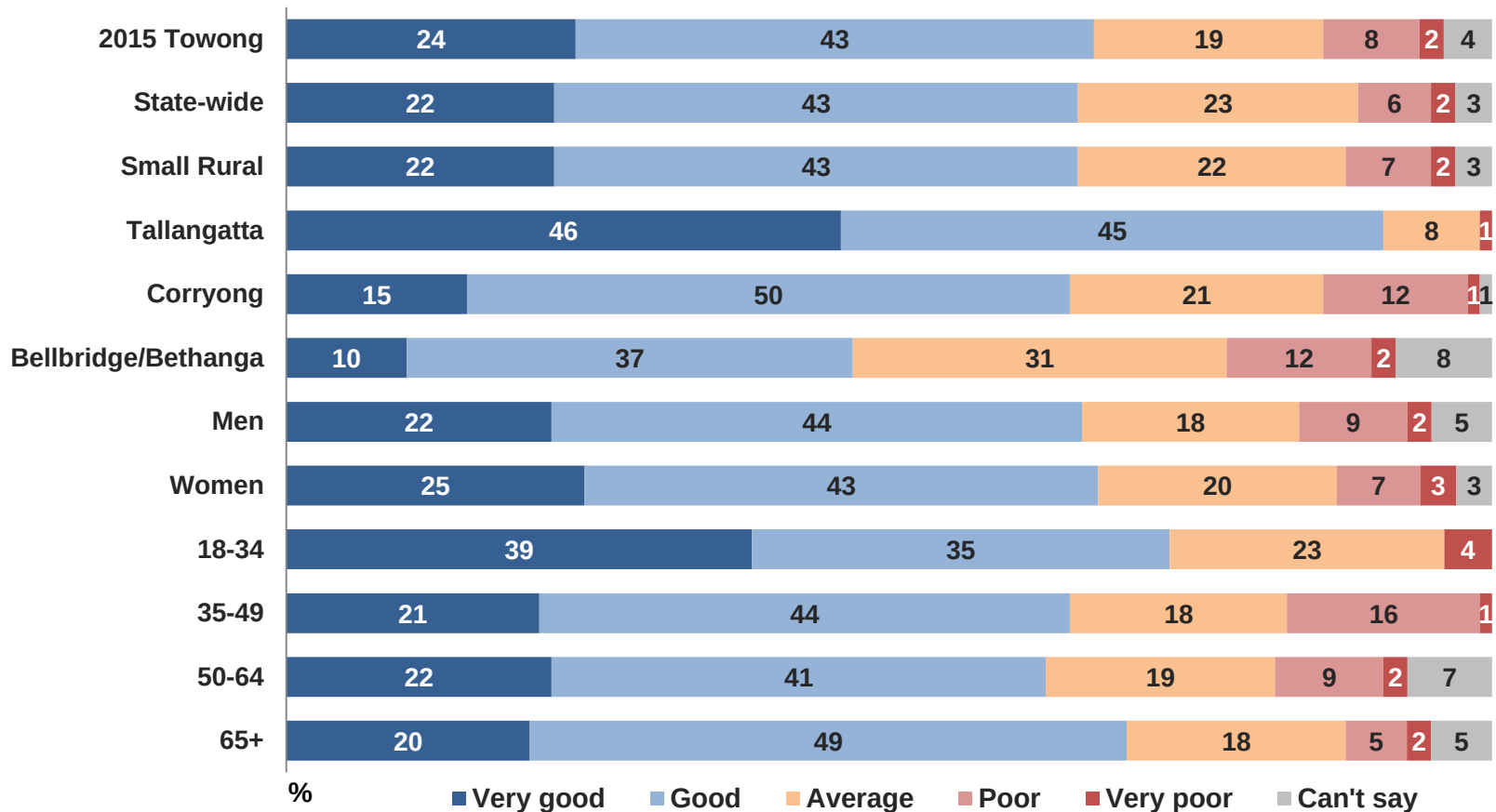
Q2. How has Council performed on 'Recreational Facilities' over the last 12 months?

Base: All respondents. Councils asked State-wide: 47 Councils asked group: 11

Note: Please see slide 5 for explanation about significant differences

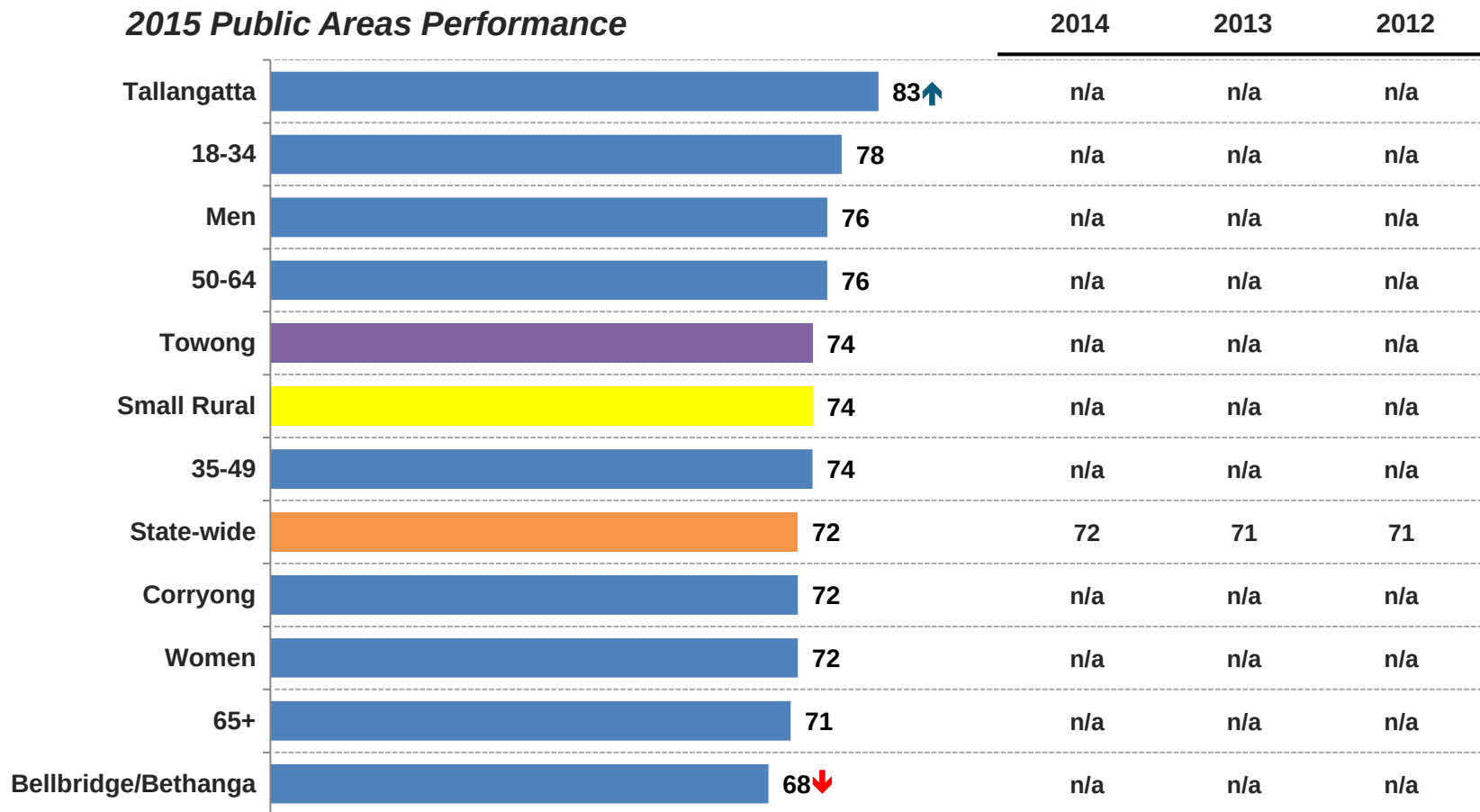
2015 RECREATIONAL FACILITIES PERFORMANCE DETAILED PERCENTAGES

2015 Recreational Facilities Performance



Q2. How has Council performed on 'Recreational Facilities' over the last 12 months?
Base: All respondents. Councils asked State-wide: 47 Councils asked group: 11

2015 THE APPEARANCE OF PUBLIC AREAS PERFORMANCE INDEX SCORES

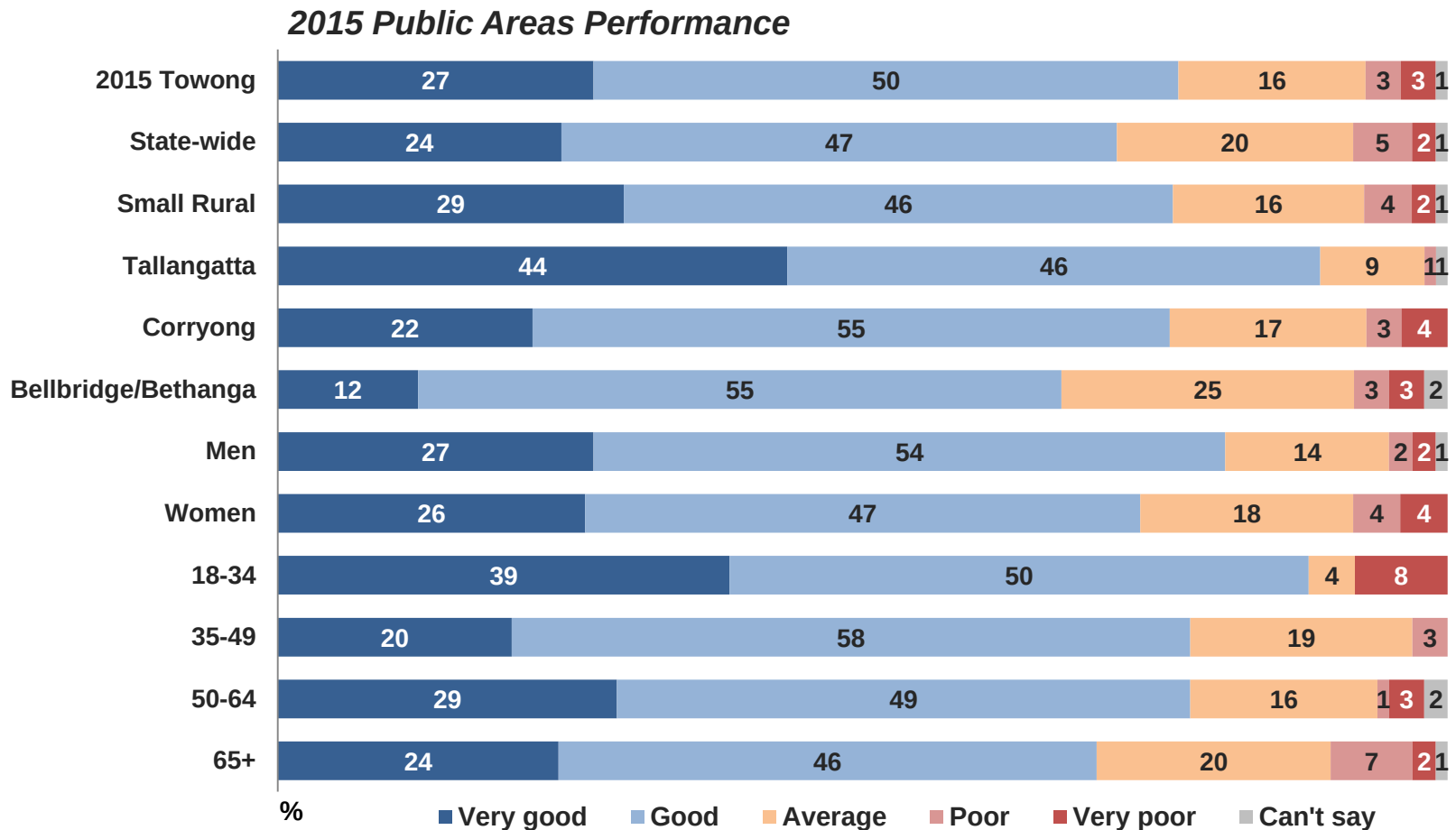


Q2. How has Council performed on 'The appearance of public areas' over the last 12 months?

Base: All respondents. Councils asked State-wide: 42 Councils asked group: 11

Note: Please see slide 5 for explanation about significant differences

2015 THE APPEARANCE OF PUBLIC AREAS PERFORMANCE DETAILED PERCENTAGES

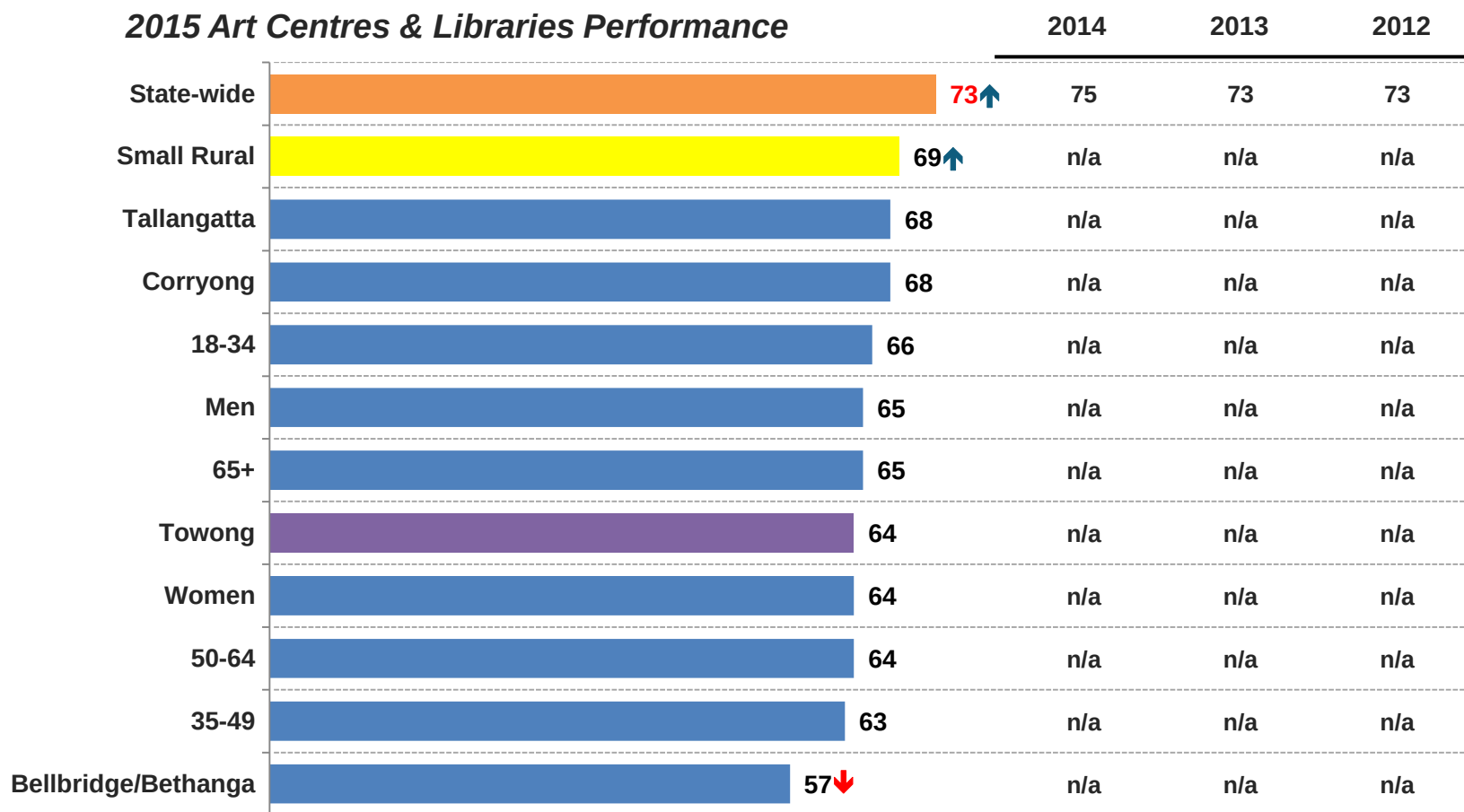


Q2. How has Council performed on 'The appearance of public areas' over the last 12 months?

Base: All respondents. Councils asked State-wide: 42 Councils asked group: 11



2015 ART CENTRES AND LIBRARIES PERFORMANCE INDEX SCORES



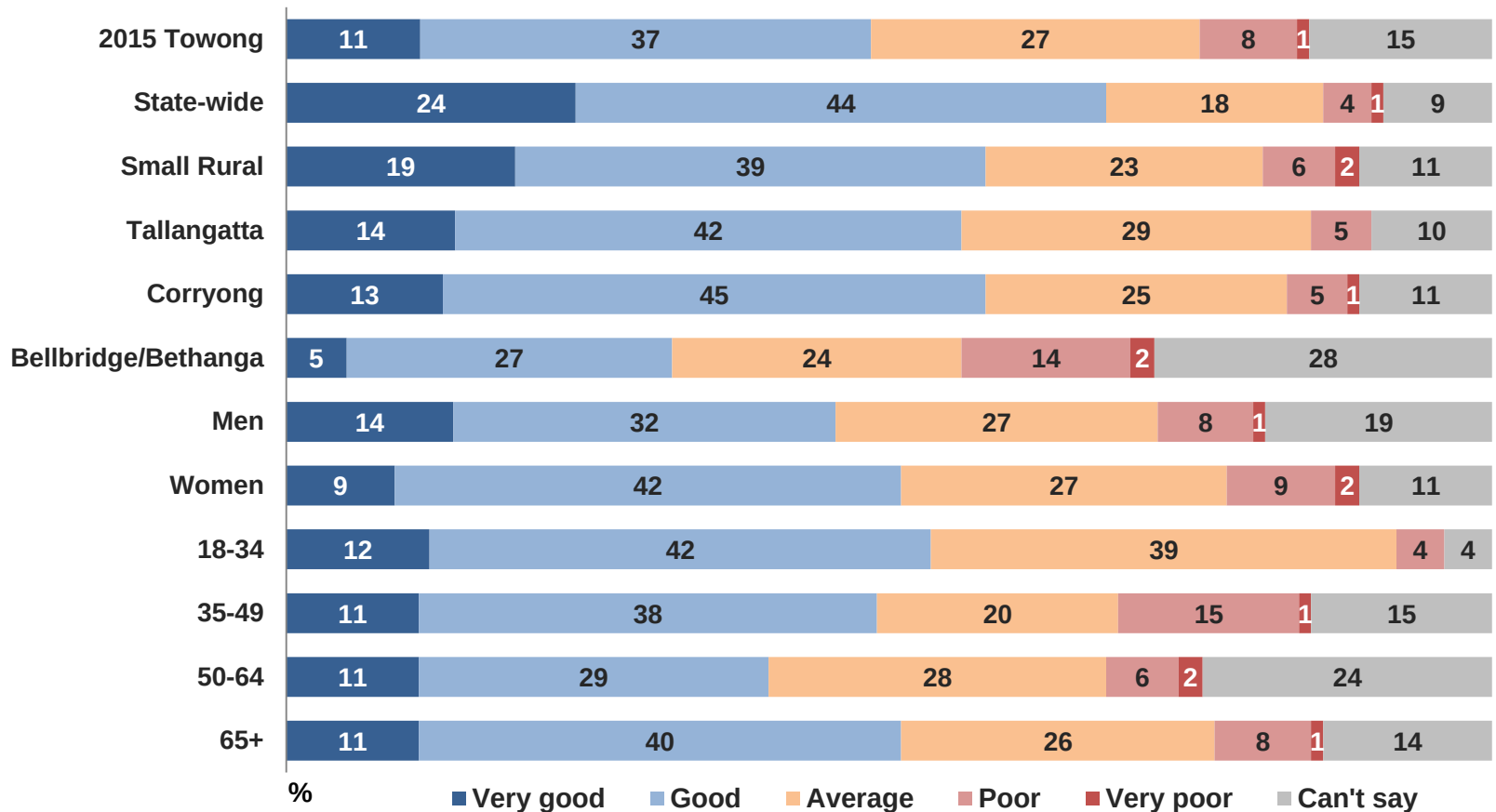
Q2. How has Council performed on 'Art Centres and Libraries' over the last 12 months?

Base: All respondents. Councils asked State-wide: 26 Councils asked group: 5

Note: Please see slide 5 for explanation about significant differences

2015 ART CENTRES AND LIBRARIES PERFORMANCE DETAILED PERCENTAGES

2015 Art Centres & Libraries Performance

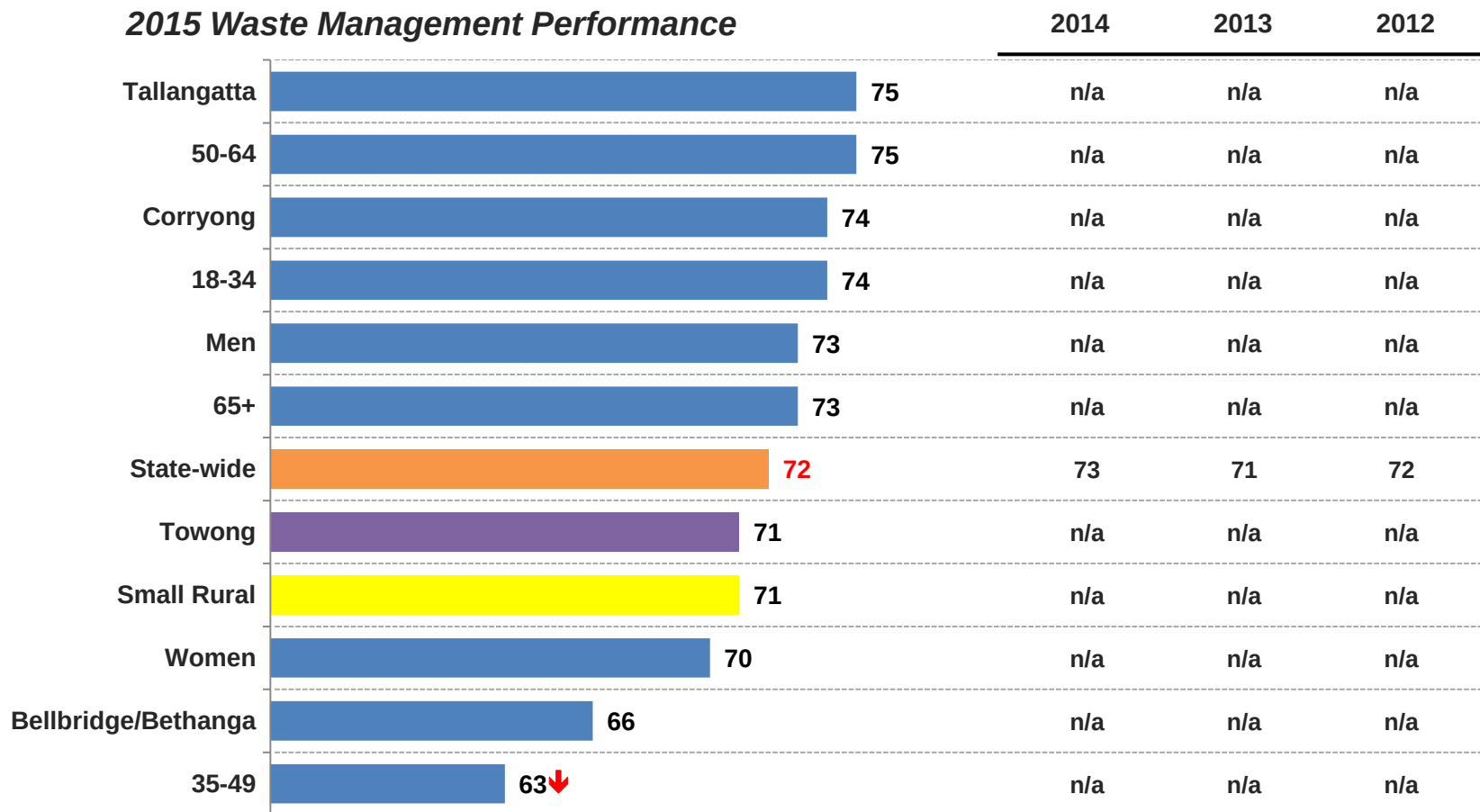


Q2. How has Council performed on 'Art Centres and Libraries' over the last 12 months?

Base: All respondents. Councils asked State-wide: 26 Councils asked group: 5



2015 WASTE MANAGEMENT PERFORMANCE INDEX SCORES

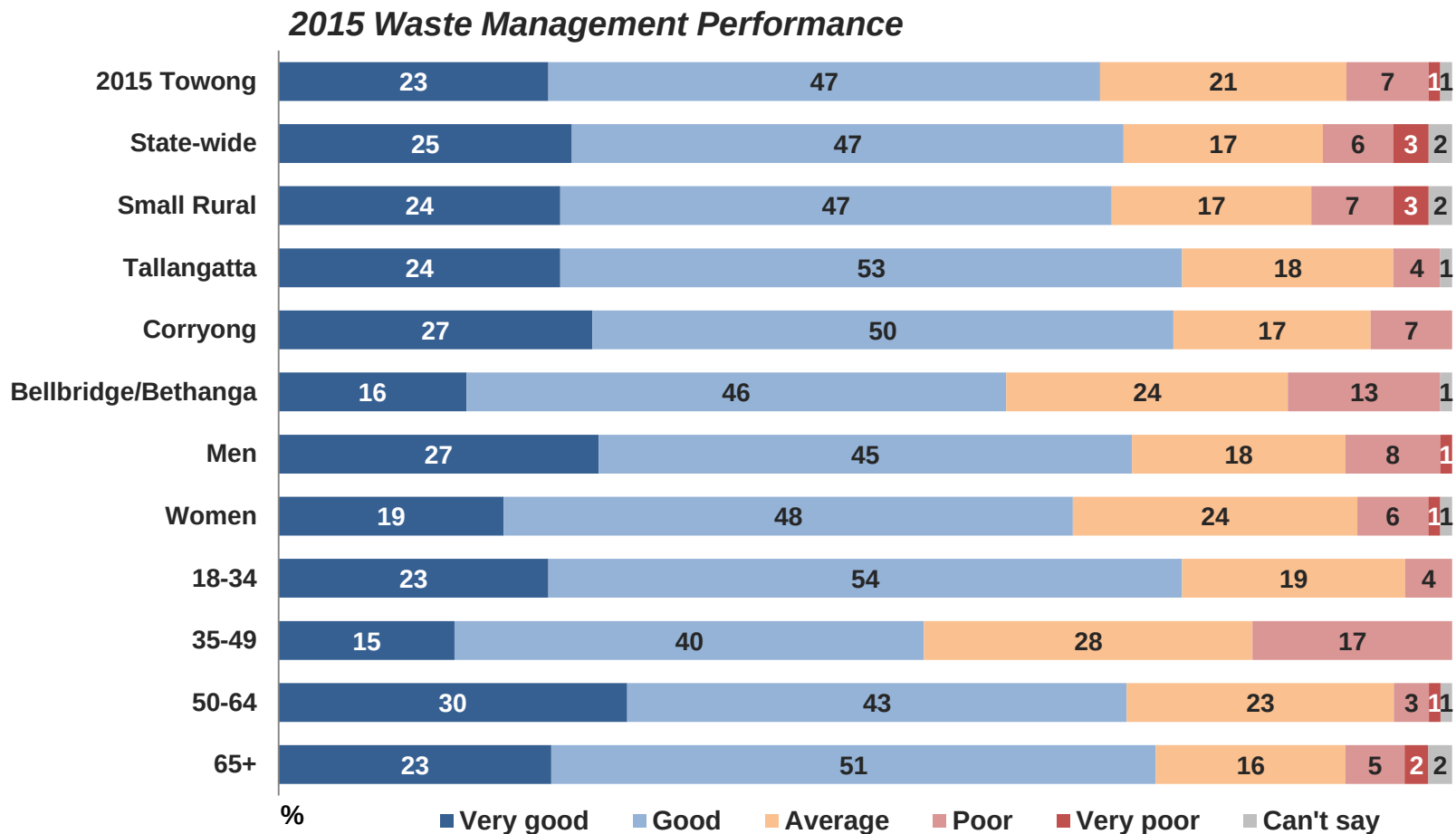


Q2. How has Council performed on 'Waste Management' over the last 12 months?

Base: All respondents. Councils asked State-wide: 45 Councils asked group: 11

Note: Please see slide 5 for explanation about significant differences

2015 WASTE MANAGEMENT PERFORMANCE DETAILED PERCENTAGES

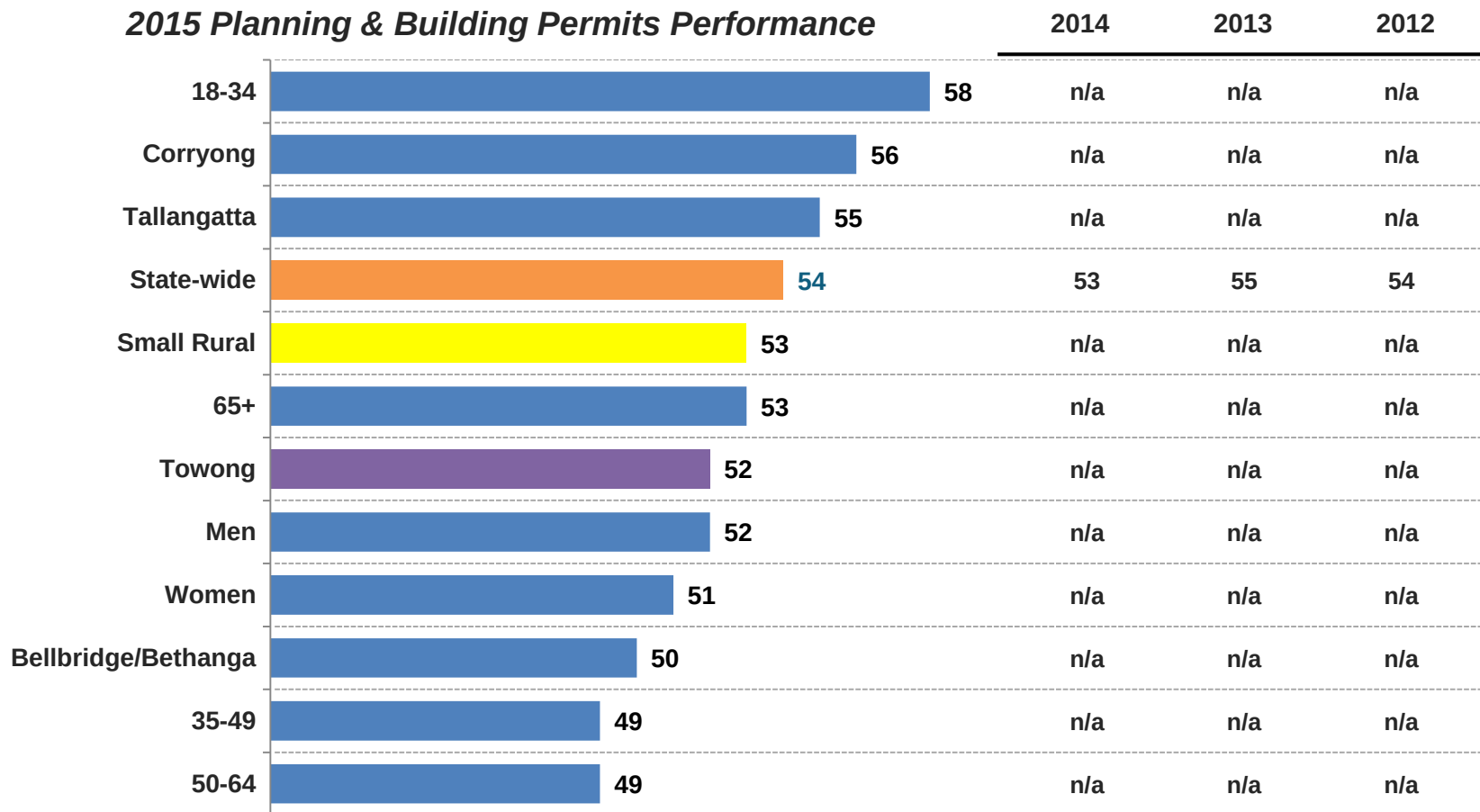


Q2. How has Council performed on 'Waste Management' over the last 12 months?

Base: All respondents. Councils asked State-wide: 45 Councils asked group: 11



2015 PLANNING AND BUILDING PERMITS PERFORMANCE INDEX SCORES



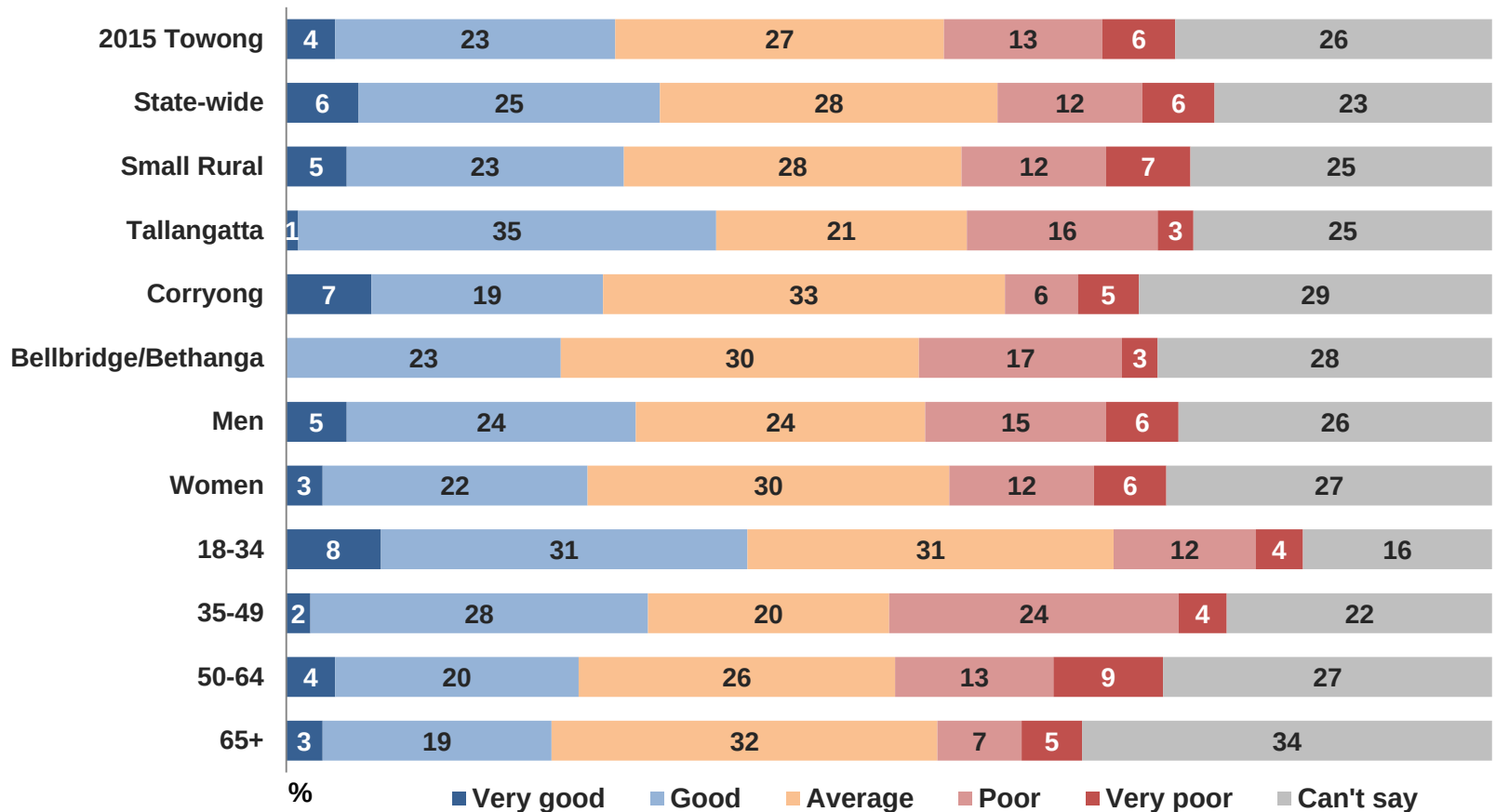
Q2. How has Council performed on 'Planning and Building Permits' over the last 12 months?

Base: All respondents. Councils asked State-wide: 28 Councils asked group: 8

Note: Please see slide 5 for explanation about significant differences

2015 PLANNING AND BUILDING PERMITS PERFORMANCE DETAILED PERCENTAGES

2015 Planning & Building Permits Performance

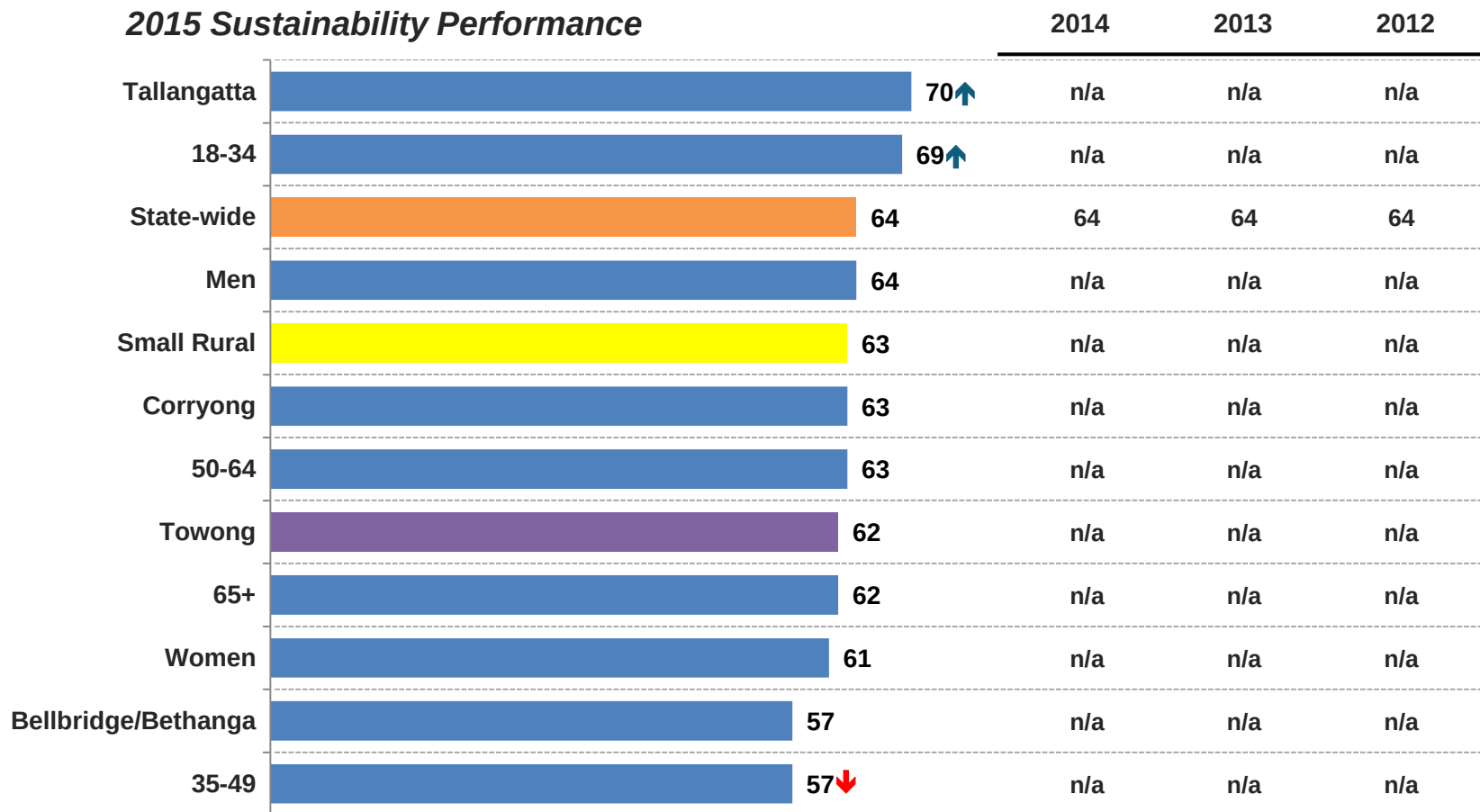


Q2. How has Council performed on 'Planning and Building Permits' over the last 12 months?

Base: All respondents. Councils asked State-wide: 28 Councils asked group: 8



2015 ENVIRONMENTAL SUSTAINABILITY PERFORMANCE INDEX SCORES



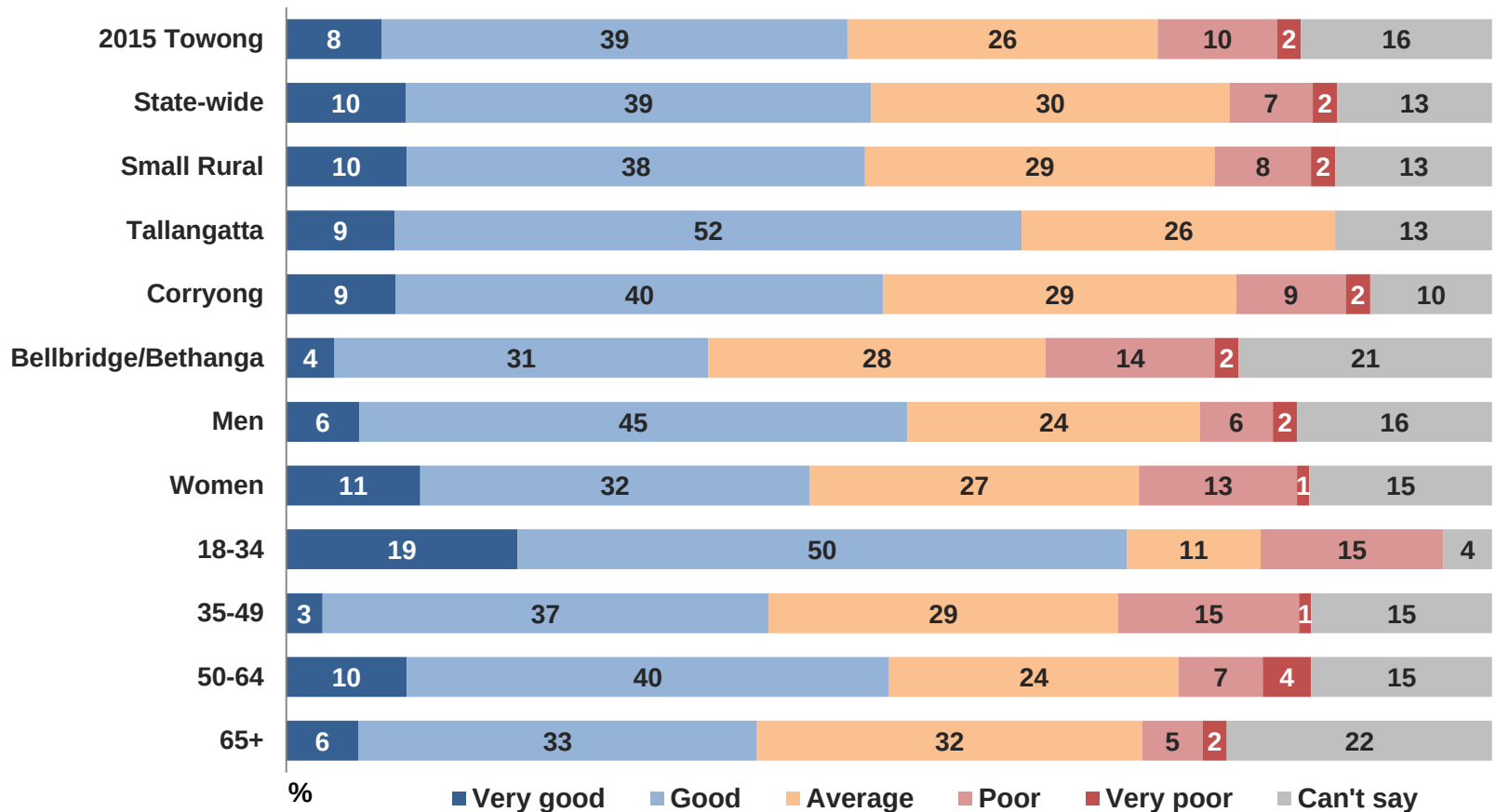
Q2. How has Council performed on 'Environmental Sustainability' over the last 12 months?

Base: All respondents. Councils asked State-wide: 29 Councils asked group: 4

Note: Please see slide 5 for explanation about significant differences

2015 ENVIRONMENTAL SUSTAINABILITY PERFORMANCE DETAILED PERCENTAGES

2015 Sustainability Performance

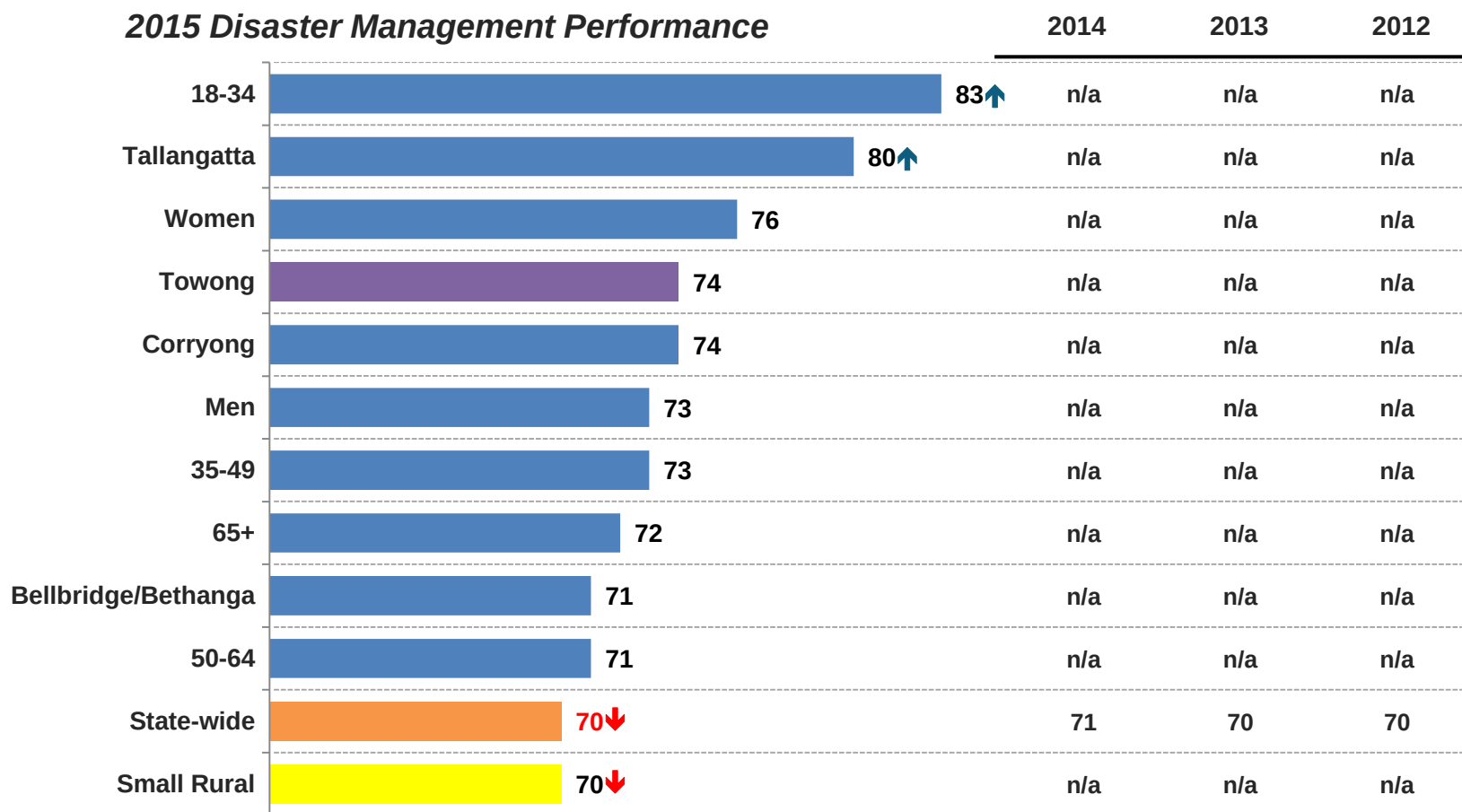


Q2. How has Council performed on 'Environmental Sustainability' over the last 12 months?

Base: All respondents. Councils asked State-wide: 29 Councils asked group: 4



2015 EMERGENCY AND DISASTER MANAGEMENT PERFORMANCE INDEX SCORES



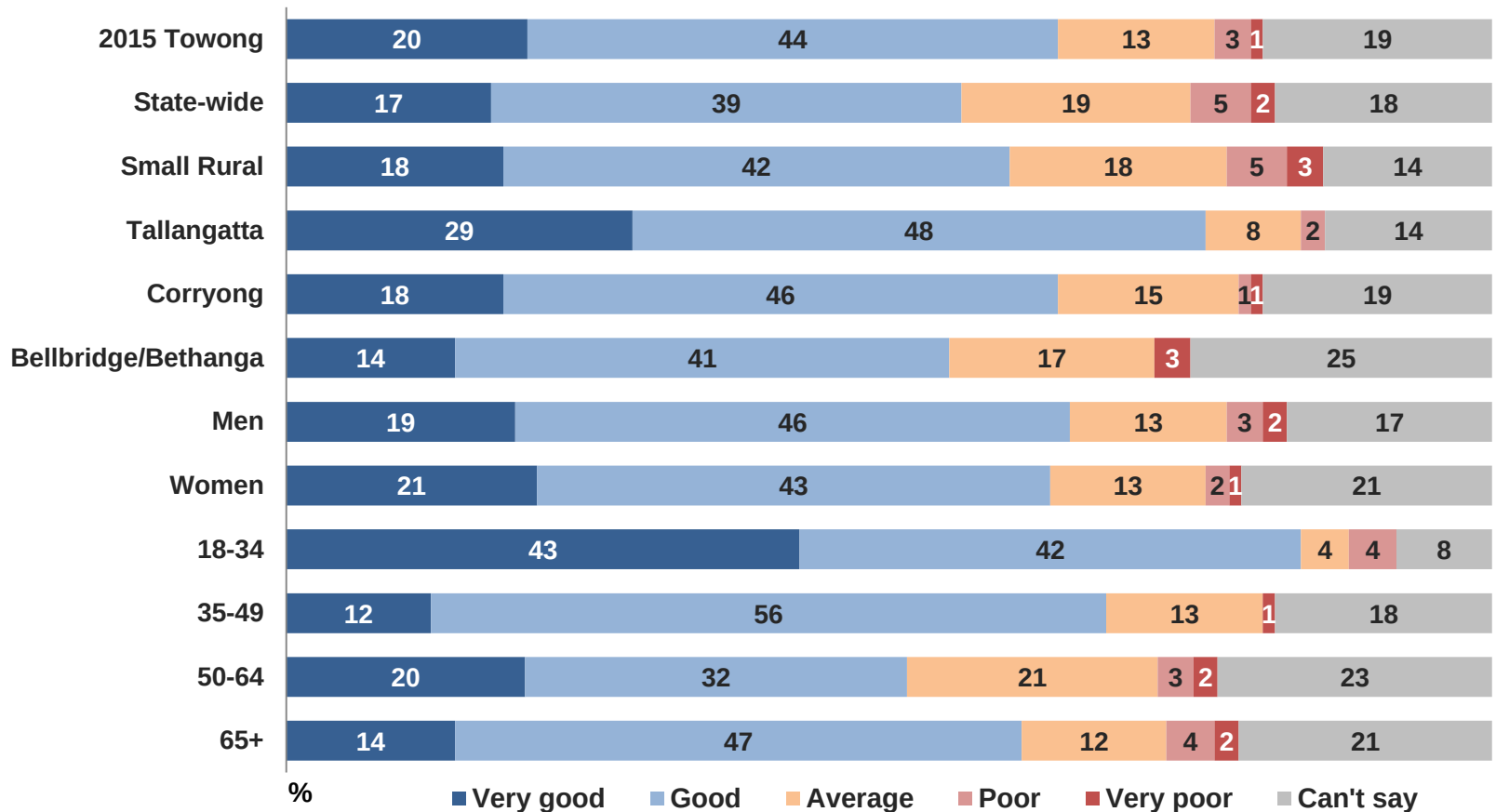
Q2. How has Council performed on 'Emergency and Disaster Management' over the last 12 months?

Base: All respondents. Councils asked State-wide: 22 Councils asked group: 5

Note: Please see slide 5 for explanation about significant differences

2015 EMERGENCY AND DISASTER MANAGEMENT PERFORMANCE DETAILED PERCENTAGES

2015 Disaster Management Performance

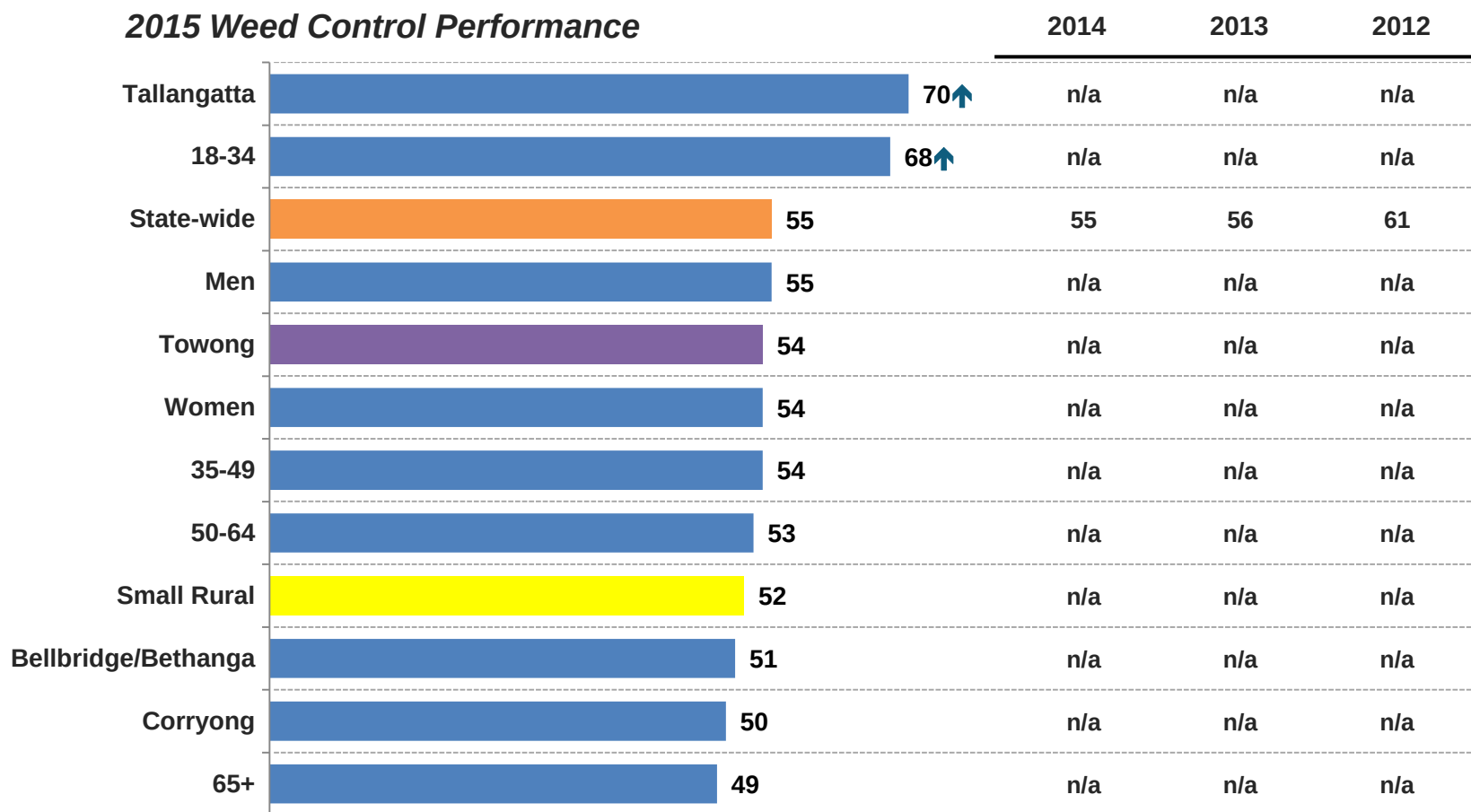


Q2. How has Council performed on 'Emergency and Disaster Management' over the last 12 months?

Base: All respondents. Councils asked State-wide: 22 Councils asked group: 5



2015 ROADSIDE SLASHING AND WEED CONTROL PERFORMANCE INDEX SCORES



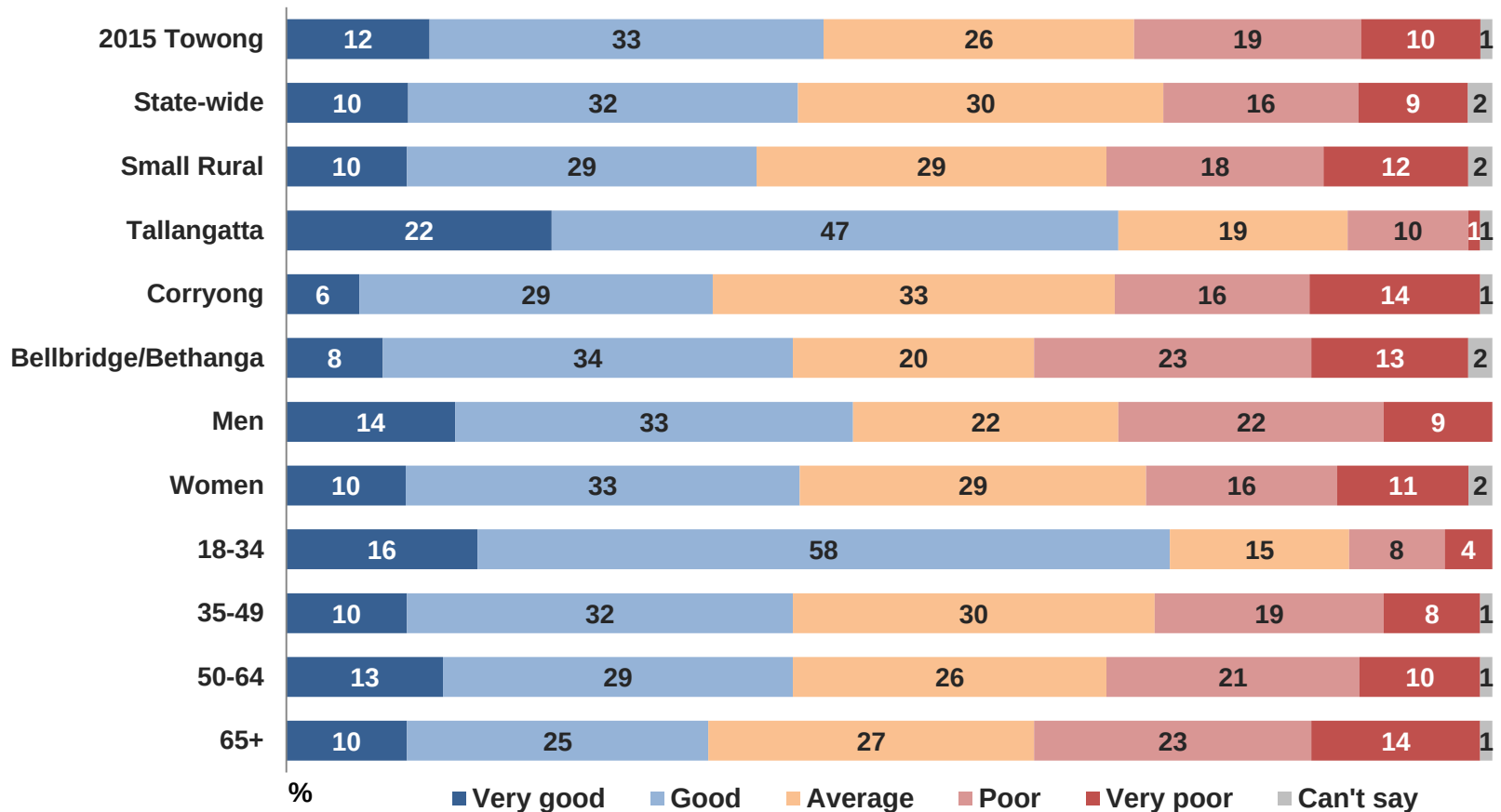
Q2. How has Council performed on 'Roadside slashing and weed control' over the last 12 months?

Base: All respondents. Councils asked State-wide: 13 Councils asked group: 3

Note: Please see slide 5 for explanation about significant differences

2015 ROADSIDE SLASHING AND WEED CONTROL PERFORMANCE DETAILED PERCENTAGES

2015 Weed Control Performance



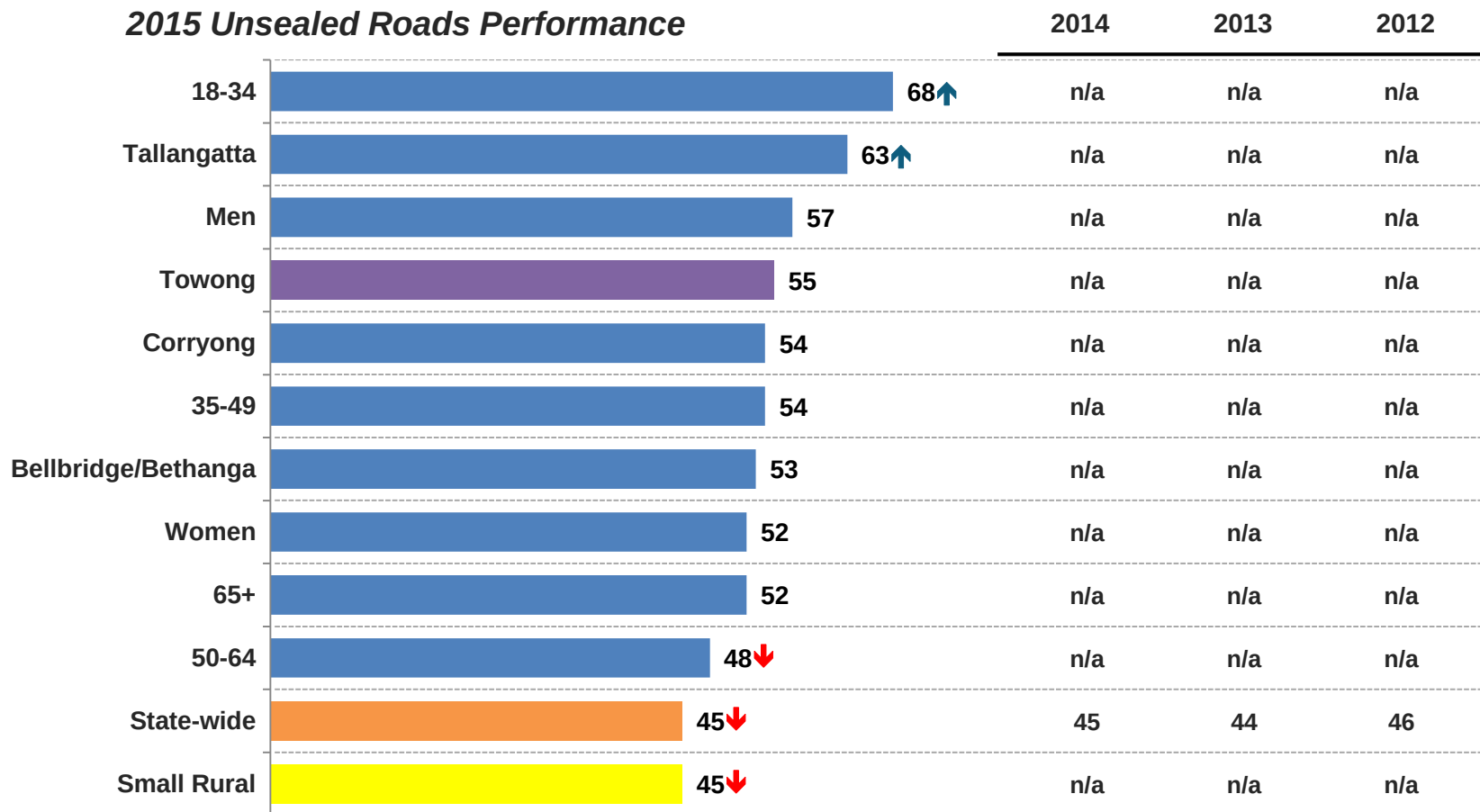
Q2. How has Council performed on 'Roadside slashing and weed control' over the last 12 months?

Base: All respondents. Councils asked State-wide: 13 Councils asked group: 3



2015 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA

PERFORMANCE INDEX SCORES



Q2. How has Council performed on 'Maintenance of unsealed roads in your area' over the last 12 months?

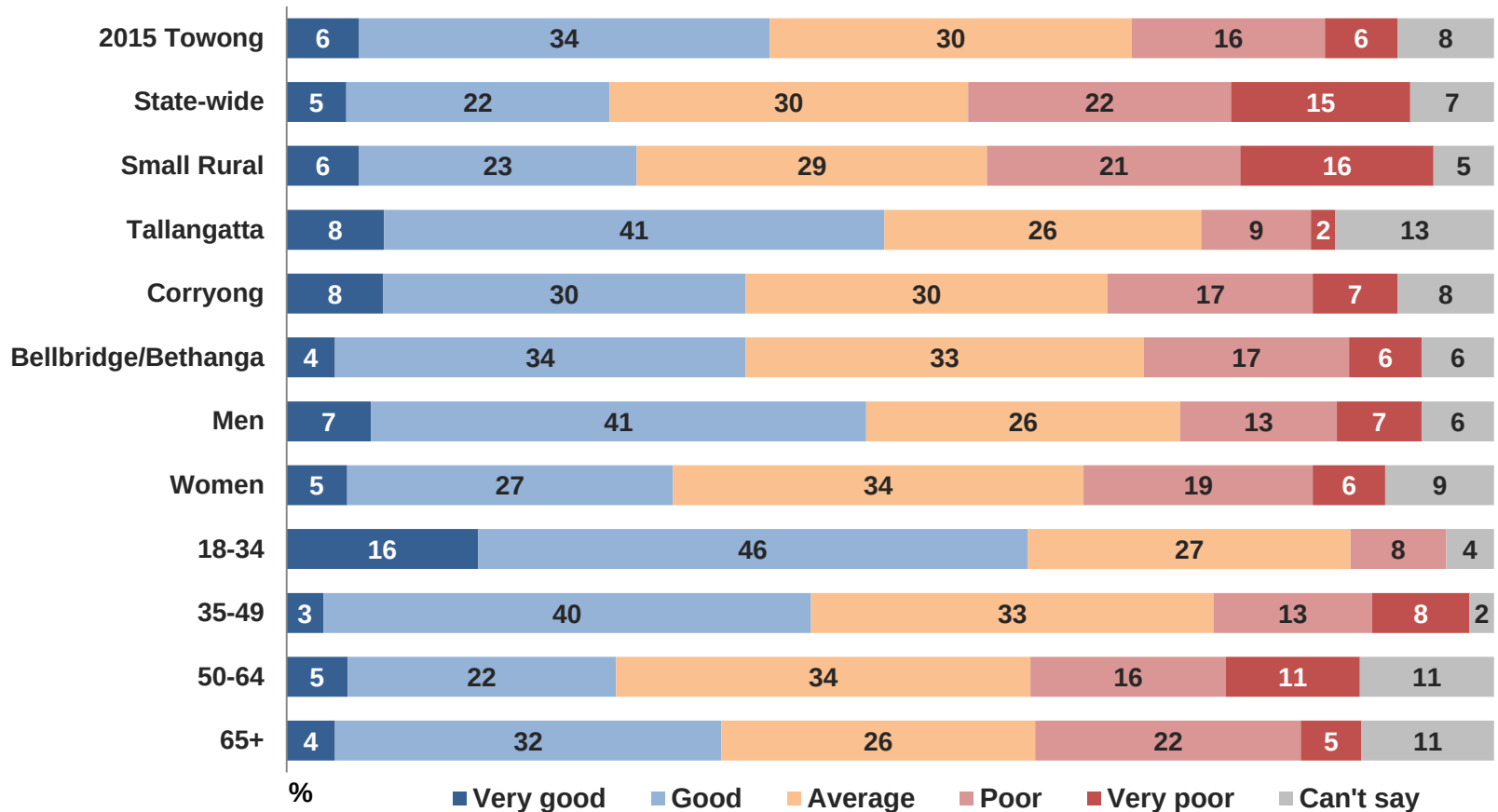
Base: All respondents. Councils asked State-wide: 20 Councils asked group: 8

Note: Please see slide 5 for explanation about significant differences

2015 MAINTENANCE OF UNSEALED ROADS IN YOUR AREA

PERFORMANCE DETAILED PERCENTAGES

2015 Unsealed Roads Performance



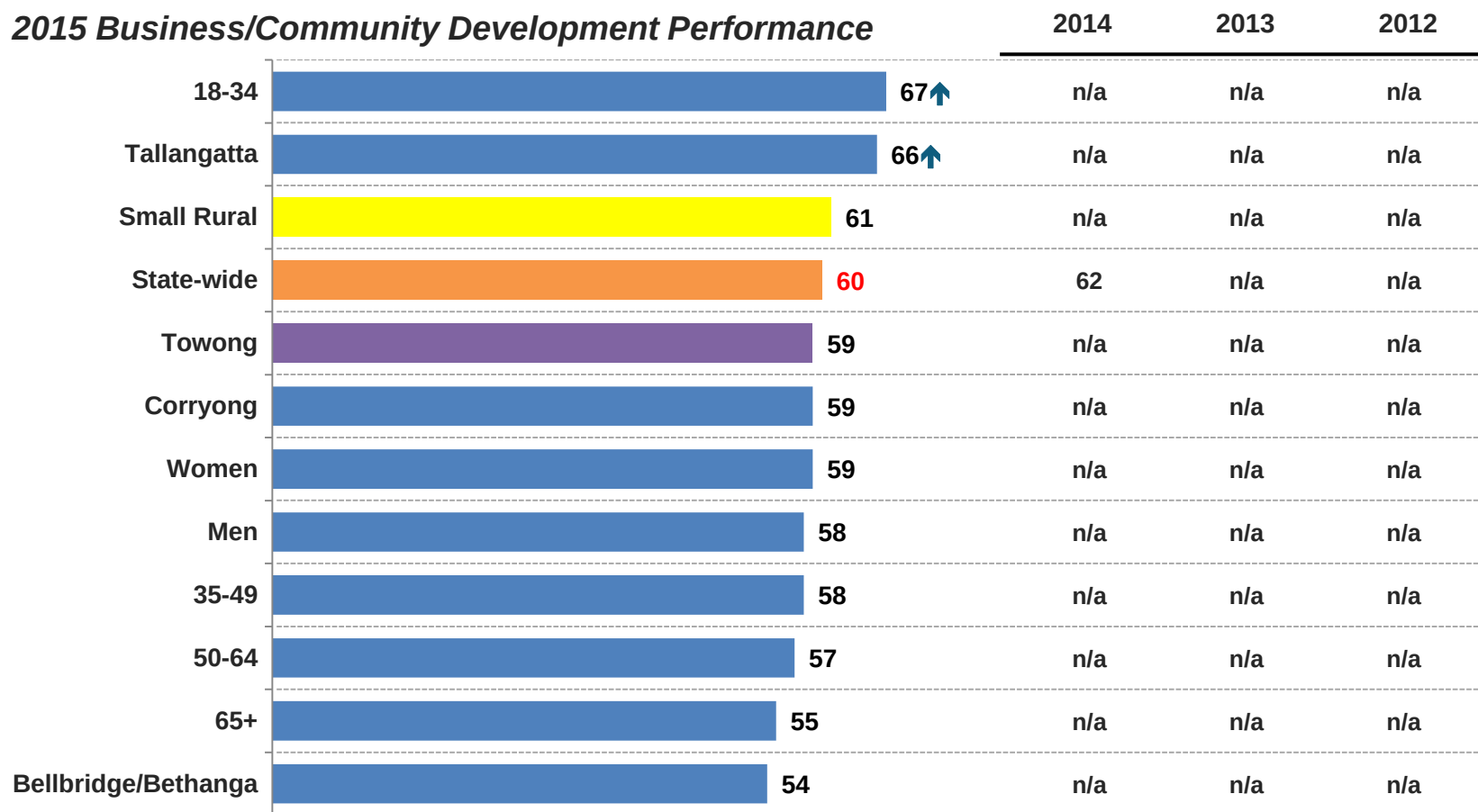
Q2. How has Council performed on 'Maintenance of unsealed roads in your area' over the last 12 months?

Base: All respondents. Councils asked State-wide: 20 Councils asked group: 8



2015 BUSINESS AND COMMUNITY DEVELOPMENT PERFORMANCE INDEX SCORES

2015 Business/Community Development Performance



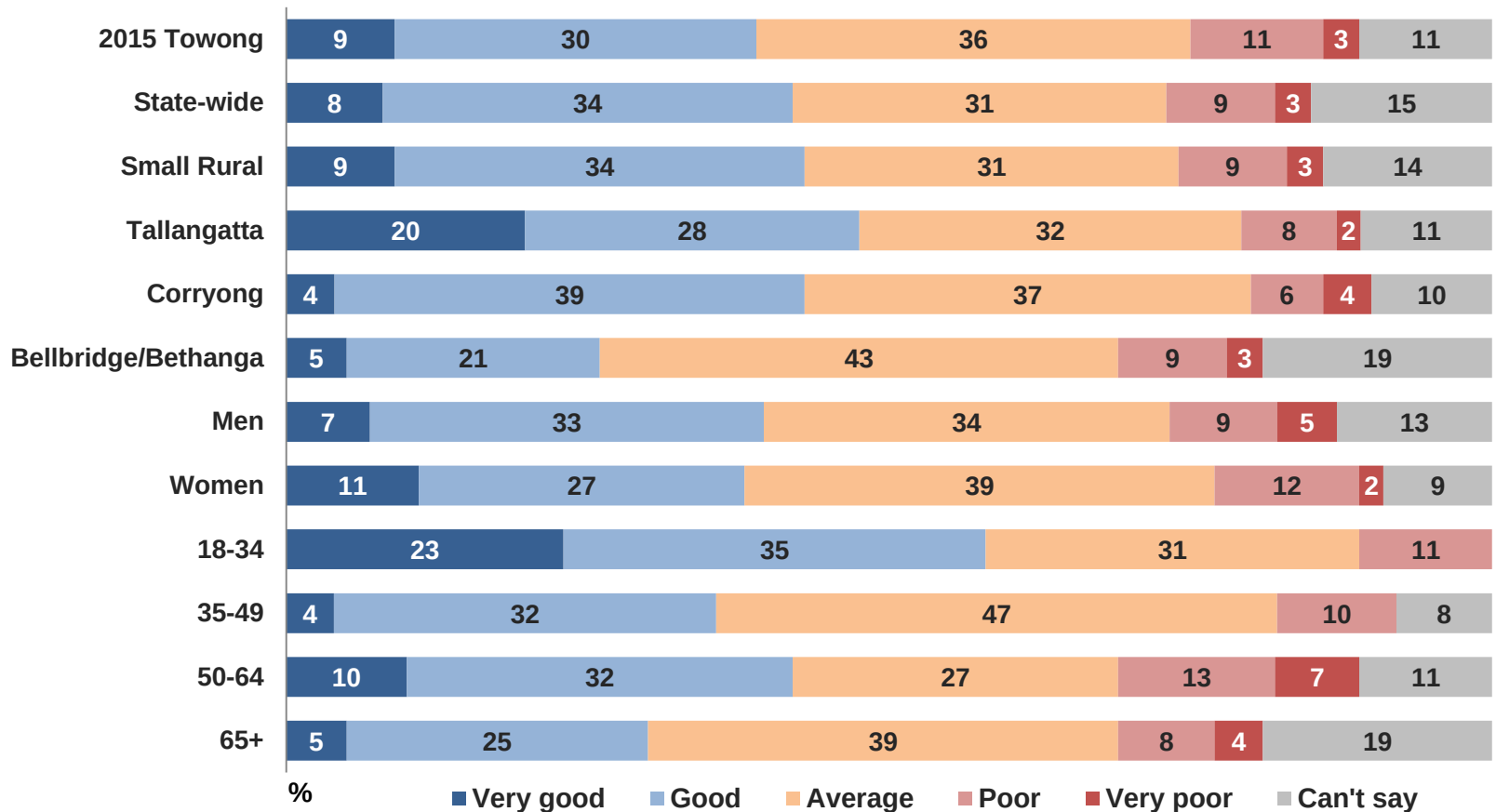
Q2. How has Council performed on 'Business and community development' over the last 12 months?

Base: All respondents. Councils asked State-wide: 13 Councils asked group: 2

Note: Please see slide 5 for explanation about significant differences

2015 BUSINESS AND COMMUNITY DEVELOPMENT PERFORMANCE DETAILED PERCENTAGES

2015 Business/Community Development Performance

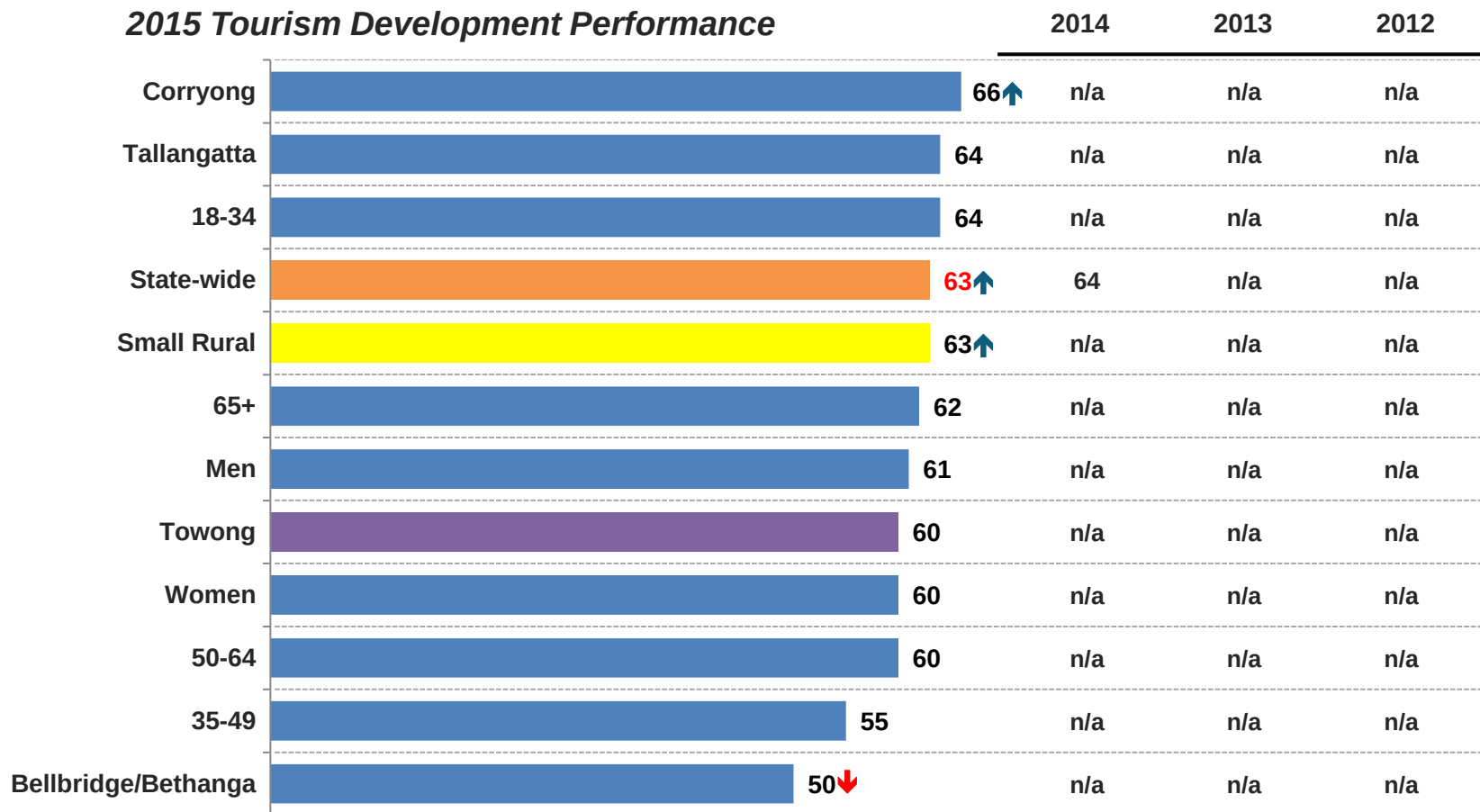


Q2. How has Council performed on 'Business and community development' over the last 12 months?

Base: All respondents. Councils asked State-wide: 13 Councils asked group: 2



2015 TOURISM DEVELOPMENT PERFORMANCE INDEX SCORES



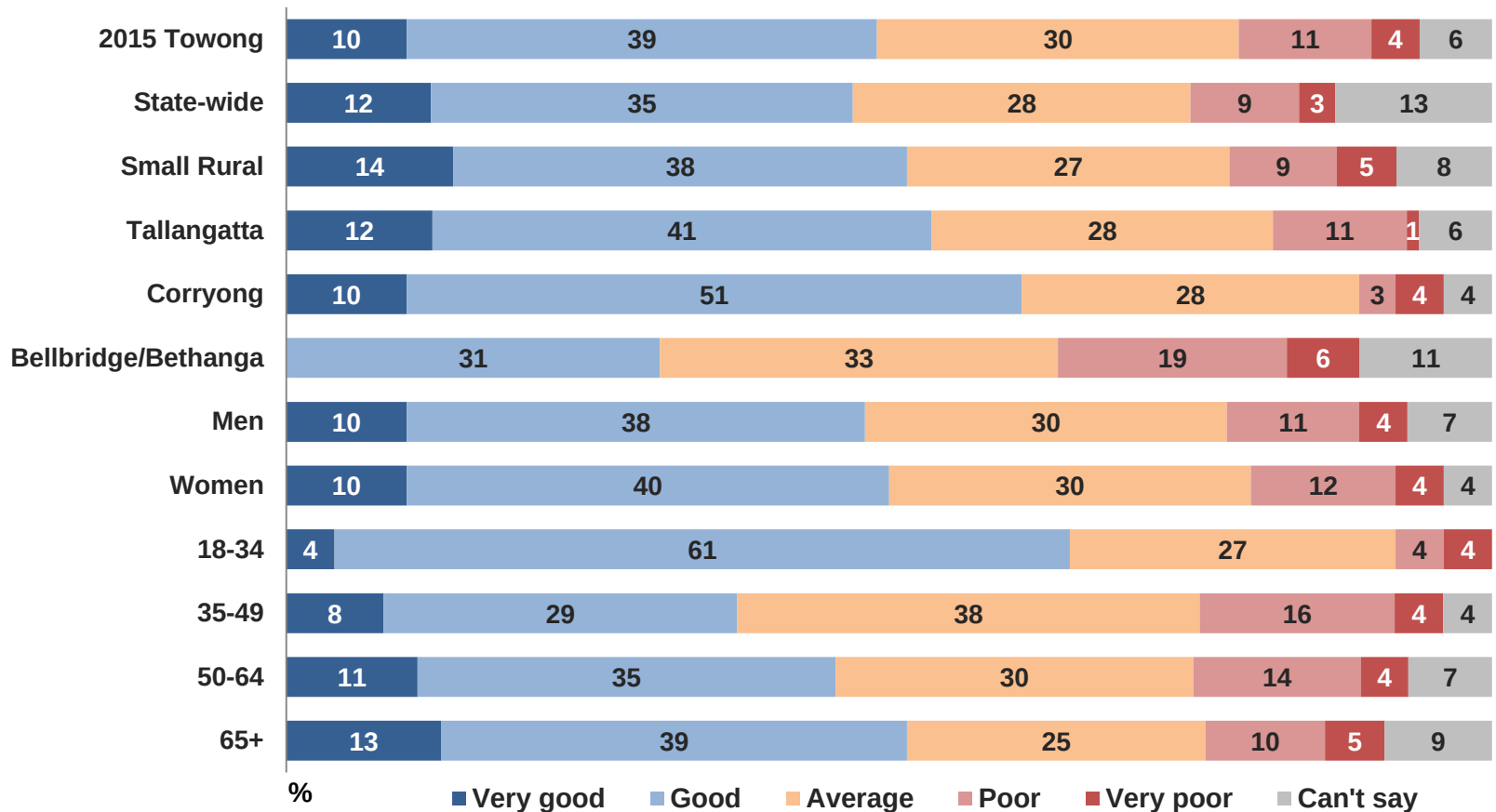
Q2. How has Council performed on 'Tourism development' over the last 12 months?

Base: All respondents. Councils asked State-wide: 12 Councils asked group: 3

Note: Please see slide 5 for explanation about significant differences

2015 TOURISM DEVELOPMENT PERFORMANCE DETAILED PERCENTAGES

2015 Tourism Development Performance



Q2. How has Council performed on 'Tourism development' over the last 12 months?

Base: All respondents. Councils asked State-wide: 12 Councils asked group: 3

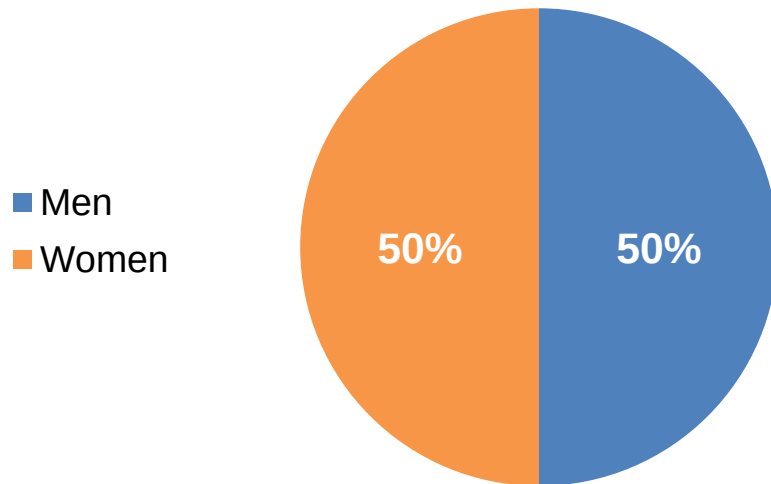


A satellite night map of South America, showing the continent's outline against a dark background. The landmass is illuminated by a dense network of yellow and white lights, representing cities and urban areas. The lights are most concentrated in the eastern and central parts of the continent, with several bright, large clusters indicating major metropolitan areas. The surrounding oceans are dark blue, and the overall image has a high-contrast, digital aesthetic.

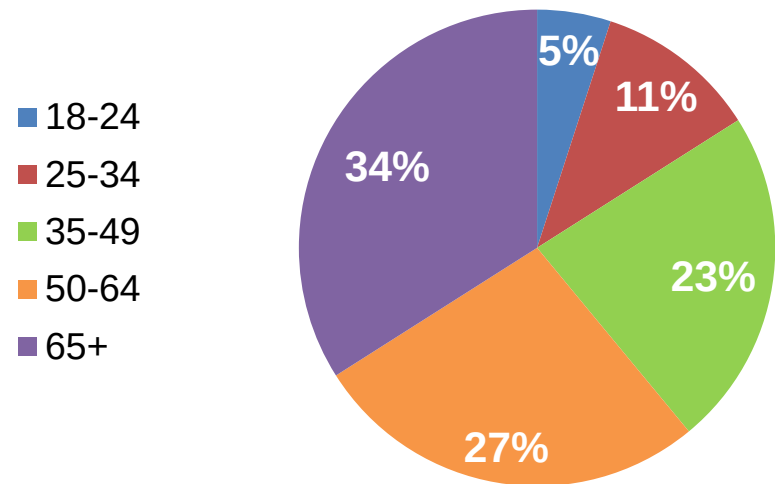
DETAILED DEMOGRAPHICS

2015 GENDER AND AGE PROFILE

Gender



Age



Please note that for the reason of simplifying reporting, interlocking age and gender reporting has not been included in this report. Interlocking age and gender analysis is still available in the dashboard and data tables provided alongside this report.

A satellite night view of South America, showing the continent's outline and the glowing lights of its cities and road networks against the dark background of the night sky and surrounding oceans.

APPENDIX A: DETAILED SURVEY TABULATIONS

AVAILABLE IN SUPPLIED EXCEL FILE

A satellite night map of South America, showing the continent's outline against a dark background. The landmass is covered with a dense network of glowing yellow and white lines representing city lights and urban areas. The surrounding oceans are dark blue. The text "APPENDIX B: FURTHER PROJECT INFORMATION" is overlaid in white, bold, sans-serif font on the left side of the map.

APPENDIX B: FURTHER PROJECT INFORMATION

APPENDIX B:

BACKGROUND AND OBJECTIVES

The survey was revised in 2012. As a result:

- The survey is now conducted as a representative random probability survey of residents aged 18 years or over in local councils, whereas previously it was conducted as a ‘head of household’ survey.
- As part of the change to a representative resident survey, results are now weighted post survey to the known population distribution of Towong Shire Council according to the most recently available Australian Bureau of Statistics population estimates, whereas the results were previously not weighted.
- The service responsibility area performance measures have changed significantly and the rating scale used to assess performance has also changed.

As such, the results of the 2012 State-wide Local Government Community Satisfaction Survey should be considered as a benchmark. Please note that comparisons should not be made with the State-wide Local Government Community Satisfaction Survey results from 2011 and prior due to the methodological and sampling changes. **Comparisons in the period 2012-2015 have been made throughout this report as appropriate.**

APPENDIX B:

MARGINS OF ERROR

The sample size for the 2015 State-wide Local Government Community Satisfaction Survey for Towong Shire Council was n=409. Unless otherwise noted, this is the total sample base for all reported charts and tables.

The maximum margin of error on a sample of approximately n=409 interviews is +/-4.6% at the 95% confidence level for results around 50%. Margins of error will be larger for any sub-samples. As an example, a result of 50% can be read confidently as falling midway in the range 45.4% - 54.6%.

Maximum margins of error are listed in the table below, based on a population of 5,000 people aged 18 years or over for Towong Shire Council, according to ABS estimates.

Demographic	Actual survey sample size	Weighted base	Maximum margin of error at 95% confidence interval
Towong Shire Council	409	400	+/-4.6
Men	194	201	+/-6.9
Women	215	199	+/-6.5
Tallangatta	82	89	+/-10.8
Corryong	113	110	+/-9.1
Bellbridge/Bethanga	79	72	+/-11.0
18-34 years	26	65	+/-19.5
35-49 years	66	93	+/-12.1
50-64 years	140	107	+/-8.2
65+ years	177	135	+/-7.2

APPENDIX B:

ANALYSIS AND REPORTING

All participating councils are listed in the State-wide report published on the DELWP website. In 2015, 69 of the 79 Councils throughout Victoria participated in this survey. For consistency of analysis and reporting across all projects, Local Government Victoria has aligned its presentation of data to use standard council groupings. Accordingly, the council reports for the community satisfaction survey provide analysis using these standard council groupings. Please note that councils participating in 2012, 2013 and 2014 vary slightly to those participating in 2015.

Council Groups

Towong Shire Council is classified as a Small Rural council according to the following classification list:

- Metropolitan, Interface, Regional Centres, Large Rural & Small Rural

Councils participating in the Small Rural group are: Alpine, Ararat, Benalla, Buloke, Central Goldfields, Gannawarra, Hepburn, Hindmarsh, Indigo, Loddon, Mansfield, Murrindindi, Pyrenees, Queenscliffe, Strathbogie, Towong, West Wimmera and Yarriambiack.

Wherever appropriate, results for Towong Shire Council for this 2015 State-wide Local Government Community Satisfaction Survey have been compared against other participating councils in the Small Rural group and on a State-wide basis. Please note however, that council groupings have changed for 2015. As such, comparisons to previous council group results can not be made within the reported charts. For comparisons with previous groupings, please contact JWS Research.

APPENDIX B:

ANALYSIS AND REPORTING

Index Scores

Many questions ask respondents to rate council performance on a five-point scale, for example, from ‘very good’ to ‘very poor’, with ‘can’t say’ also a possible response category. To facilitate ease of reporting and comparison of results over time, starting from the 2012 benchmark survey and measured against the State-wide result and the council group, an ‘Index Score’ has been calculated for such measures.

The Index Score is calculated and represented as a score out of 100 (on a 0 to 100 scale), with ‘can’t say’ responses excluded from the analysis. The ‘% RESULT’ for each scale category is multiplied by the ‘INDEX FACTOR’. This produces an ‘INDEX VALUE’ for each category, which are then summed to produce the ‘INDEX SCORE’, equating to ‘60’ in the following example.

SCALE CATEGORIES	% RESULT	INDEX FACTOR	INDEX VALUE
Very good	9%	100	9
Good	40%	75	30
Average	37%	50	19
Poor	9%	25	2
Very poor	4%	0	0
Can’t say	1%	--	INDEX SCORE 60

APPENDIX B:

ANALYSIS AND REPORTING

Similarly, an Index Score has been calculated for the Core question 'Performance direction in the last 12 months', based on the following scale for each performance measure category, with 'Can't say' responses excluded from the calculation.

SCALE CATEGORIES	% RESULT	INDEX FACTOR	INDEX VALUE
Improved	36%	100	36
Stayed the same	40%	50	20
Deteriorated	23%	0	0
Can't say	1%	--	INDEX SCORE 56

APPENDIX B:

INDEX SCORE SIGNIFICANT DIFFERENCE CALCULATION

The test applied to the Indexes was an Independent Mean Test, as follows:

$$Z \text{ Score} = (\$1 - \$2) / \text{Sqrt} ((\$3^2 / \$5) + (\$4^2 / \$6))$$

Where:

- \$1 = Index Score 1
- \$2 = Index Score 2
- \$3 = unweighted sample count 1
- \$4 = unweighted sample count 1
- \$5 = standard deviation 1
- \$6 = standard deviation 2

All figures can be sourced from the detailed cross tabulations.

The test was applied at the 95% confidence interval, so if the Z Score was greater than +/- 1.954 the scores are significantly different.

APPENDIX B:

ANALYSIS AND REPORTING

Core, Optional and Tailored Questions

Over and above necessary geographic and demographic questions required to ensure sample representativeness, a base set of questions for the 2015 State-wide Local Government Community Satisfaction Survey was designated as 'Core' and therefore compulsory inclusions for all participating Councils.

These core questions comprised:

- Overall performance last 12 months (Overall performance)
- Lobbying on behalf of community (Advocacy)
- Community consultation and engagement (Consultation)
- Decisions made in the interest of the community (Making community decisions)
- Condition of sealed local roads (Sealed local roads)
- Contact in last 12 months (Contact)
- Rating of contact (Customer service)
- Overall council direction last 12 months (Council direction)

Reporting of results for these core questions can always be compared against other participating councils in the council group and against all participating councils State-wide. Alternatively, some questions in the 2015 State-wide Local Government Community Satisfaction Survey were optional. Councils also had the ability to ask tailored questions specific only to their council.

APPENDIX B:

ANALYSIS AND REPORTING

Reporting

Every council that participated in the 2015 State-wide Local Government Community Satisfaction Survey receives a customised report. In addition, the state government is supplied with a State-wide summary report of the aggregate results of 'Core' and 'Optional' questions asked across all council areas surveyed.

Tailored questions commissioned by individual councils are reported only to the commissioning council and not otherwise shared unless by express written approval of the commissioning council.

The Overall State-wide Local Government Community Satisfaction Report is available at www.localgovernment.vic.gov.au.

APPENDIX B:

GLOSSARY OF TERMS

Core questions: Compulsory inclusion questions for all councils participating in the CSS.

CSS: 2015 Victorian Local Government Community Satisfaction Survey.

Council group: One of five classified groups, comprising: metropolitan, interface, regional centres, large rural and small rural.

Council group average: The average result for all participating councils in the council group.

Highest / lowest: The result described is the highest or lowest result across a particular demographic sub-group e.g. men, for the specific question being reported. Reference to the result for a demographic sub-group being the highest or lowest does not imply that it is significantly higher or lower, unless this is specifically mentioned.

Index score: A score calculated and represented as a score out of 100 (on a 0 to 100 scale). This score is sometimes reported as a figure in brackets next to the category being described, e.g. men 50+ (60).

Optional questions: Questions which councils had an option to include or not.

Percentages: Also referred to as 'detailed results', meaning the proportion of responses, expressed as a percentage.

Sample: The number of completed interviews, e.g. for a council or within a demographic sub-group.

Significantly higher / lower: The result described is significantly higher or lower than the comparison result based on a statistical significance test at the 95% confidence limit. If the result referenced is statistically higher or lower then this will be specifically mentioned, however not all significantly higher or lower results are referenced in summary reporting.

State-wide average: The average result for all participating councils in the State.

Tailored questions: Individual questions tailored by and only reported to the commissioning council.

Weighting: Weighting factors are applied to the sample for each council based on available age and gender proportions from ABS census information to ensure reported results are proportionate to the actual population of the council, rather than the achieved survey sample.

CR SCALES
CR WORTMANN

THAT:

1. COUNCIL ENDORSE THE PROPOSED BUDGET 2014/15 AS PRESENTED AT APPENDIX 1 WITH AN AMENDED RATE INCREASE OF 5.8%.
2. THE CHIEF EXECUTIVE OFFICER BE AUTHORISED TO:
 - a. GIVE PUBLIC NOTICE OF THE PREPARATION OF THE PROPOSED BUDGET IN ACCORDANCE WITH SECTION 129(1) OF THE LOCAL GOVERNMENT ACT 1989; AND
 - b. MAKE AVAILABLE FOR PUBLIC INSPECTION THE INFORMATION REQUIRED TO BE MADE AVAILABLE BY THE LOCAL GOVERNMENT (PLANNING AND REPORTING) REGULATIONS 2014;
3. A MEETING OF COUNCIL BE HELD ON TUESDAY 5 AUGUST 2014 AT TALLANGATTA TO:
 - a. CONSIDER ANY SUBMISSIONS IN RELATION TO THE PROPOSED BUDGET;
 - b. HEAR ANY PERSON OR THEIR REPRESENTATIVE IN SUPPORT OF THEIR SUBMISSION; AND
 - c. CONSIDER THE ADOPTION OF THE PROPOSED BUDGET.
4. COUNCIL UNDERTAKE EXTENSIVE CONSULTATION AND ENGAGEMENT OVER THE NEXT 12 MONTHS (PRIOR TO THE PREPARATION OF THE 2015/16 BUDGET) REGARDING THE DELIVERY OF SERVICES AND SERVICE LEVELS AND THE EXTREME FINANCIAL CLIMATE WE ARE IN.

CARRIED

There being no further business the meeting closed at 11.53 am.

Cr Mary Fraser OAM 5 August 2014