



# **Tasmanian** Audit Office

Report of the Auditor General, No. 5 of 2017-18

*Volume 3*

## **Local Government Authorities 2017-18**

29 November 2018

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Underlying result  
Operating revenue, including  
rate revenue  
Capital investment  
Cash and financial assets  
Financial sustainability

Individual chapters

Analysis of Glenorchy City  
Council financial position

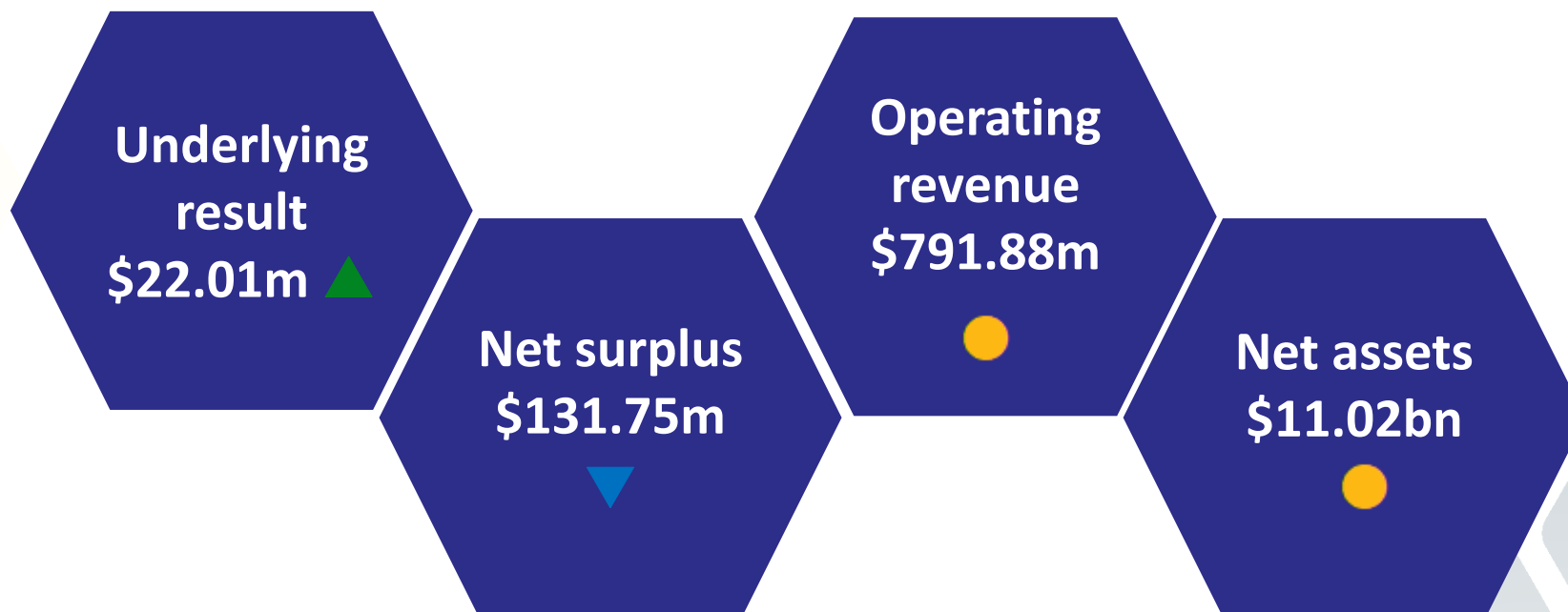
Combined rural council summary

Other local government entities



# Aggregated Financial Report

Council results in aggregate:



▲ Improvement from prior year ▼ Deterioration from prior year ● No material change from prior year.



# Underlying result

## UNDERLYING RESULT

**\$22.01m**

2017-18

▲ **39%**

**\$15.86m**

2016-17

▲ **35%**

**\$11.77m**

2015-16

▲ **58%**

**\$7.43m**

2014-15

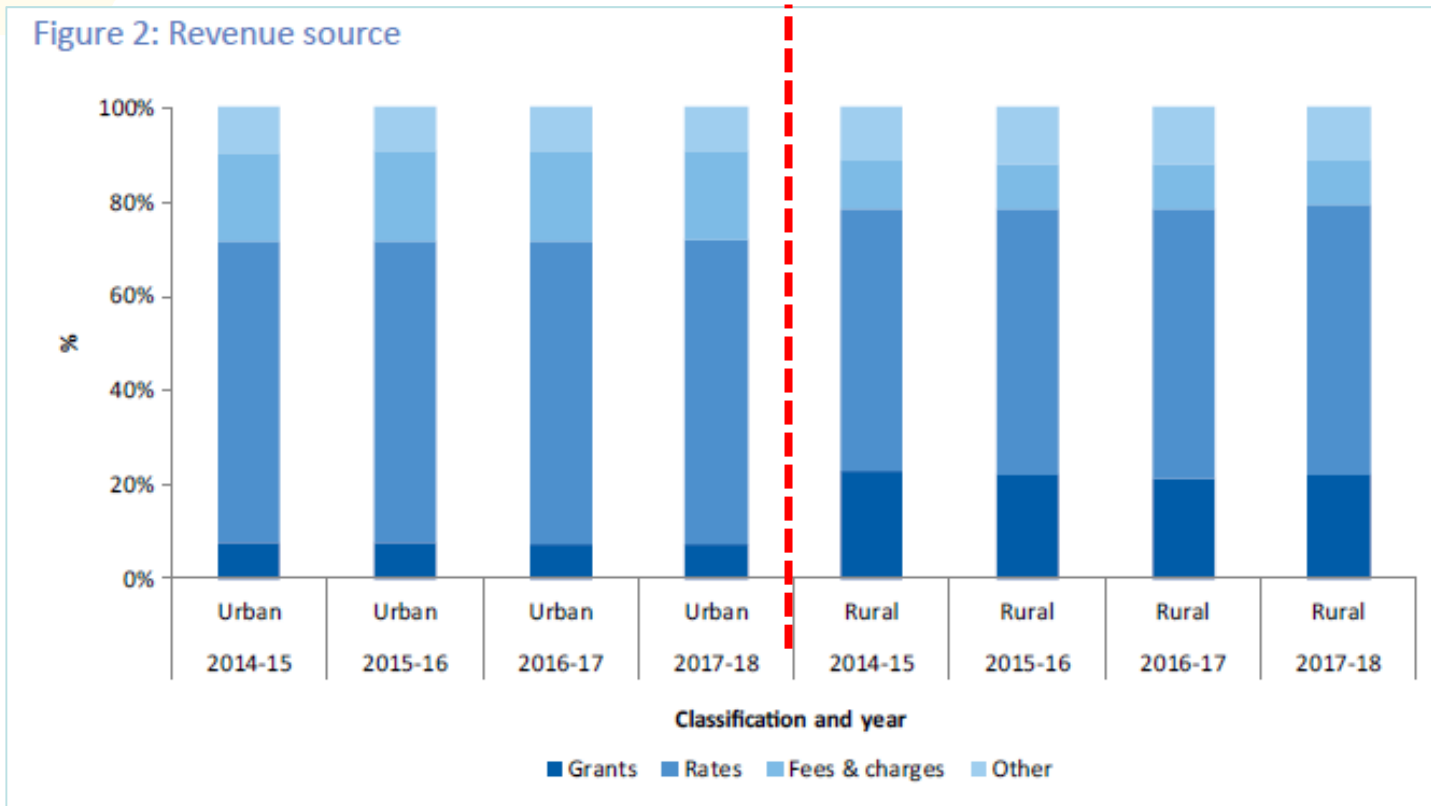
▲ **712%**

▲ Improvement from the previous year ▼ deterioration from the previous year

22 councils generated an Underlying surplus in 2017-18 (23 in 2016-17)



# Operating revenue



# Capital spending to budget

**\$1.04bn**

Total capital spend  
last four years

**\$1.12bn**

Total budgeted capital  
spend last four years

**\$79.70m**

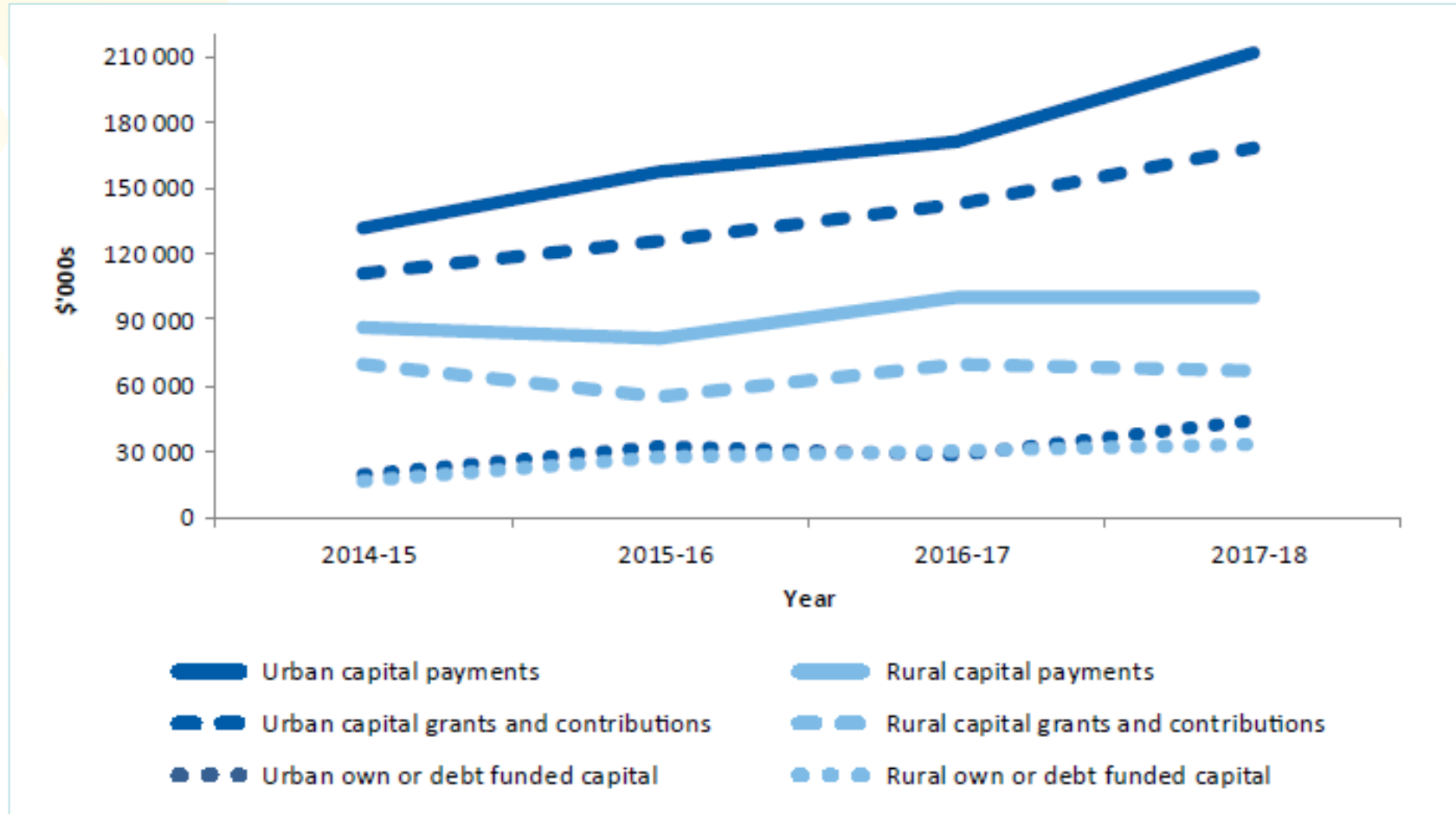
Total spending gap  
last four years

Over the last 4 years:

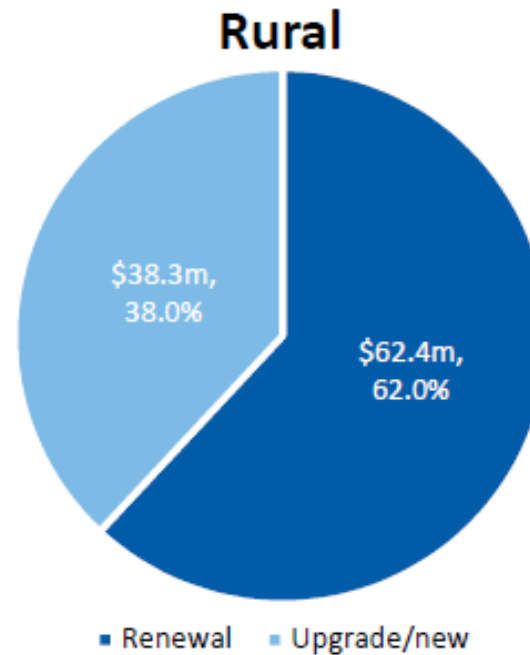
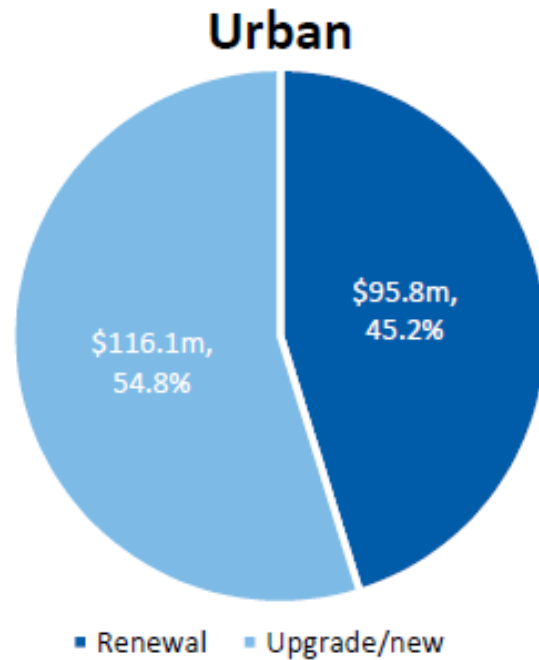
- Councils spent **7.1% below original capital budgets**
- **Rural councils'** capital spend to budget fairly consistent, average of **84.8%**
- **Urban councils'** actual spend, average **100.6%** of budget - offsetting part of the rural spending gap



# Capital spending source



# Capital investment allocation

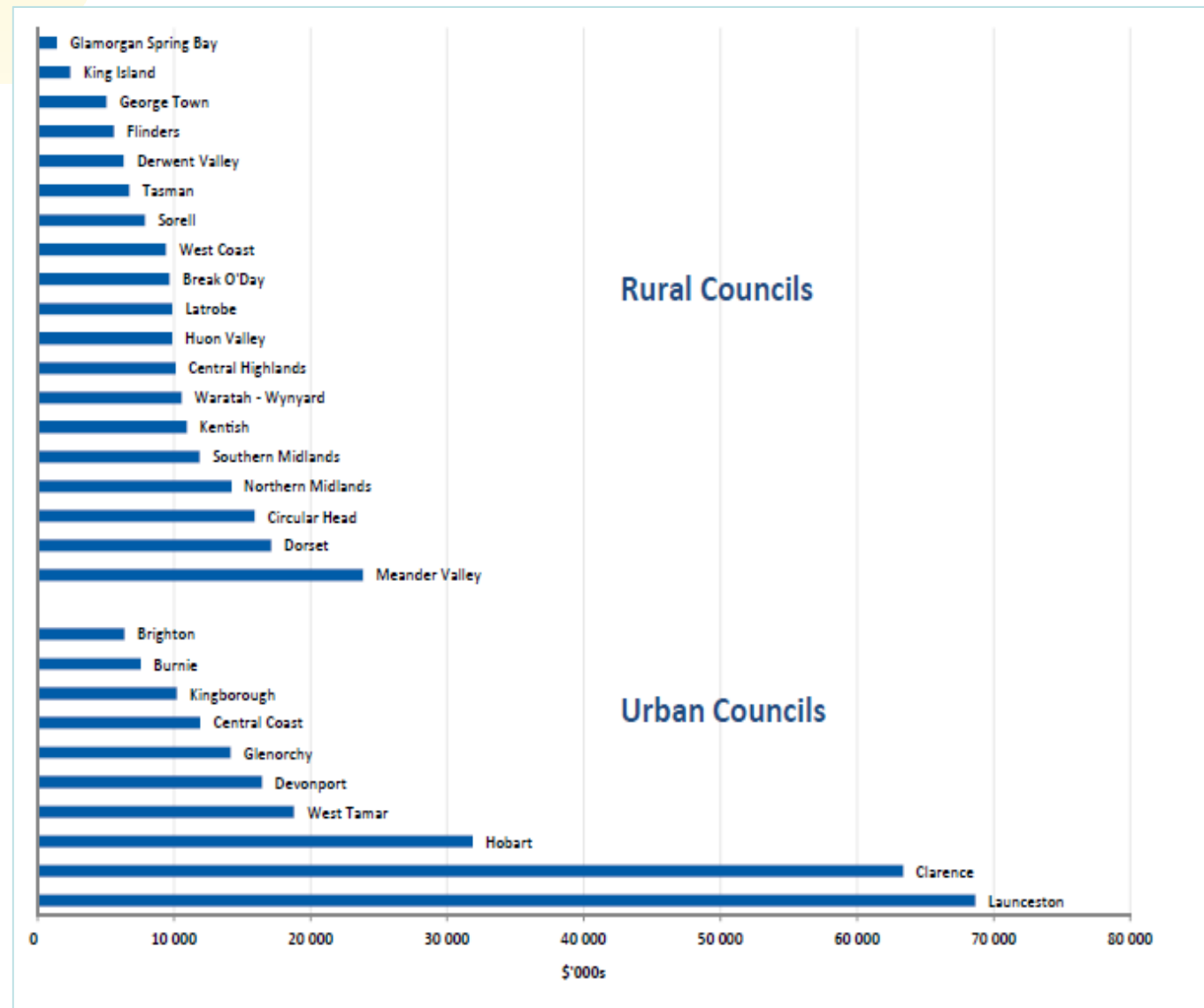




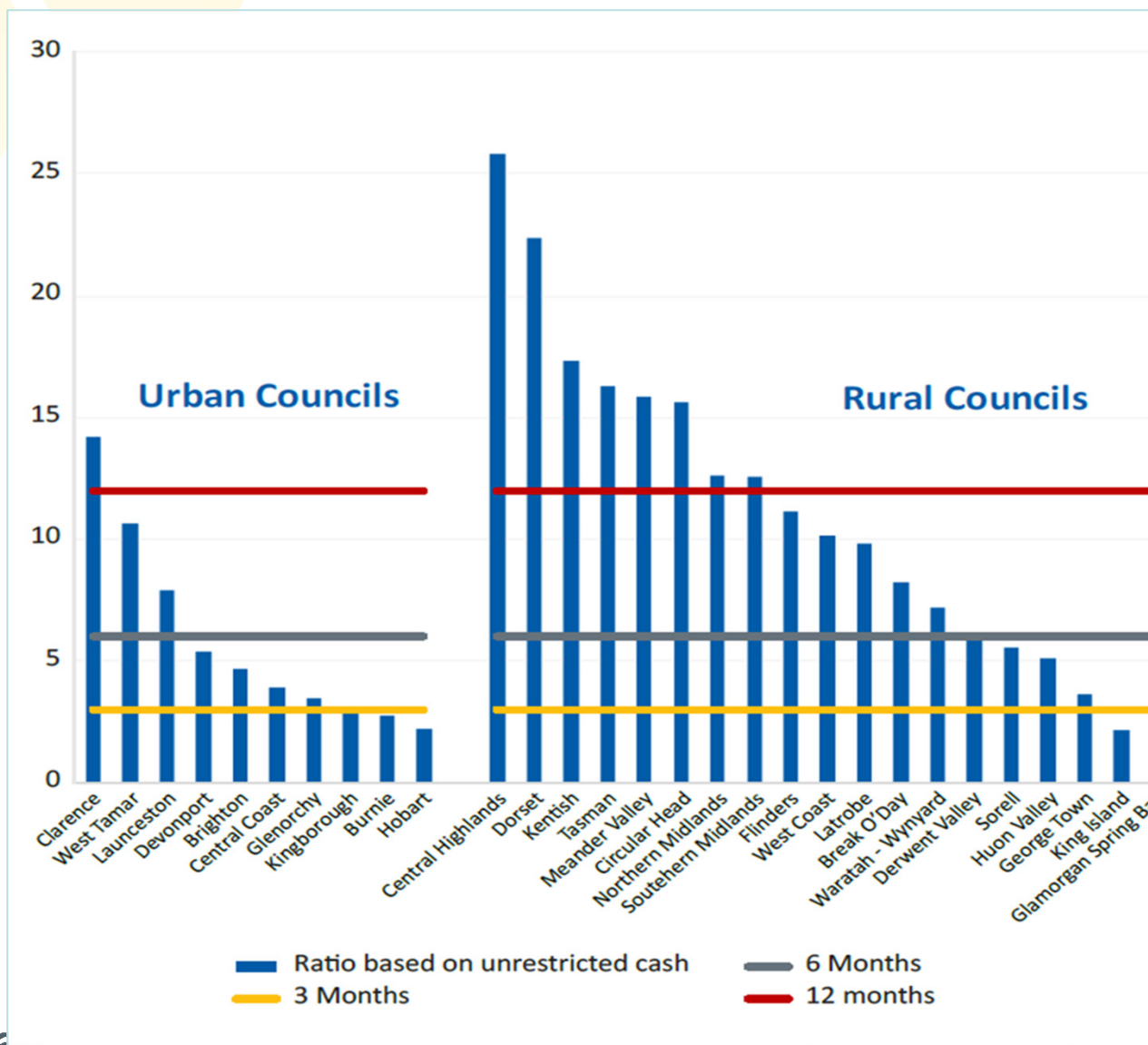
# Cash and financial assets

**\$437.86m**

Cash



# Cash expense cover ratio

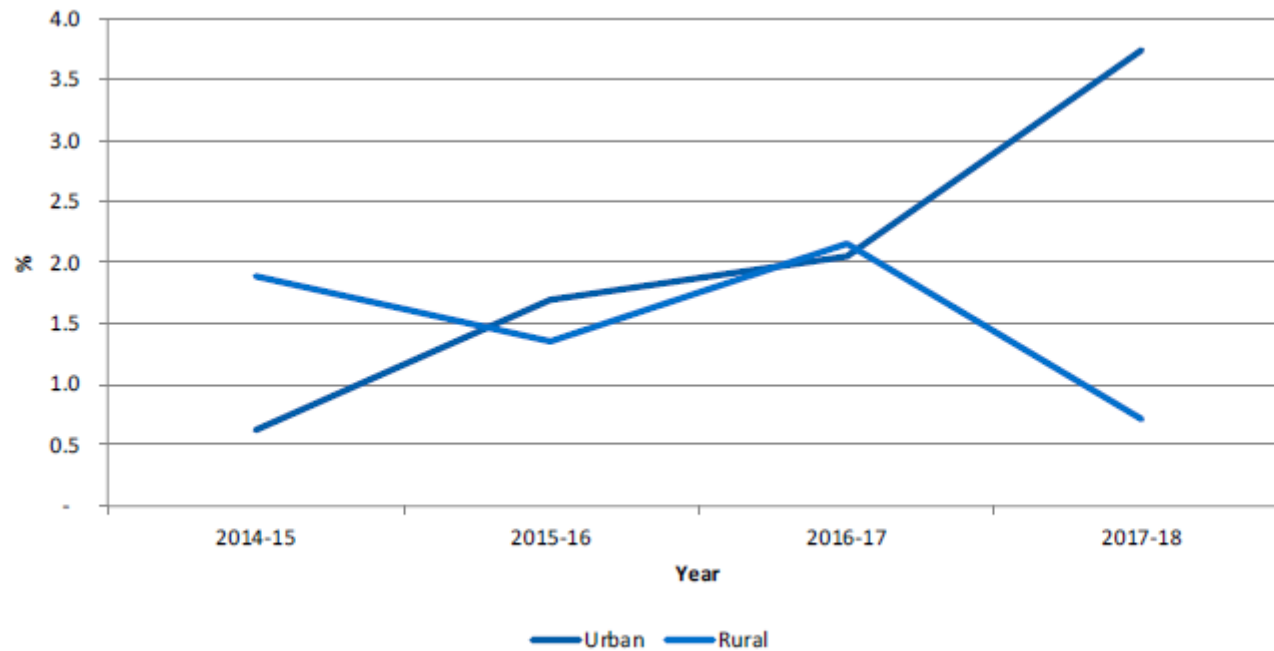


# Financial sustainability

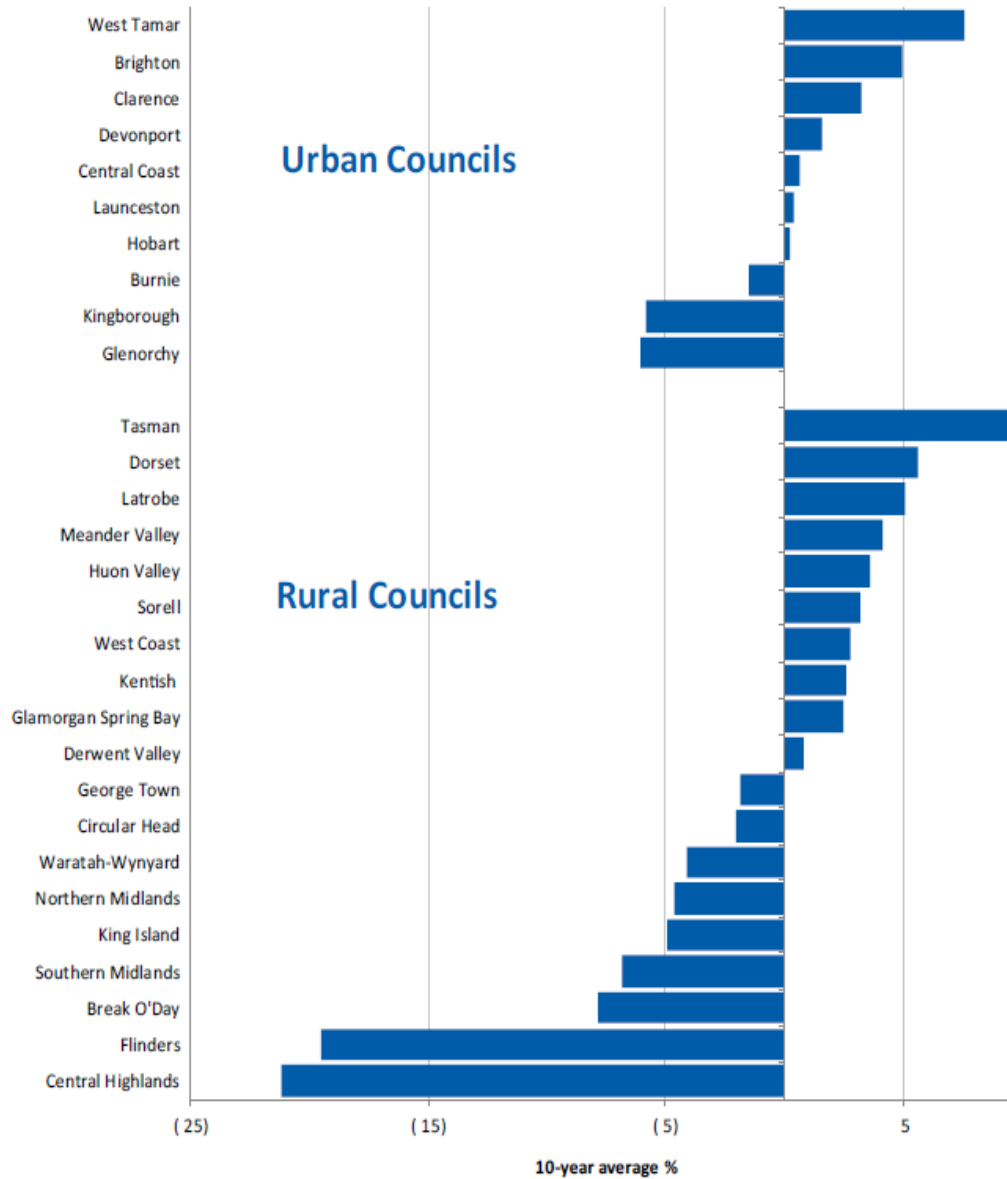
## Five ratios:

- Underlying result ratio
- Asset sustainability ratio
- Asset renewal funding ratio - roads
- Asset consumption ratio - roads
- Net financial liabilities ratio

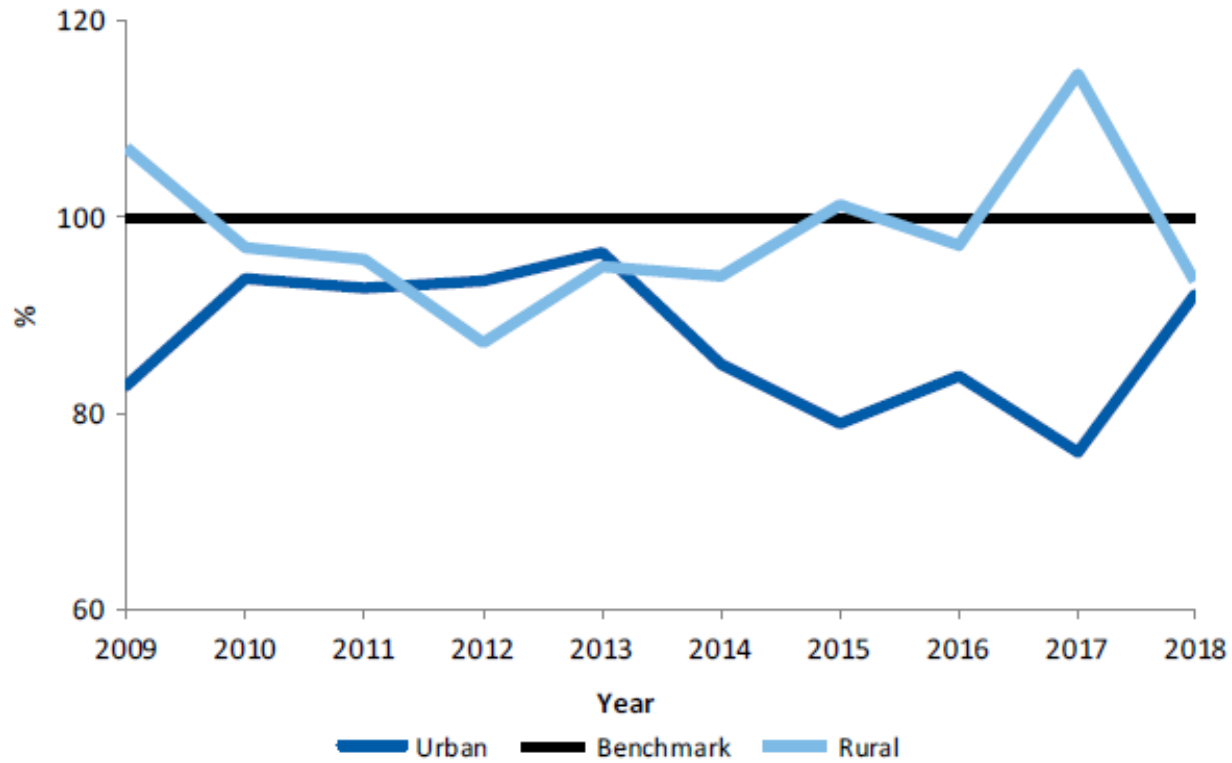
# Underlying surplus ratio



# 10-year Average Underlying surplus ratio



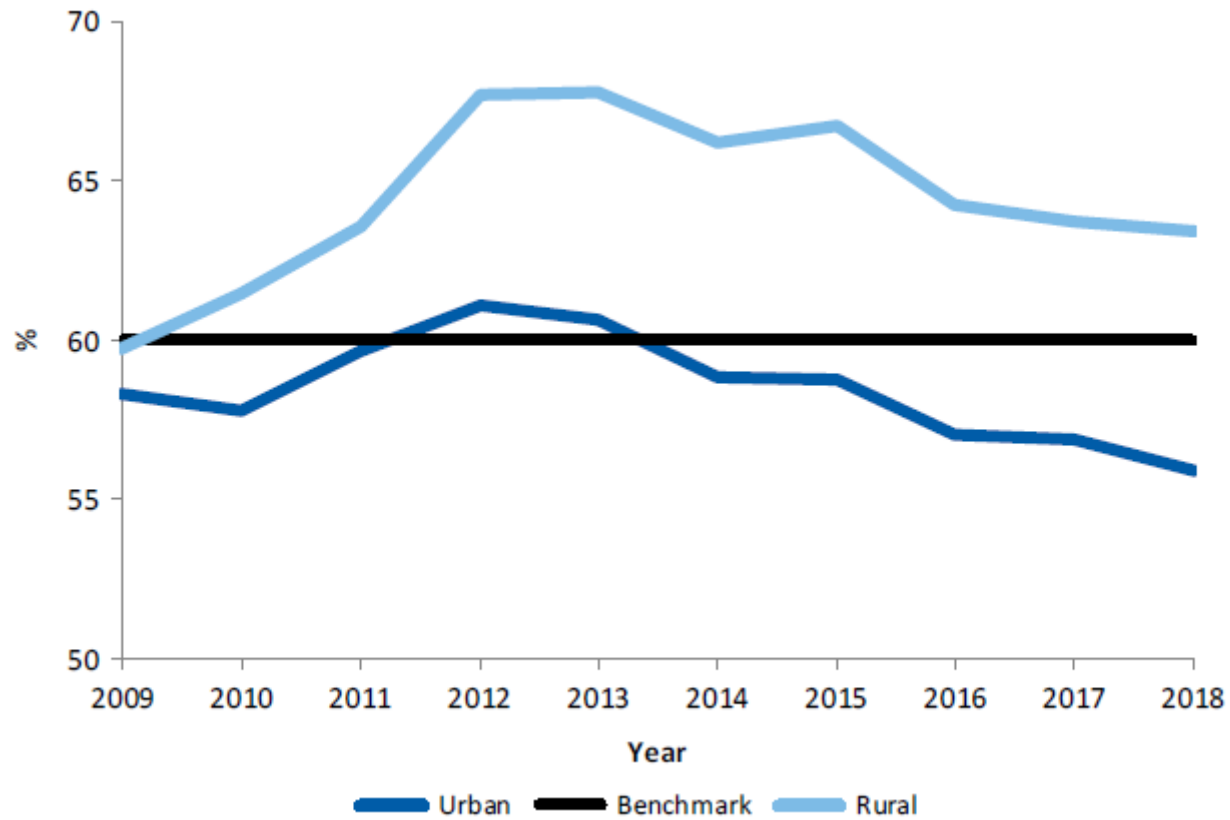
# Asset sustainability ratio



# Road asset renewal funding ratio

Range	2011	2012	2013	2014	2015	2016	2017	2018
≥90	9	11	20	22	23	27	28	26
<90	1	3	2	1	2	0	0	2
no asset management plan	19	15	7	6	4	2	1	1

# Road asset consumption ratio



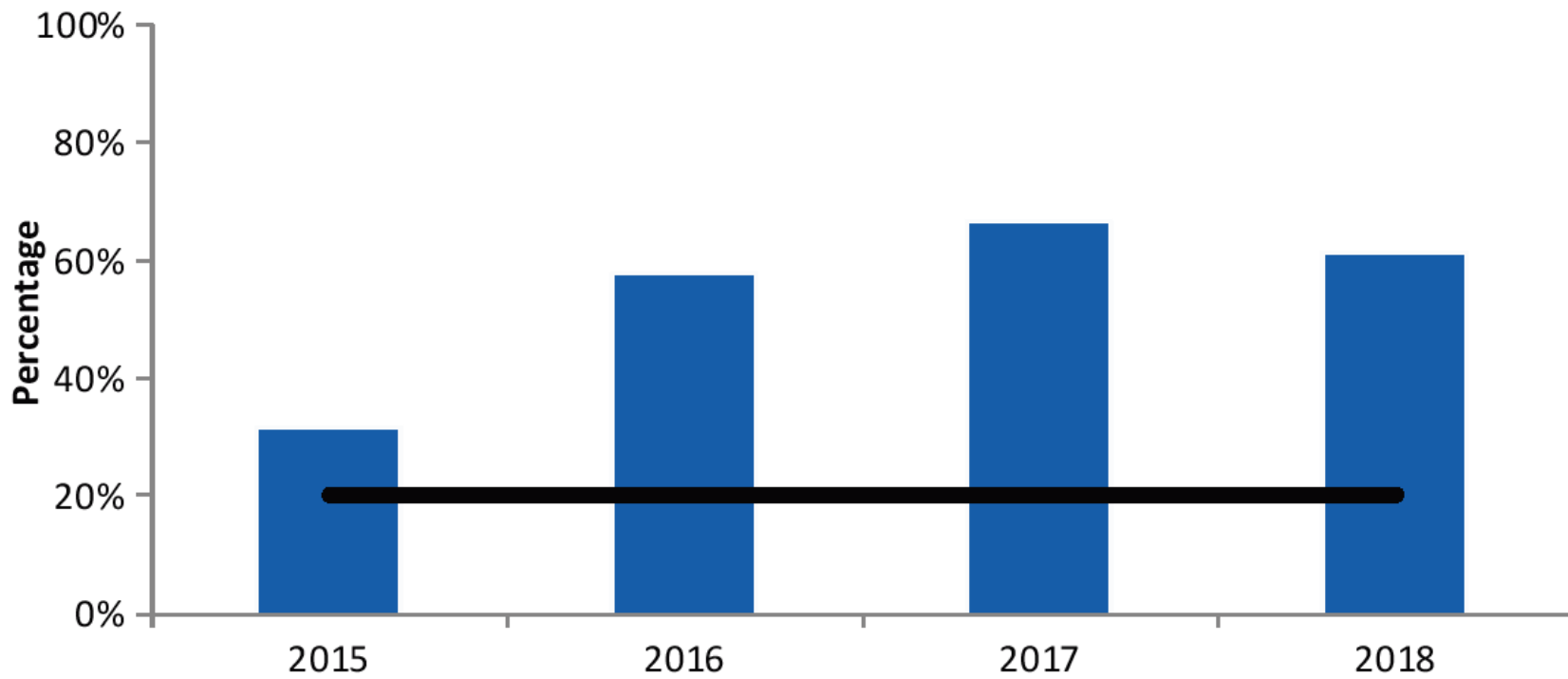


# Glenorchy City Council (GCC)

- During 2017-18 concerns raised on the Councils financial sustainability including:
  - Solvency
  - Structural deficits
- We looked at a number of measures covering:
  - Solvency
  - Liquidity
  - Budget position

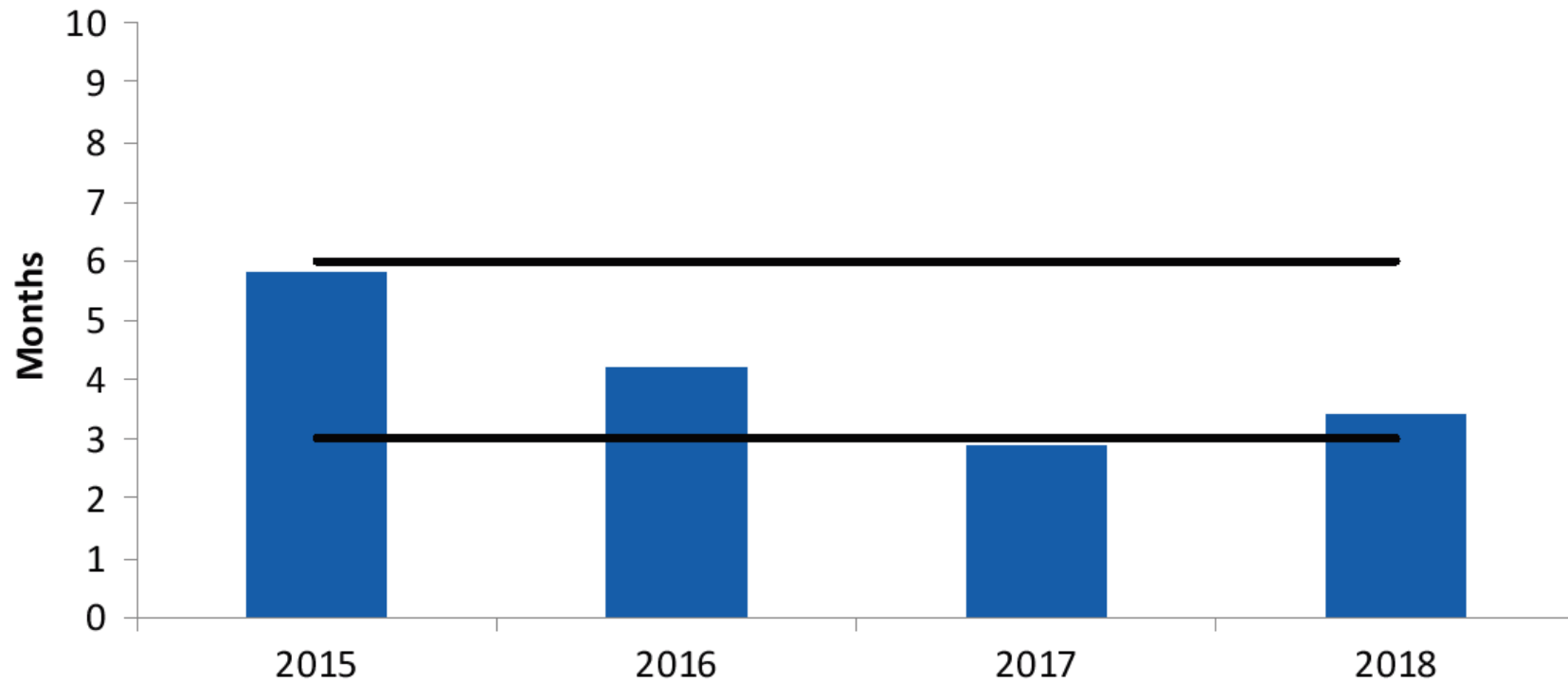
# GCC Solvency

Solvency ratio



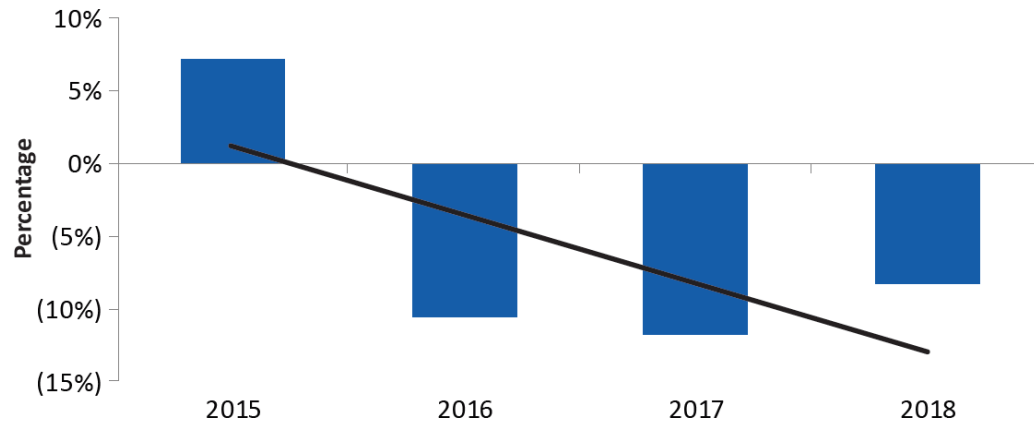
# GCC Liquidity

Cash expense cover ratio

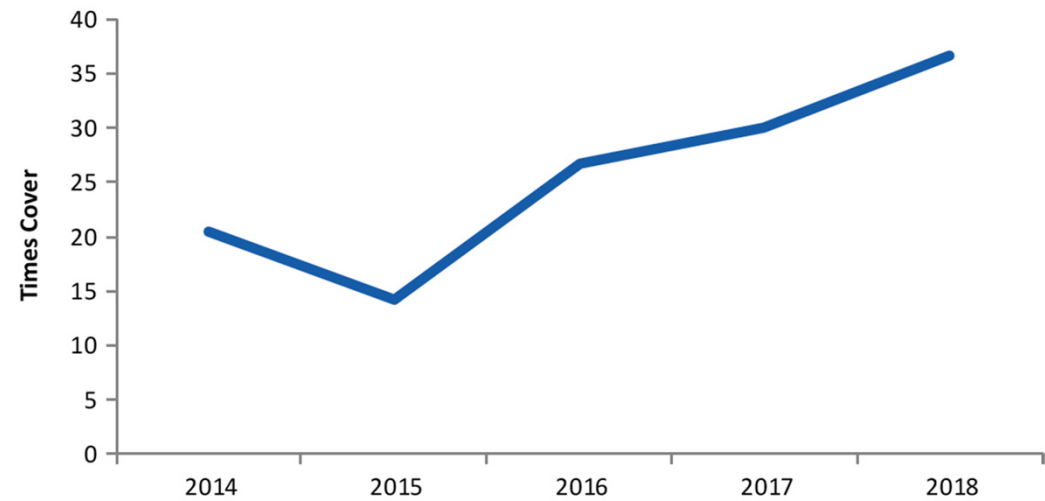


# GCC Liquidity

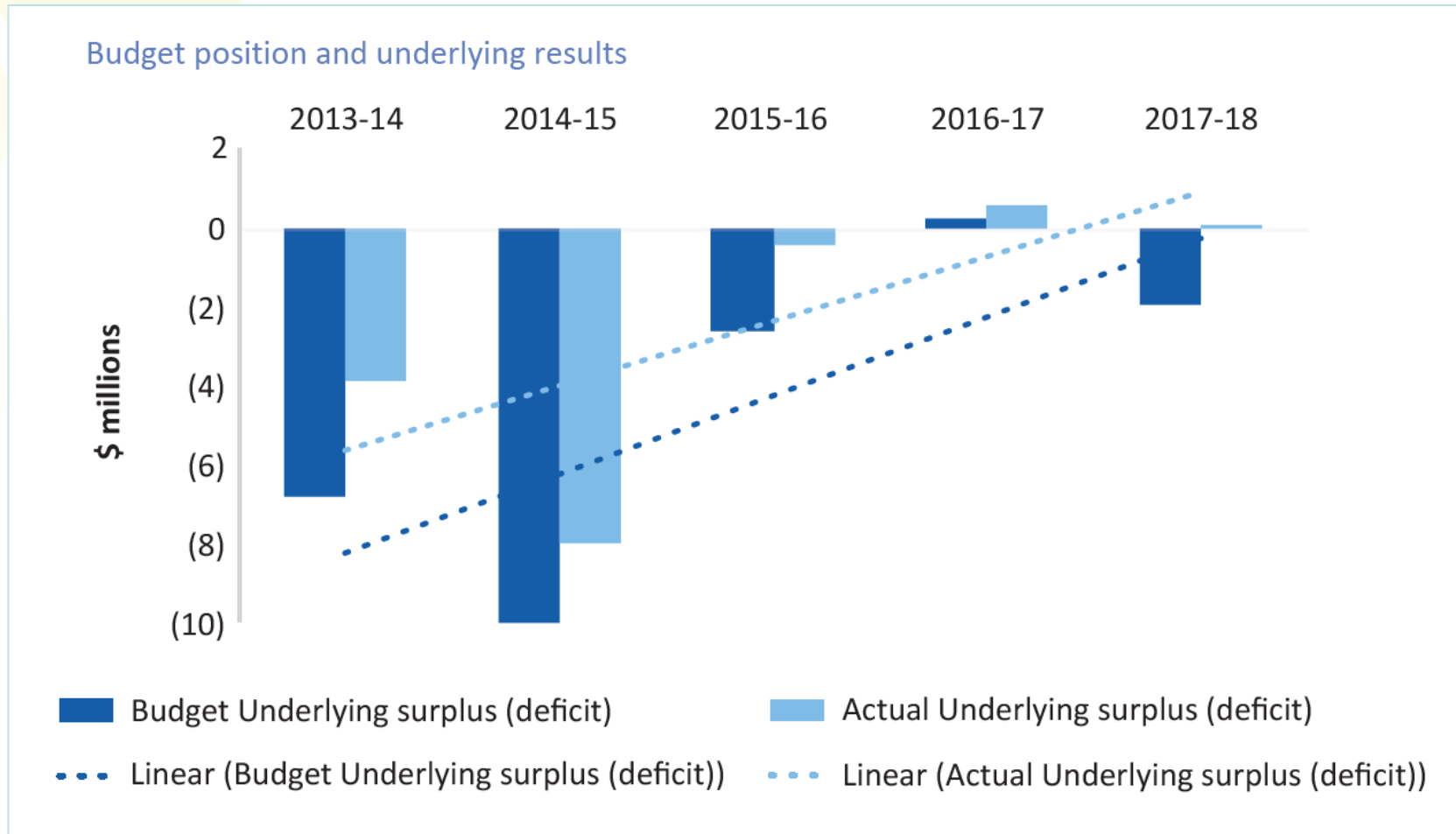
Net financial liabilities ratio



Interest cover ratio

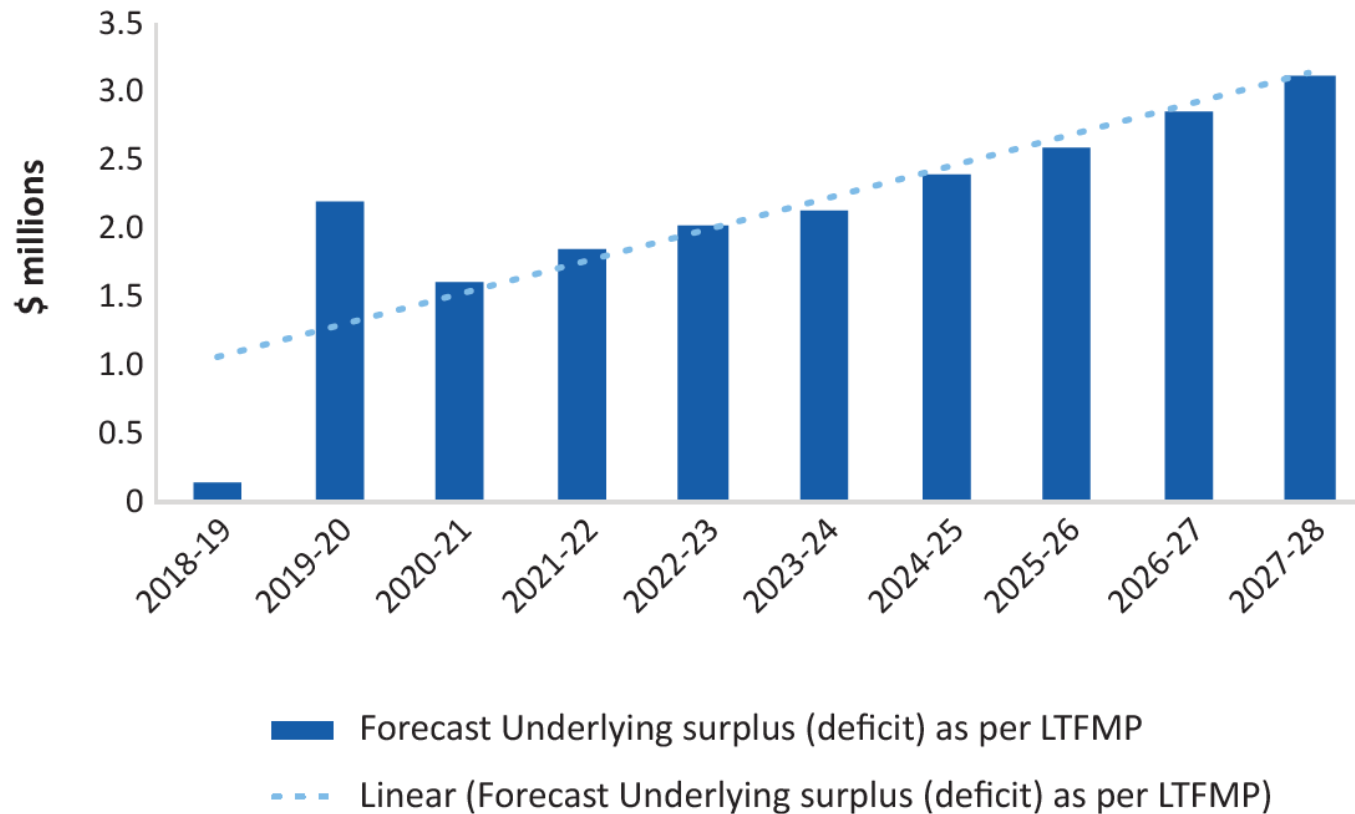


# GCC Budget Position



# GCC Budget Position

Figure 20: Long-term financial management plan (LTFMP) (unaudited)



# GCC Summary

- At 30 June 2018 Council could:
  - meet its long-term debts
  - had sufficient cash to meet expenses
  - had some capacity to borrow if the need arose
  - had steadily improved its underlying results which, was expected to continue into the future.
- Council identified a number of possible contingencies - in a worst case sense could negatively impact its position past 30 June 2018.
- Council could potentially leverage off its capacity to borrow to meet some contingencies. This would negatively impact its cash expense ratio and underlying results.





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